

**FOR IMMEDIATE RELEASE:**

April 27, 2011

**PA SERS Board Certifies Employer Contribution Rate  
Approves Key Results of 2010 Actuarial Report**

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System, meeting here today, certified the composite employer contribution rate for the 2011-12 fiscal year at 8% of payroll, up from the current 5%.

The 8% rate reflects the first statutory funding collar established late last year in Act 120 pension reform legislation. Intended to moderate a steep spike in the rate, the funding collars gradually increase funding to the System by capping increases at 3% in FY 2011/12, 3.5% in FY 2012/13 and 4.5% each year thereafter until no longer needed. Without the rate collar, the composite employer rate would have jumped to nearly 19% of payroll due to a "fresh start" reamortization that also was part of Act 120.

The Board certified the rate following a report by the System's actuary, Hay Group, on [key 2010 actuarial valuation results](#). According to the report, SERS ended the year with a funded status of 75% based on the actuarial value of assets or 66% based on the market value of assets. The actuarial value is higher because 2008 losses are still in the process of being smoothed in over five years and so are not yet fully recognized in the actuarial-value calculation.

In dollars, the System at Dec. 31, 2010, had an actuarial accrued liability of \$39.2 billion and assets with an actuarial value of \$29.4 billion, leaving an actuarial unfunded liability of \$9.7 billion. The market value of assets was \$25.9 billion, \$13.3 billion less than the actuarial accrued liability.

Hay also reported that the employer normal cost dropped by more than half, from 9.53% to 4.08% as a result of the benefit reductions established in Act 120. That is the cost of the benefit earned this year by new members entering the System and is what the employer contribution rate would be if there was no unfunded liability and all other actuarial assumptions were met.

"The 8% employer rate is a weighted composite reflecting a separate rate for each of the 17 Classes of Service in the System," explained SERS Executive Director Leonard M. Knepp. "Now that the rate has been certified by the Board, SERS staff will notify employers of the actual rate for their employees and Hay Group will proceed in producing the full 2010 actuarial valuation report to be published and distributed this June."

In other business, acting on the recommendation of new CIO Anthony S. Clark, the board approved changes to its U.S. Stock Program, moving to reallocate funds from the BlackRock Institutional Trust Company, N.A. Alpha Tilts Fund to BlackRock's Equity Index Non-Lendable Fund. The latter is a low-cost S&P 500 index fund while the former sought to outperform the S&P 500 index. Over the past 10 years, the Alpha Tilts Fund failed to

achieve the goal with actual performance, net of fees, underperforming the S&P 500 by 0.1%, Clark said.

# # #

**About the Pennsylvania State Employees' Retirement System**

Established in 1923, SERS is one of the nation's oldest and largest statewide retirement plans for public employees, with assets of approximately \$25.5 billion and more than 226,000 members.

**For more information, contact:**

Pamela Hile

State Employees' Retirement System

Phone: 717-787-9657

e-mail: [phile@pa.gov](mailto:phile@pa.gov)