

State Employees' Retirement System

2012 Key Financial Results



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Defined Benefit Plan

Changes in Net Position Available for Benefits (\$ millions)

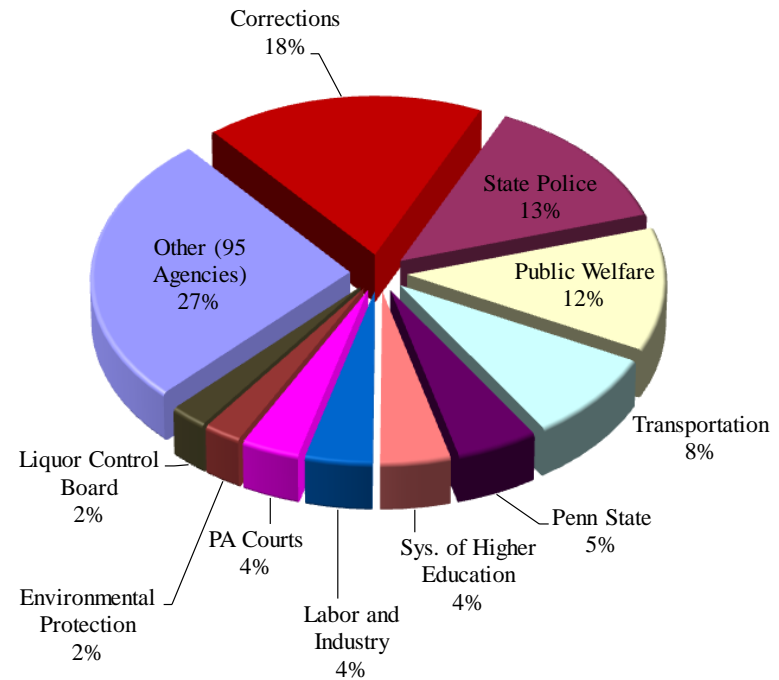
	2012	2011	Change	
			\$	%
Net Position - Beginning	\$ 24,377	\$ 25,886		
Contributions	913	743	\$ 170	23%
Net Investment Income	2,795	480	2,315	482%
Less:				
Benefit Payments and Refunds	2,674	2,705	(31)	-1%
Administrative Expenses	22	27	(5)	-19%
Net Increase/(Decrease)	1,012	(1,509)		
Net Position - End of Year	<u>\$ 25,389</u>	<u>\$ 24,377</u>		



Contribution Highlights For the Year Ended December 31, 2012

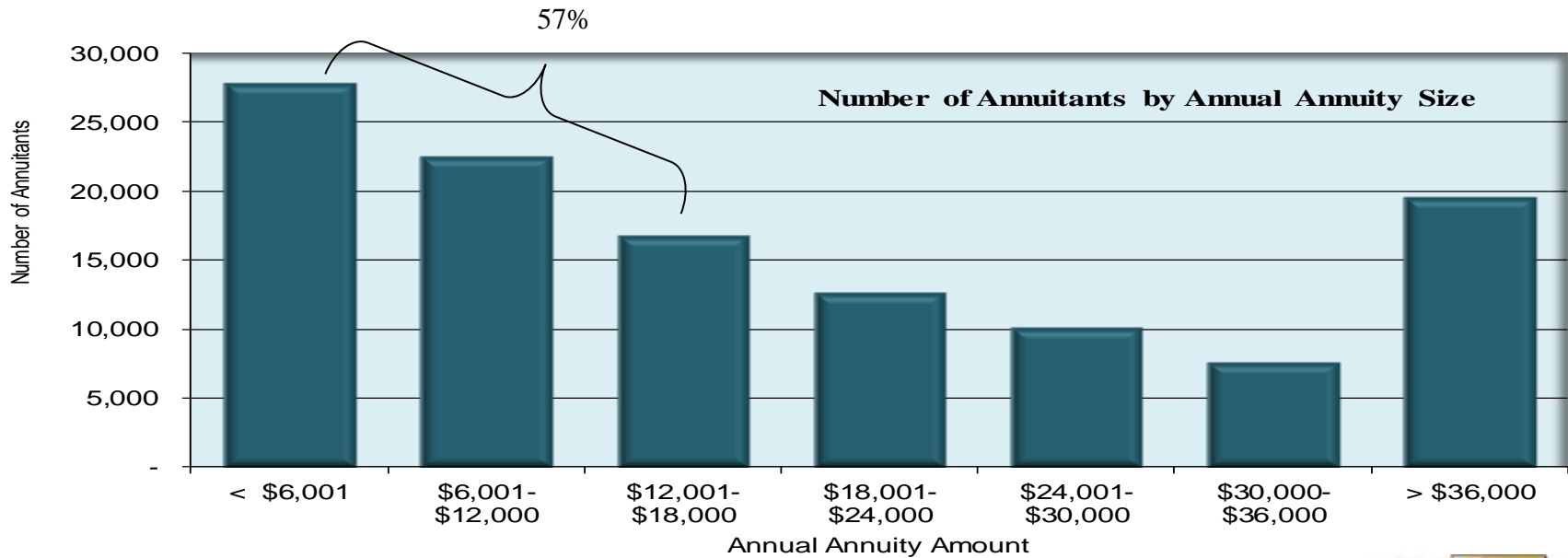
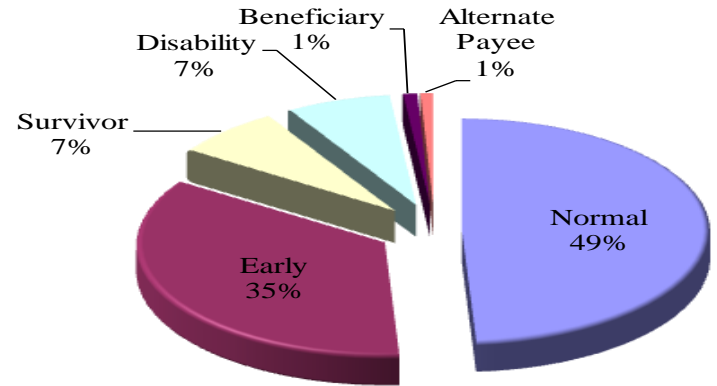
<u>Agency</u>	<u>Employer Contributions (\$ millions)</u>	<u>Active Members</u>
Corrections	\$ 102	15,682
State Police	76	6,012
Public Welfare	68	16,764
Transportation	48	12,729
Penn State	28	6,368
Sys. of Higher Education	24	5,123
Labor and Industry	23	5,474
PA Courts	20	2,018
Environmental Protection	13	2,632
Liquor Control Board	13	4,141
Other (95 Agencies)	150	29,105
Total Employer	\$ 565	106,048
Member Contributions		
All 105 Agencies	\$ 348	
Total Contributions	\$ 913	

Top 10 Contributing Employers as a Percent of Total Contribution Dollars



Annuity Payroll as of December 31, 2012

Retirement Type	Number of Annuitants	Average Annual Annuity
Normal	57,439	\$ 25,083
Early	41,182	15,225
Survivor	8,349	10,805
Disability	8,052	14,291
Beneficiary	1,082	13,147
Alternate Payee	957	9,622
Total	117,061	\$ 19,900

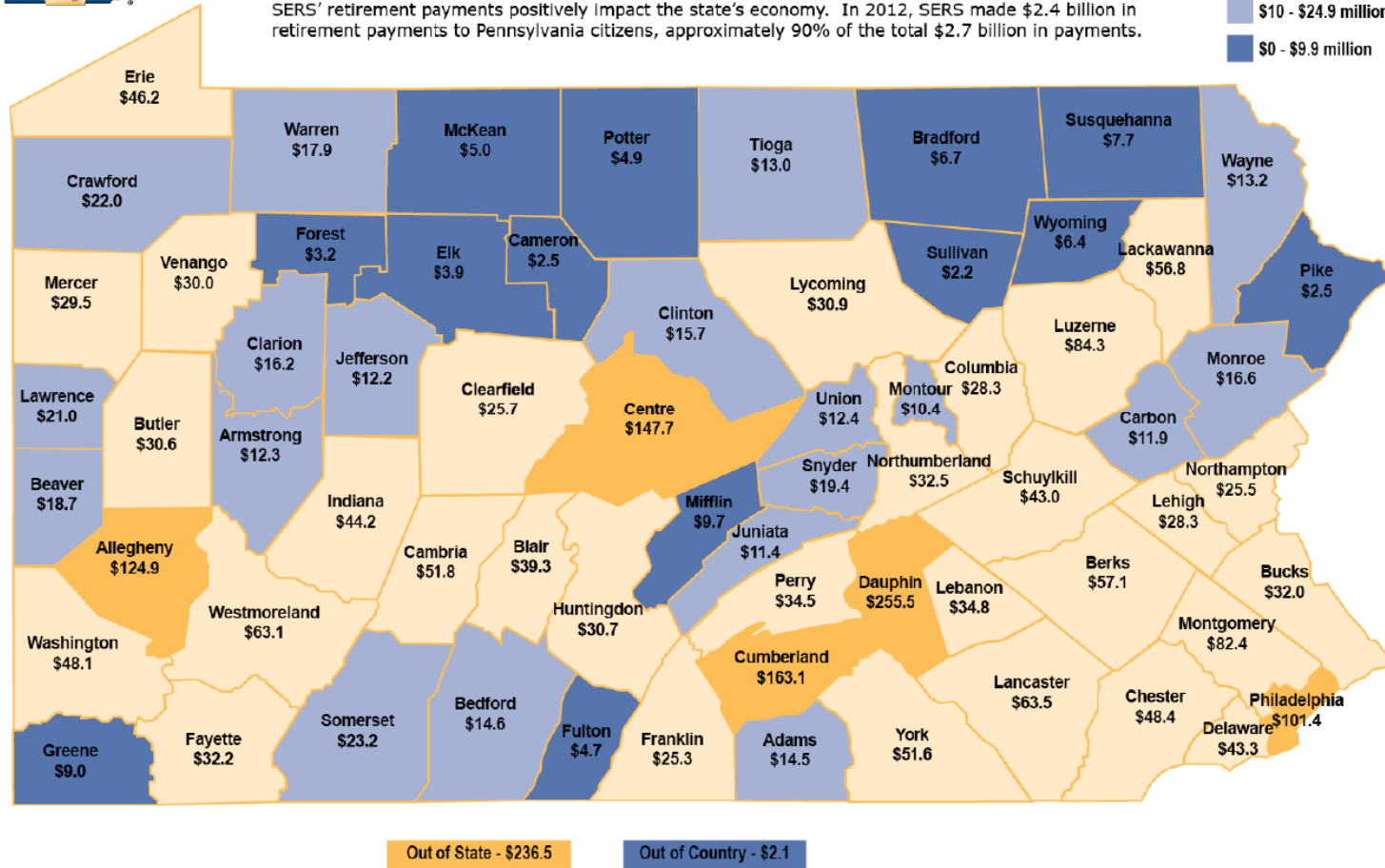
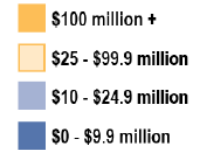


Defined Benefit Plan

Pennsylvania State Employees' Retirement System 2012 Retirement Payments By County (\$ millions)



SERS' retirement payments positively impact the state's economy. In 2012, SERS made \$2.4 billion in retirement payments to Pennsylvania citizens, approximately 90% of the total \$2.7 billion in payments.



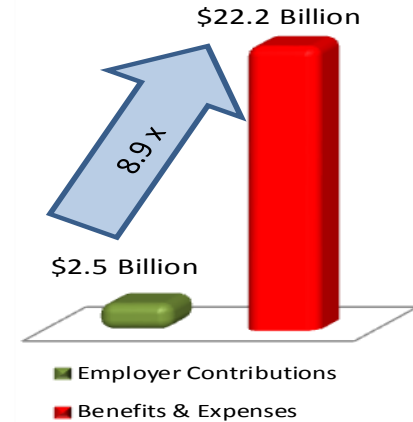
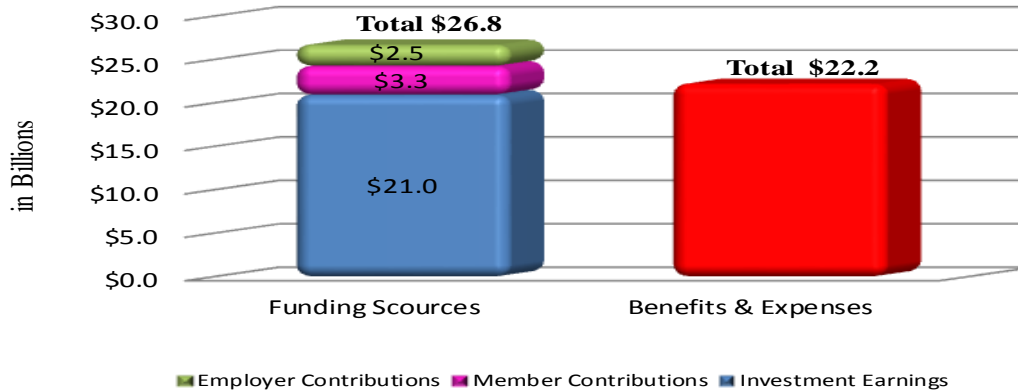
SERS 01-30-13



Defined Benefit Plan

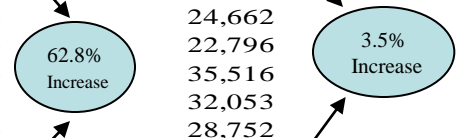
Ten Year Funding and Payment Activity

Funding by Source vs. Benefits and Expenses Paid



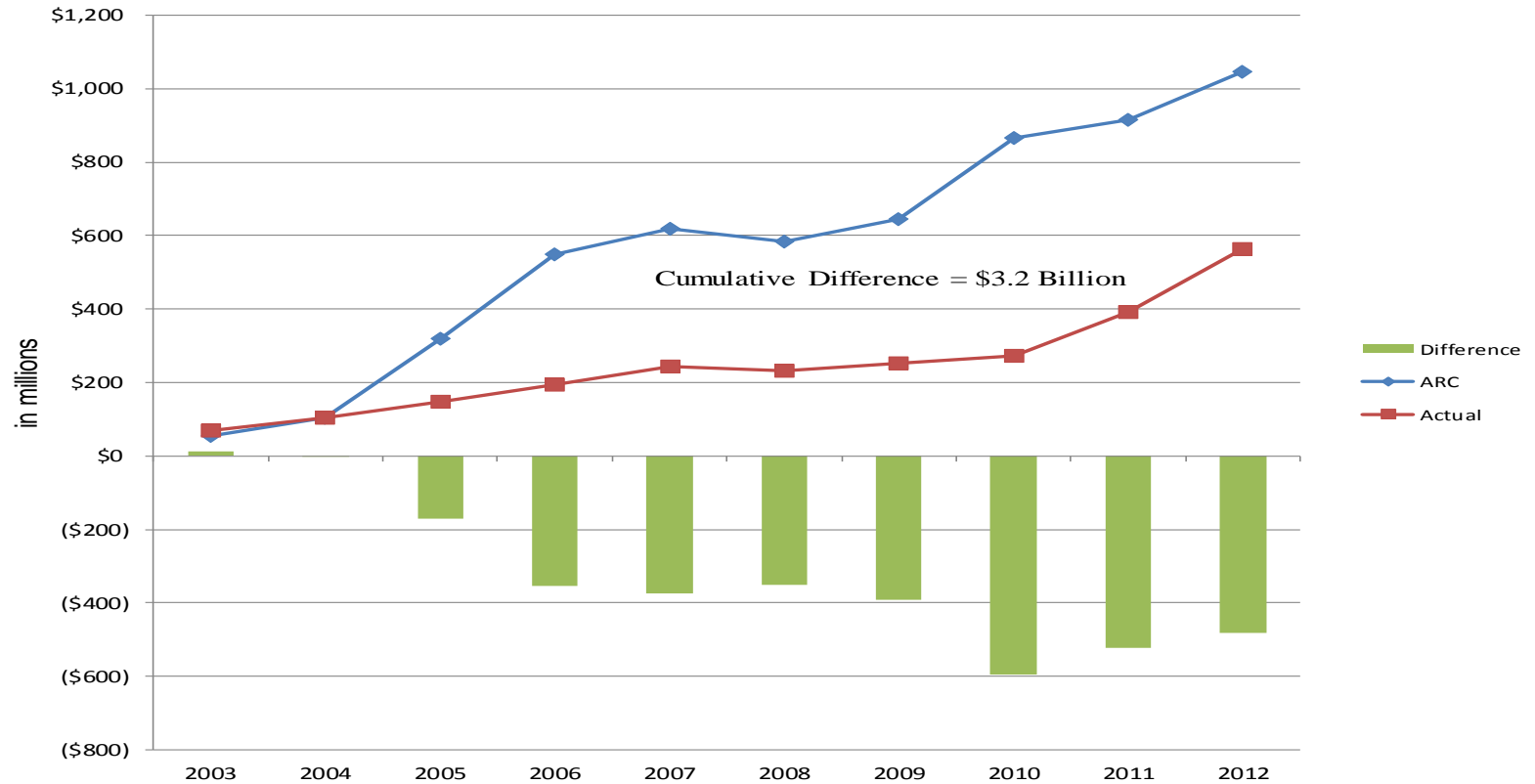
Statement of Change Activity by year (in millions)

Calendar Year	Contributions			Investment Earnings	Benefits and Expenses	Fair Value
	Employer	Member	Total			
2012	\$565	\$348	\$913	\$2,795	\$(2,696)	\$25,389
2011	392	351	743	480	(2,732)	24,377
2010	273	349	622	\$3,076	(2,474)	25,886
2009	253	349	602	3,561	(2,297)	24,662
2008	235	337	572	(11,061)	(2,231)	22,796
2007	244	334	578	5,246	(2,361)	35,516
2006	196	318	514	4,730	(1,943)	32,053
2005	148	306	454	3,623	(1,966)	28,752
2004	107	310	417	3,568	(1,880)	26,641
2003	68	308	376	4,936	(1,656)	24,536
10 Yr. Total	\$2,481	\$3,310	\$5,791	\$20,954	\$(22,236)	



Defined Benefit Plan

Annual Required Contributions (ARC) vs. Actual Contributions



Defined Benefit Plan

Projected Funding Levels and Contribution Rates ^{1/}

(Dollar Amounts in Millions)

Valuation Year Ended Dec 31	Funded Ratio	Fiscal Year	Covered Payroll	Employer Normal Cost Rate	Unfunded Liability Rate	Preliminary Employer Contribution Rate	Final Employer Contribution Rate ^{2/}	Employer Contribution Dollars
2012	58.8	13/14	\$ 5,836	5.01 %	26.21 %	31.22 %	16.00 %	\$934
2013	58.6	14/15	6,014	5.01	26.22	31.23	20.50	1,233
2014	58.0	15/16	6,198	5.01	26.69	31.70	25.00	1,549
2015	57.6	16/17	6,387	5.01	26.97	31.98	29.50	1,884
2016 ^{3/}	58.6	17/18	6,582	5.01	26.42	31.43	31.43	2,069
2017	59.8	18/19	6,782	5.01	25.81	30.82	30.82	2,091
2018	61.0	19/20	6,989	5.01	25.12	30.13	30.13	2,106
2019	62.3	20/21	7,202	5.01	24.44	29.45	29.45	2,121
2020	63.5	21/22	7,422	5.01	23.79	28.80	28.80	2,137
2021	64.7	22/23	7,649	5.01	23.15	28.16	28.16	2,154
2022	65.9	23/24	7,882	5.01	22.54	27.55	27.55	2,171
2023	67.1	24/25	8,122	5.01	21.94	26.95	26.95	2,189

^{1/} Rates and values are for the fiscal year beginning July 1st following the valuation year and do not include the Benefit Completion Plan contribution.

^{2/} Act 2010-120 amended the Retirement Code to place a collar on increases to employer contribution rate of 3.00% and 3.50% for fiscal years beginning July 1, 2011 and 2012, respectively. The employer contribution rate will be collared at 4.50% for fiscal year beginning July 1, 2013 and thereafter until collar becomes unnecessary.

^{3/} Act 2010-120 amended the Retirement Code to place a permanent floor at employer normal cost after collars expire.

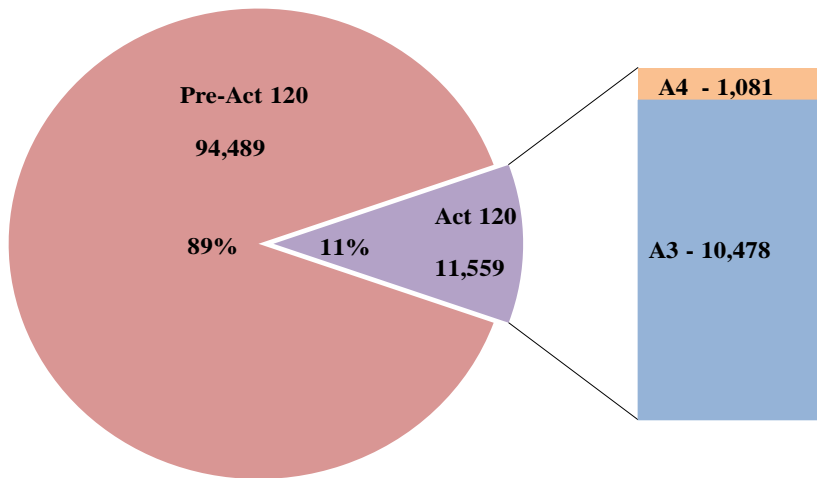


Active Member Profile

Number of Pre-Act 120 vs. Act 120 Members

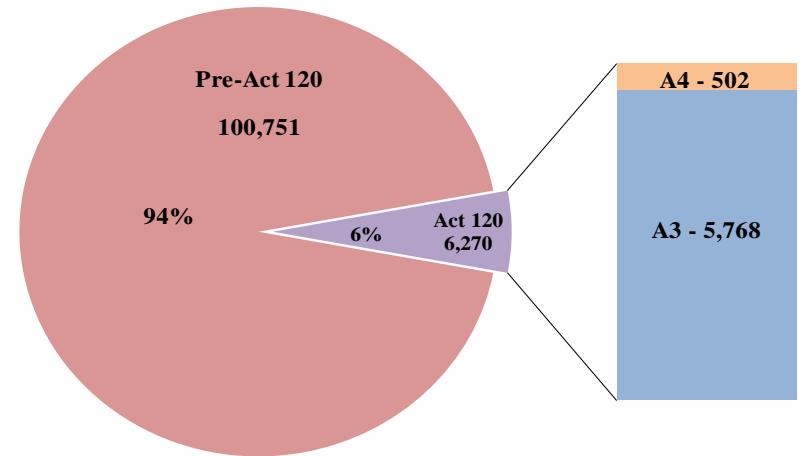
As of December 31, 2012

Total Active Member Count
106,048



As of December 31, 2011

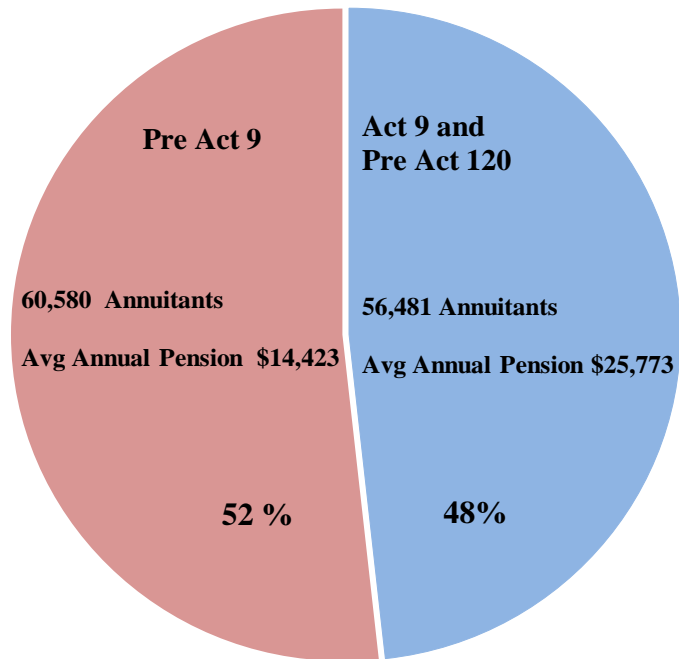
Total Active Member Count
107,021



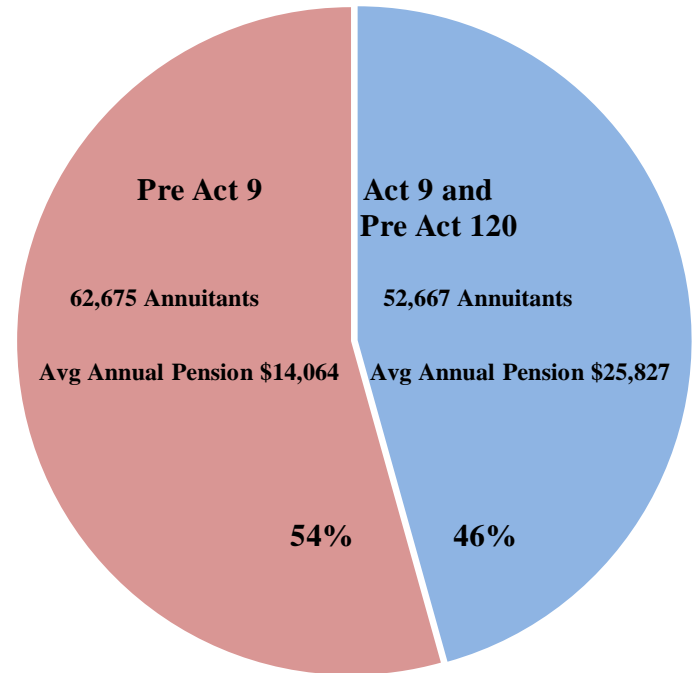
Annuitant Member Profile

Number of Annuitants by Major Legislative Provision
and
Average Annual Pension

2012



2011



Changes in Net Position Available for Benefits (\$ millions)

	2012	2011	Change	
			\$	%
Net Position - Beginning	\$ 2,206	\$ 2,073		
Contributions	122	137	(15)	-11%
Net Investment Income	193	60	133	222%
Less:				
Benefits, Refunds & Transfers	86	61	25	41%
Third Party and Admin. Expenses	3	3	-	0%
Net Increase/(Decrease)	226	133		
Net Position - End of Year	\$ 2,432	\$ 2,206		



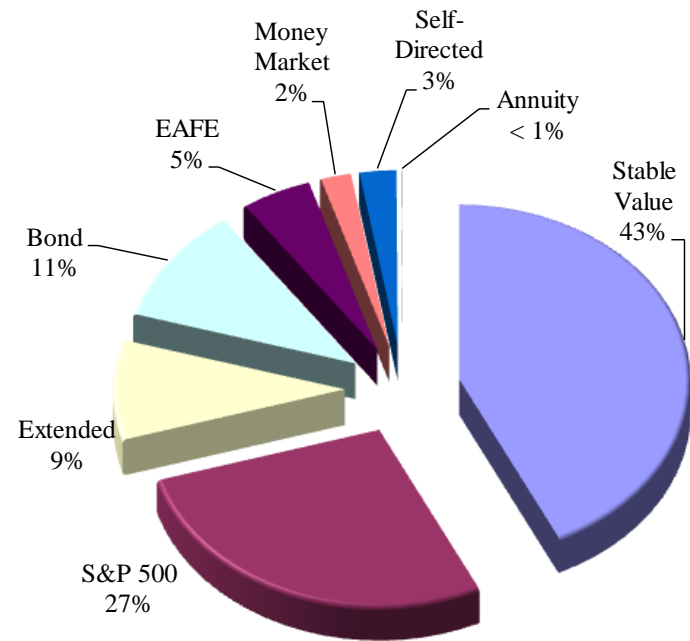
Deferred Compensation Program

Fund Balances

(\$ millions)

	<u>2012</u>	<u>2011</u>	<u>Allocation %</u>	
			<u>2012</u>	<u>2011</u>
Stable Value	\$1,041	\$971	43%	44%
S&P 500 Index	668	607	27%	28%
Extended Market	222	197	9%	9%
Bond Index	260	221	11%	10%
EAFE Equity Index	120	100	5%	5%
S-T Money Market	52	53	2%	2%
Self-Directed Brokerage	63	51	3%	2%
Annuity Contract	<u>2</u>	<u>2</u>	<u>0%</u>	<u>0%</u>
Total	<u>\$2,428</u>	<u>\$2,202</u>	<u>100%</u>	<u>100%</u>

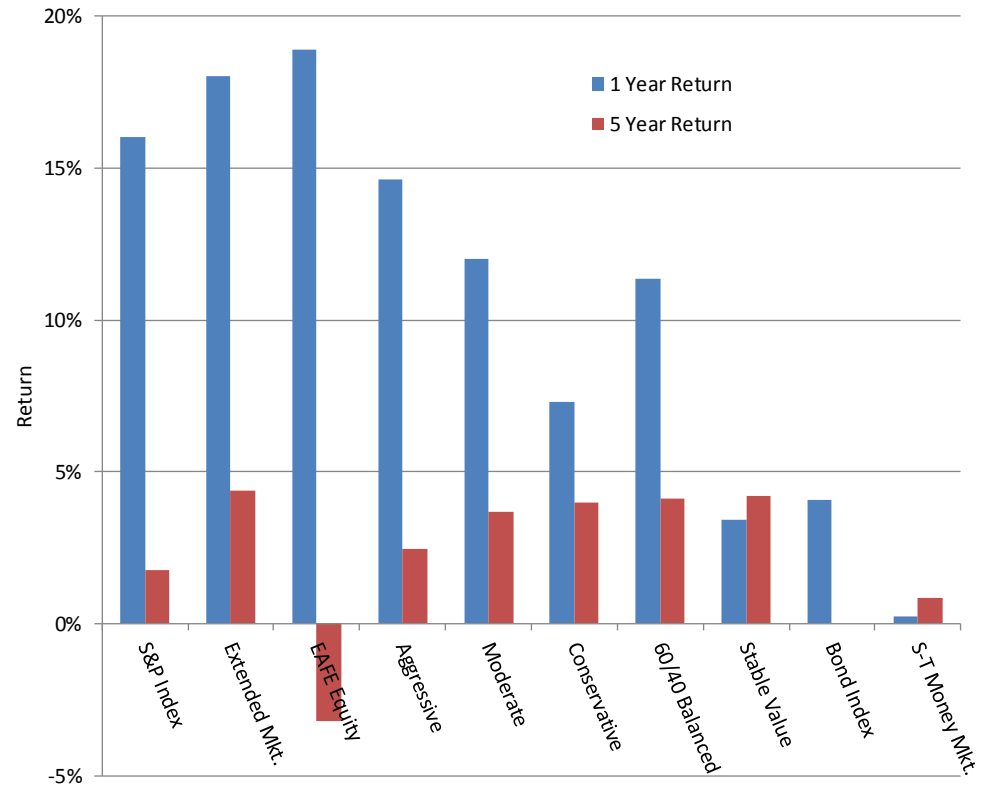
Allocation as of December 31, 2012



Deferred Compensation Program

Fund Returns As of December 31, 2012

FUND	1 Year Return	5 year Average Return	Since Inception Average Return
<u>EQUITY</u>			
S&P Index <i>Large Cap</i>	16.04%	1.75%	8.58%
Extended Market <i>Med/Small Cap</i>	18.05%	4.38%	7.41%
EAFE Equity Index <i>International</i>	18.92%	-3.19%	3.92%
<u>PROFILE SERIES</u>			
Aggressive	14.62%	2.48%	6.94%
Moderate	12.03%	3.68%	6.73%
Conservative	7.31%	4.01%	5.49%
<u>ASSET ALLOCATION</u>			
60/40 Balanced	11.37%	4.10%	5.59%
<u>FIXED INCOME</u>			
Stable Value	3.42%	4.21%	5.19%
Bond Index <i>Aggregate Bond</i>	4.07%	N/A	4.49%
<u>CASH</u>			
Short-Term Money Market	0.24%	0.83%	3.84%

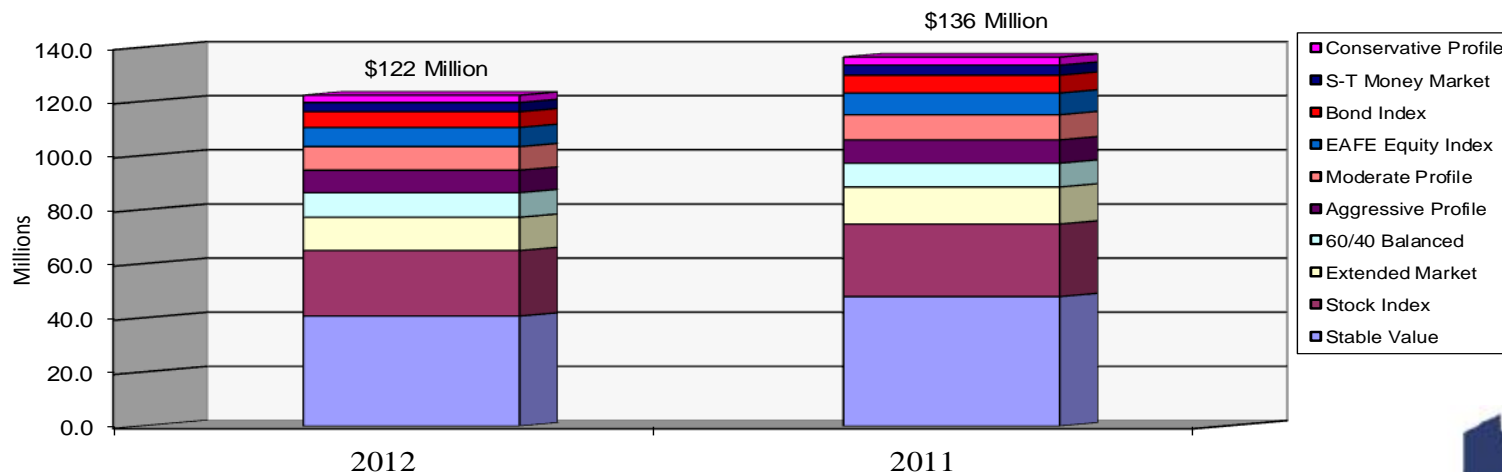


Deferred Compensation Program

Contributions by Fund for the years ended December 31, 2012 and 2011 (\$ Millions)

Fund	2012	2011	Increase/ (Decrease)	% Change
Stable Value	\$ 40.7	\$ 47.9	\$ (7.2)	-15%
S&P 500 Index	24.2	26.8	(2.6)	-10%
Extended Market	12.3	13.7	(1.4)	-10%
Moderate Profile	9.1	8.8	0.3	3%
60/40 Balanced	8.3	8.6	(0.3)	-3%
Aggressive Profile	8.7	9.3	(0.6)	-6%
EAFE Equity Index	7.1	8.0	(0.9)	-11%
Bond Index	5.8	6.6	(0.8)	-12%
Short-Term Money Market	3.4	3.7	(0.3)	-8%
Conservative Profile	2.7	3.0	(0.3)	-10%
Total Contributions	\$ 122.3	\$ 136.4	\$ (14.1)	-10%

Annual Contributions



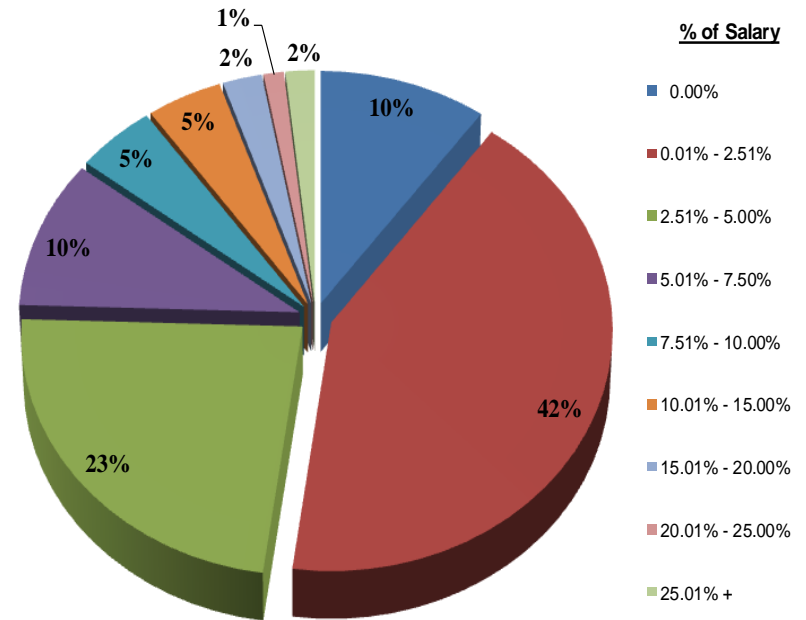
Contribution Levels

Contribution Levels

As of December 31, 2012

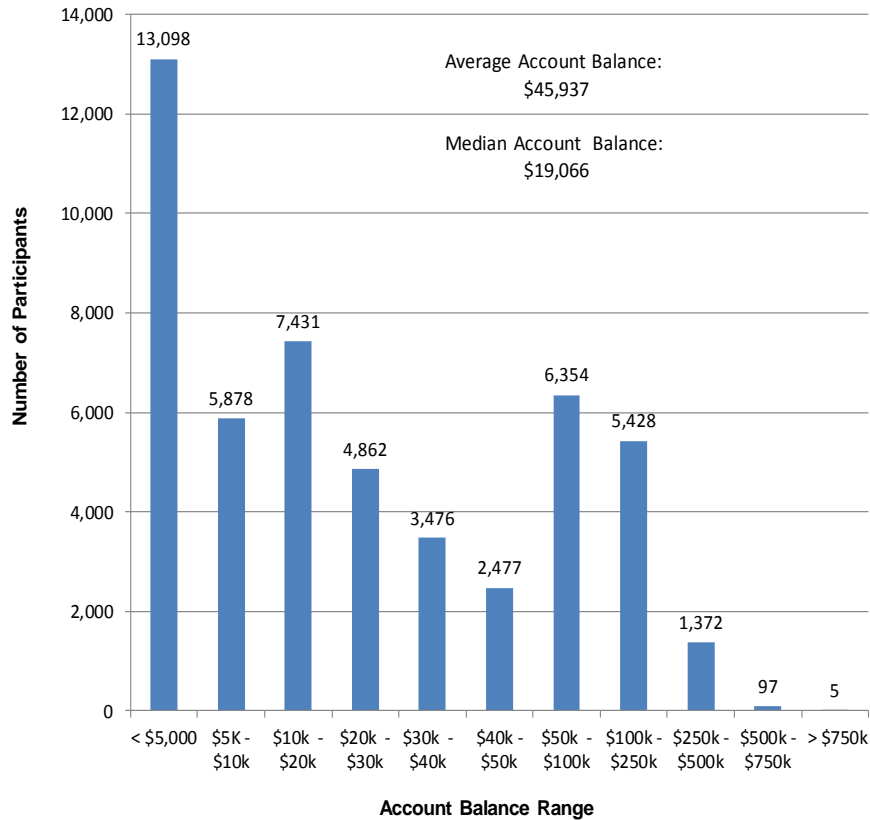
<u>% of Salary</u>	<u># of Participants</u>	<u>Participants by %</u>	<u>Average Annual Contribution</u>
0.00%	3,486	9.96%	\$ -
0.01% - 2.51%	14,772	42.21%	724
2.51% - 5.00%	8,160	23.32%	2,088
5.01% - 7.50%	3,495	9.99%	3,755
7.51% - 10.00%	1,668	4.77%	5,611
10.01% - 15.00%	1,574	4.50%	8,613
15.01% - 20.00%	818	2.34%	13,054
20.01% - 25.00%	422	1.21%	15,507
25.01% +	602	1.72%	19,894
Total Active Participants	34,997		
Average Contribution Percentage and Amount	4.23%		\$ 2,950

% of Participants by Contribution Levels

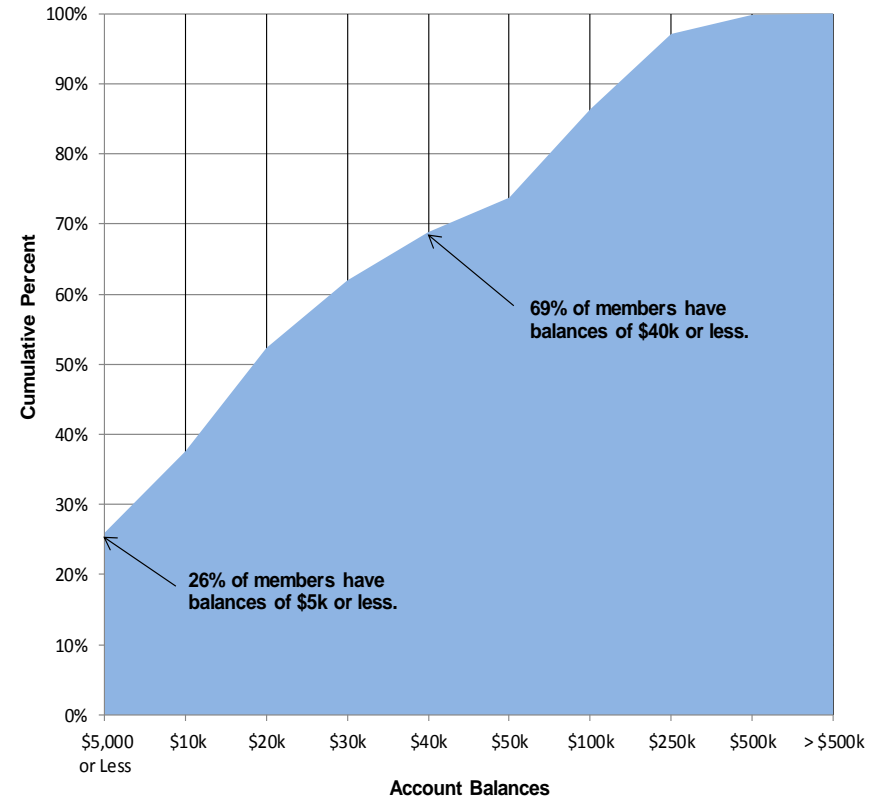


Deferred Compensation Program

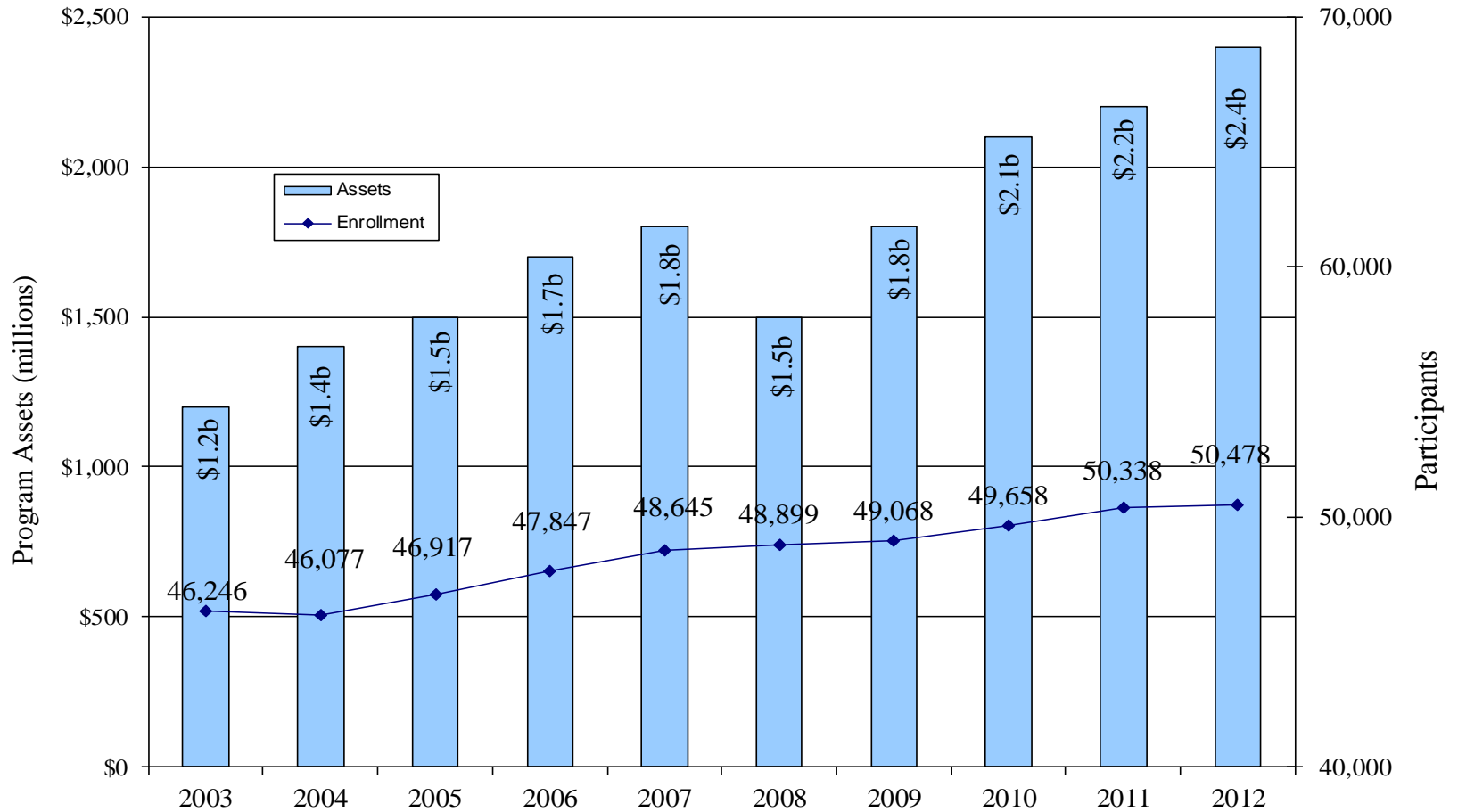
Number of Participants by Account Balance Ranges



Cumulative Participant Population by Balance Threshold



Ten Year Activity



2012 Interesting Facts

Defined Benefit Plan		Deferred Compensation Program	
Avg. Active Member Credited Service	12.0	Total Active Members	34,997
Avg. Active Member Annual Salary	\$ 52,230	Total Non-Active Members	15,481
Avg. Annuitant Age	68.7	Total Member Count	50,478
Avg. Annual Pension for New Retirees	\$ 24,832	Avg. SERS DCP member Account Balance	\$ 45,937
Avg. Ann. Pen. for Ret. Removed from Rolls	\$ 13,095	Avg. *Surveyed DCP Account Balance	\$ 41,000
Ten Yr. Active Member Growth (109,018 to 106,048)	-2.72%	Largest Account Balance	\$ 1,076,629
Ten Yr. Retired Member Growth (94,412 to 117,061)	23.99%	Avg. Ann. SERS DCP Member Contributions	\$ 2,950
Total Option 4 Withdrawal Payouts	\$ 258 Million	Avg. *Surveyed DCP Contribution	\$ 4,219
Avg. Option 4 Payout	\$60,972	Avg. Number of Investment Options held	2.30

* 2013 National Association of Government Defined Contribution Association survey of 136 government defined contribution plans.

