

2025 SERS Budget Highlights

The Pennsylvania State Employees' Retirement System currently serves approximately 246,000 current and former state employees, their survivors, and beneficiaries. Last year, the system paid approximately \$4.0 billion in pension benefits, of which approximately \$3.6 billion was paid to retirees who live in Pennsylvania. For 2024, the average pension paid to retirees who work to full retirement age was \$32,669. For FY 2025-26, SERS proposes a \$43.2 million spending authority, which is drawn from SERS funds, not general government operating accounts, for administration of the Defined Benefit Plan, \$4.8 million for the Defined Contribution Plan, and \$1.2 million for the Deferred Compensation Plan.

Cost Savings Initiatives

Since 2010, SERS has worked to reduce investment manager fees by approximately 58% from 95.9 basis points in 2010 to 40.7 basis points in 2024. Additionally, over the past several years, SERS has reduced its active exposure across multiple asset classes and increased commitments to side-car and co-investments in the private market asset classes, which contributed to the trend of lowering investment costs. SERS continues to focus on negotiating lower fees with managers.

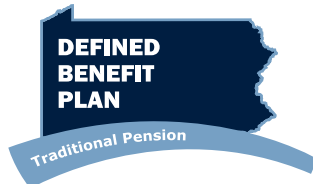
Preparation for SOC Audit

In 2025, SERS will undergo a System and Organization Controls (SOC) 1, Type 2 audit, as required by Act 2020-128. To prepare for the SOC audit, SERS engaged Ernst & Young LLP (EY) to conduct a comprehensive review of SERS' existing policies, processes, and internal controls to detect gaps and suggest possible enhancements to aid SERS in achieving a successful SOC audit. SERS Business Units and EY collaborated to develop

enhanced and additional controls that support our 14 control objectives. EY issued recommendations based on industry leading practices; these recommendations included formally documenting existing procedures in written policies and processes, implementing efficiencies, risk mitigation measures, process improvements, and strengthening auditable evidence. We are pleased to report that, as of December 31, 2024, SERS Business Units evaluated all recommendations and incorporated numerous operational and internal control enhancements per EY specifications. We look forward to completing the SOC audit during 2025 as scheduled.

New Board Members

The SERS board welcomed the following new members to the board in 2024: W. Russell Faber, Former Chief Clerk of the Pennsylvania Senate, was appointed February 7, 2024, and John Galuska, of AFSCME District Council 13, was appointed November 13, 2024, by Governor Shapiro.



Defined Benefit Plan Snapshot

Members

as of Dec 31, 2024

244,746 total
 100,131 active members paying into the system
 Hybrid Plan members 27,727
 Defined Benefit Plan 72,404
 137,620 retirees and beneficiaries receiving benefits
 6,995 inactive members not receiving benefits

Average 2024 Annuity

\$26,120 per year
 \$32,669 per year for those who work to full retirement age

Total Pension Benefits Paid

paid in 2024, unaudited

\$4.0 billion

Member Contribution Rate

PA FY 2024-25

6.25% of salary, by payroll deduction (for most members)
 Varies between 5% and 9.3%

Number of Employers

as of Dec 31, 2024

99

Employer Contribution Rate

PA FY 2024-25

33.65% of payroll, composite rate
 7.94% of payroll for benefits earned this year
 25.71% of payroll primarily for the unfunded liability

Projected Employer Contribution Rate

PA FY 2025-26

32.16% of payroll
 7.60% of payroll for benefits earned this year
 24.56% of payroll primarily for the unfunded liability

Employer Contribution Sources

% provided by the Governor's Budget Office (FY 2018-19)

approx. 40% general funds
 approx. 52% special and federal funds
 approx. 8% independent employer funds

Funding Sources

as of year-end Dec 31, 2024, unaudited

\$448 million member contributions
 \$2.3 billion employer contributions
 \$3.5 billion investment earnings

Investment Returns

as of Dec 31, 2024
 unaudited, annualized, net-of-fees

9.8% 1-year
 7.0% 10-year
 6.2% 25-year
 9.3% inception to date return

Total Fund Assets

as of Dec 31, 2024, unaudited

\$38.7 billion

Cash Flow

2025 projected

\$2.7 billion annual contributions (member/employer)
 \$4.0 billion annual payments (benefits/administrative expenses)
 difference in sum necessary to cover payments must come from investment income

Funded Status

2023 Actuarial Report adjusted with preliminary 2024 year-end performance data

70.9% with an unfunded liability of \$16.5 billion

Key Assumptions

2023 Actuarial Report

6.9% long-term investment return
 4.6% average total salary/career growth
 2.5% inflation rate



Hybrid Plan Snapshot

as of and the year-ended Dec. 31, 2024, unaudited

Participants

27,727 total
26,730 A-5 Class of Service
997 A-6 Class of Service

Assets

See the *Defined Contribution Plan* and *Defined Benefit Plan* snapshots for the assets in each plan.

Eligible Employers

99



Defined Contribution Plan Snapshot

as of and for the year-ended Dec. 31, 2024, unaudited

Participants 42,033 total accounts
 28,763 participants contributing to the plan
 Hybrid Plan participants 27,727
 Defined Contribution Plan participants 1,036
 13,270 inactive accounts

Assets \$291.7 million

Eligible Employers 99

Total Participant Mandatory Contributions \$47.9 million

Total Voluntary After-Tax Contributions \$2.2 million

Total Employer Contributions \$32.0 million

Total Rollovers Into the Plan 192 totaling \$5.2 million

Total Rollovers Out of the Plan 334 totaling \$3.0 million

Total Distributions/Withdrawals 1,706 totaling \$7.4 million



Deferred Compensation Plan Snapshot

as of and for the year-ended Dec. 31, 2024, unaudited

Participants

56,831 total accounts
32,320 actively contributing participants

Assets

\$5.0 billion

Eligible Employers

76

Total Participant Contributions

\$179.6 million

Total Rollovers Into the Plan

804 totaling \$66.1 million

Total Rollovers Out of the Plan

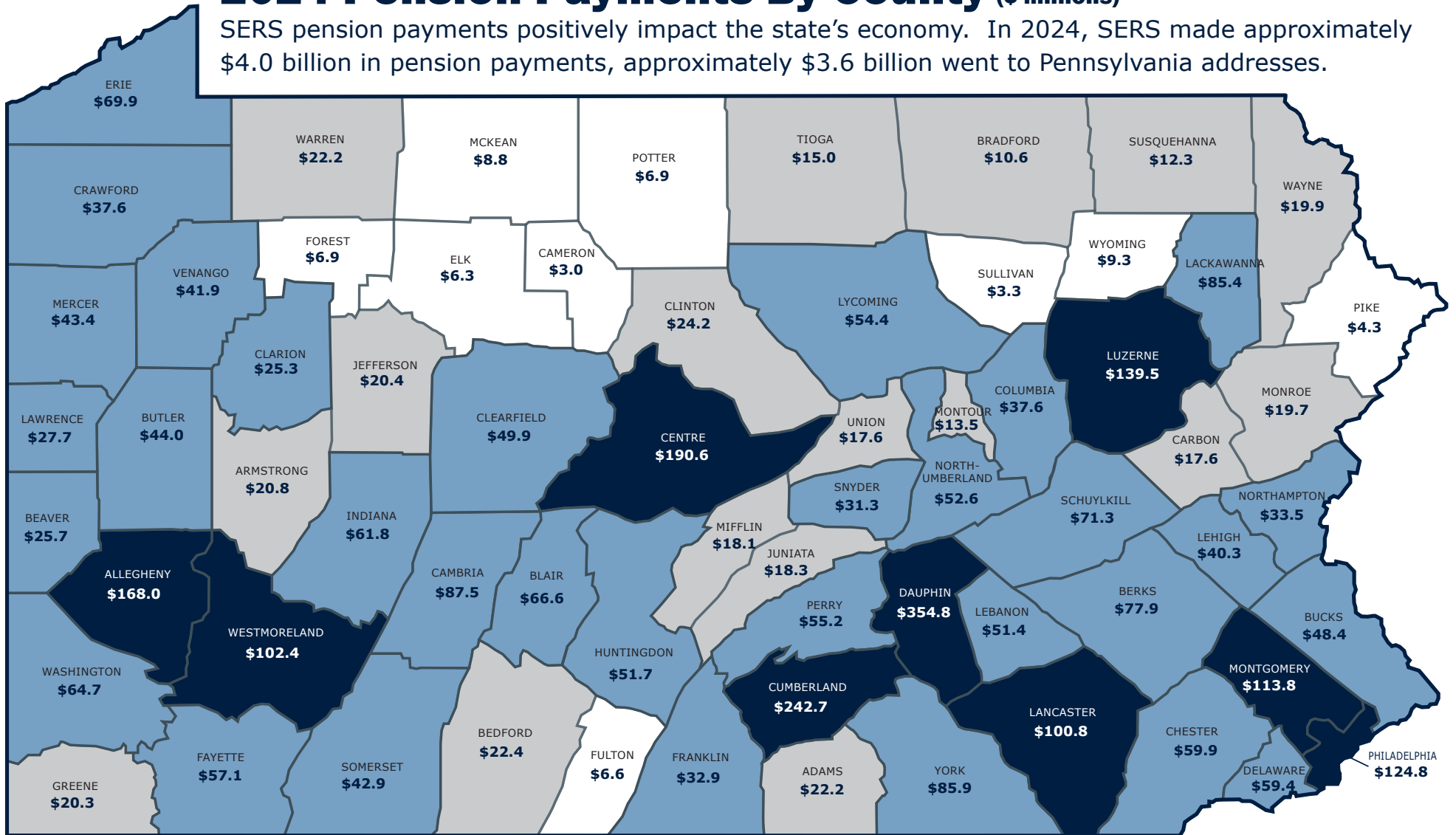
1,977 totaling \$276.2 million

Total Distributions/Withdrawals

29,629 totaling \$422.2 million

2024 Pension Payments By County (\$ millions)

SERS pension payments positively impact the state's economy. In 2024, SERS made approximately \$4.0 billion in pension payments, approximately \$3.6 billion went to Pennsylvania addresses.



White square: \$0 - \$9.9 million

Light blue square: \$10 - \$24.9 million

Medium blue square: \$25 - \$99.9 million

Dark blue square: \$100 million +

Domestic Out of State \$389.6 million

Out of Country \$1.7 million