Pension Advisory Act 5 of 2017

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PSEA PENNSYLVANIA STATE EDUCATION ASSOCIATION
The Power of a Great Education

You have a decision to make

If you first become an active member of the Public School Employees' Retirement System (PSERS) on or after July 1, 2019, you will have a choice of three retirement plans.

You will automatically be enrolled as a Class T-G member in a hybrid retirement plan that has both a defined benefit (DB) and a defined contribution (DC) component (see below). For individuals who spend their careers in public education, class T-G offers employees the guaranteed highest monthly benefit and the least risk. **PSERS will notify you and give you a specific date by which you must respond if you want to switch to one of two optional retirement plans. You don't have to do anything to remain a Class T-G member.**

What is the difference between defined benefit (DB) and defined contribution (DC) plans?

- **A defined benefit plan** is a pension. This component of your PSERS retirement guarantees you a specific monthly benefit for life provided you render at least 10 years of service or work until age 67 with at least three years of service.

Years of Service X Final Average Salary X [1.25% or 1.0% depending on the class you choose and when you retire]

- **A defined contribution plan** is like a 401(k). This component of your PSERS retirement is based on the amount of contributions made by you and your employer and the investment performance on those contributions. Your contributions have the potential to grow based on investment earnings, but you are not guaranteed a specific monthly benefit.

Learn more at www.psea.org/pension

This document is intended to provide general information. Your personal details matter. Contact PSERS with specific questions about your unique situation.

What are the options?

The three pension plan options include:

ClassT-G. This option includes both a defined benefit plan and a defined contribution plan. This plan offers the highest possible guaranteed retirement benefit. Both employees and employers, in total, contribute more into the plan than they do under the other options.

Class T-G

- Highest guaranteed benefit
- Less influenced by your investment decisions
- Least risk

Class T-H

- Lower guaranteed benefit compared to Class T-G
- More influenced by investment decisions
- More risk than Class T-G

Class T-H. Like T-G, this option includes both a defined benefit plan and a defined contribution plan. Both employees and employers, in total, contribute less than they do under class T-G, but the benefit will be lower.

Class DC. This option does not include a defined benefit plan and includes only a defined contribution plan. Employees contribute the same amounts as they do under class T-H.

Class DC

- No guaranteed pension benefit
- Most influenced by investment decisions
- Most risk

Who contributes to the plan options?

Regardless of which option a PSERS member selects, both the employee and the employer pay a percentage of an employee's compensation into the fund. Here are the employee and employer contributions for each option. The amount the employer pays into the defined benefit plan can change from year-to-year.

Pension Plan Option	Employee Contribution (Total)	Employer Contribution (Into DC Plan)
T-G	9.0%	2.25%
T-H	8.25%	2.0%
DC	7.5%	2.0%

Think of it this way…

Meet Ellie

One of the best ways to see how these three options compare is to apply them to a person who works in the same kind of job as you do.

So, imagine a person named Ellie, who is a bus driver and who has worked for 35 years with a final average salary of $64,433.

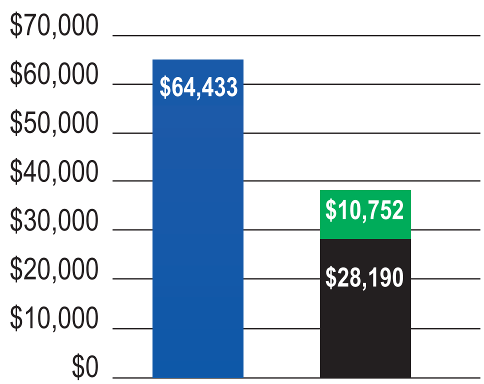
KEY FACTS ABOUT ELLIE

- Starting Salary: **$25,000 (Year 1)**
- Years of Service: **35**
- Final Average Salary (FAS): **$64,433 (year 35)**
- Age: **62**
- Annual Investment Return: **6.1%**
- Bought annuity (guaranteed monthly payment with her DC balance at retirement)

Here's what Ellie's retirement would look like under each of the three options.

Class T-G

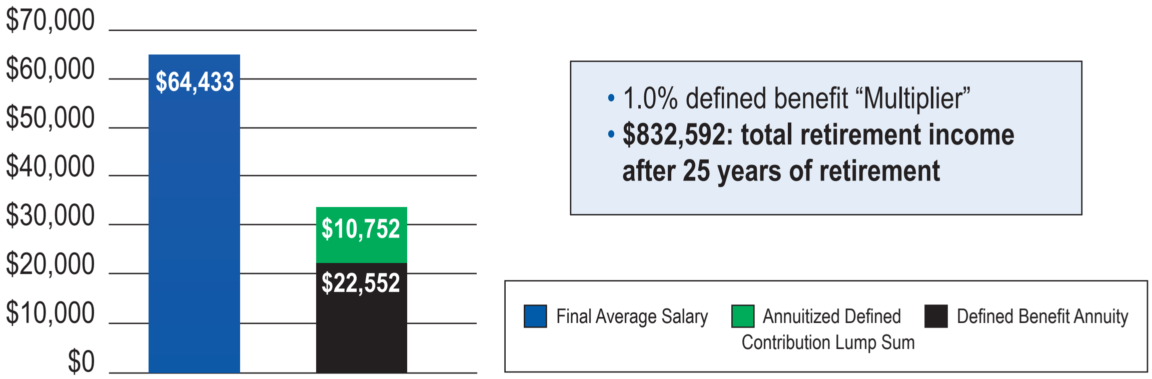
$38,942 Annual Income in Retirement
60% of Final Average Salary (FAS)



- 1.25% defined benefit "Multiplier"
- **$973,540: total retirement income after 25 years of retirement**

Class T-H

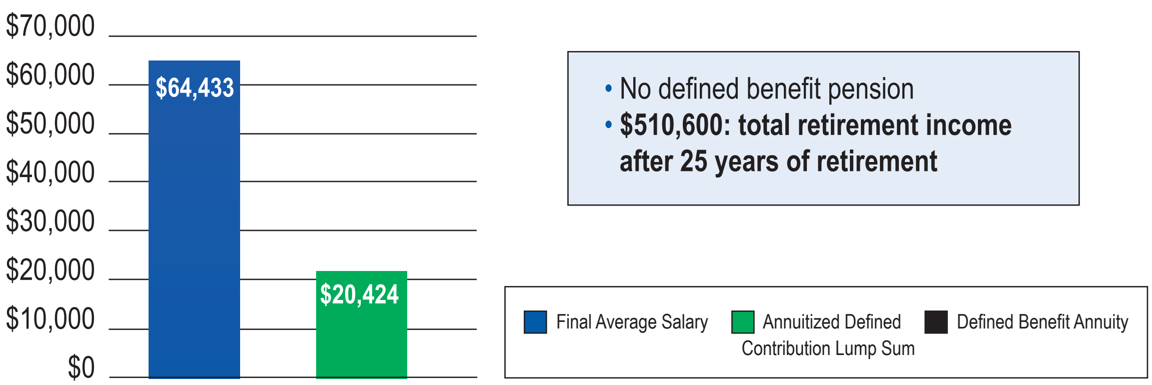
$33,304 Annual Income in Retirement
52% of Final Average Salary (FAS)



- 1.0% defined benefit "Multiplier"
- **$832,592: total retirement income after 25 years of retirement**

Class DC

$20,424 Annual Income in Retirement
32% of Final Average Salary (FAS)



- No defined benefit pension
- **$510,600: total retirement income after 25 years of retirement**

Disclaimer: *PSEA provides this information to new and potential members for general education about pension options. This flyer is not intended and should not be used for the purpose of making specific investment and/or retirement decisions. PSEA and its staff believe the information is correct but do not guarantee its accuracy. The "Annuitized Defined Contribution Lump Sum" is the monthly annuity in exchange for the amount of money that would be available from the DC component of the retirement benefit. The monthly annuity used in this example is based on assumptions that will vary over time and would change the projected amount of the annuity.*