

OCTOBER 10, 2017
NCTR 95th Annual Conference
Challenges & Hard Decisions
Panelist Mel Vogler, Pennsylvania PSERS

- **Challenges facing pension systems**
- **New pension legislation implementation: Governor Wolf signed additional pension legislation (Act 5 of 2017) into law on June 12, 2017. Effective date for new plan design July 1, 2019**
- **Who we are currently...**
- A defined benefit plan with 4 different membership classes
 - Class TC - Pre-Act 9 of 2001
 - Class TD – Act 9 of 2001
 - Class TE and Class TF - Act 120 of 2010 added a defined contribution element by putting in place “shared risk” for new members hired on or after July 1, 2011

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- **Who we are on July 1, 2019...**
- A legacy defined benefit plan with 4 membership classes **AND** a hybrid db/dc benefit plan with two membership classes AND a separate defined contribution only plan (401a)
 - Class TC - Pre-Act 9 of 2001
 - Class TD – Act 9 of 2001
 - Class TE and Class TF - Act 120 of 2010
 - **Class TG – Act 5 of 2017 (Default plan)**
 - **Class TH – Act 5 of 2017**
 - **DC participant – Act 5 of 2017**
- **Impact on members:** Act 5 has no impact on class TC or TD active members and minimal impact on class TE and TF; No impact on retired members
- Current members who are active on July 1, 2019 will have a one-time, irrevocable right to elect into any of the three new plans within 90 days after notice

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- **Other Significant Changes in Act 5 pension legislation:**
 - Creates the Pension Management and Asset Review Commission
 - Employer funding mandate protection
 - Employer must allow leave to Board members to attend Board meetings
 - Establishes Board training requirements of 8 hours per year
 - Delinquent employers will be charged interest at the assumed rate of return
 - Secretary of Banking and Securities is added as Board member, ex officio; gubernatorial appointments are reduced from 2 to 1
 - Board becomes an independent agency under the Commonwealth Attorneys Act and the Board will have full authority to hire its own legal counsel

Comparison of Benefit Design for New Employees

	Current Law	Option 1:		Option 2:		Option 3:	
		Default Hybrid		Alternate Hybrid		DC Only	
	DB ONLY	DB	DC	DB	DC	DC	
Employee Contribution Rate	<i>PSERS</i> 7.50%	5.5%	2.75%	4.5%	3.0%	7.50%	
Contribution Rate	<i>SERS</i> 6.25%	5.0%	3.25%	4.0%	3.5%		
Vesting Period	10 years	10 years	3 years	10 years	3 years	3 years	
Benefit Accrual Rate	2.00%	1.25%	n/a	1.0%	n.a.	n.a.	
Superannuation	Age 65 with 3 years credit or service plus age that equals 92	Age 67 with 3 years credit or service plus age that equals 97		Age 67 with 3 years credit or service plus age that equals 97		n.a.	
Final Average Salary	Highest 3 years	Highest 5 years		Highest 5 years		n.a.	
Employer Contribution Rate	Actuarially Determined	Actuarially determined	2.25%	Actuarially determined	2.0%	<i>PSERS</i>	2.0%
						<i>SERS</i>	3.5%

Notes: Current law employee contribution and benefit accrual rates exclude optional buy-up. Superannuation for Class T-H is age 67 with a minimum of 3 years of service credit (rule of 97 does not apply to this class).