

FOR IMMEDIATE RELEASE:

May 2, 2012

**PA SERS Board Reduces Return Assumption, Certifies Employer Contribution Rate;
*Approves \$825 million in Investments***

HARRISBURG – The Pennsylvania State Employees’ Retirement System Board today voted to reduce its actuarial rate of return assumption to 7.5%.

Over the past several months, the Board, actuaries, investment consultants and staff have discussed the reasonableness of the prior return assumption of 8%, given current market conditions and lower inflation expectations.

“Our job is to adopt a rate that we reasonably believe can be achieved over 20-30 years,” explained SERS Board Chairman Nicholas J. Maiale. “The Board concluded that 7.5% is a reasonable long-term return assumption for this Fund at this time; but as always, we will revisit the rate each year and adjust if appropriate.”

The Board also certified the composite employer contribution rate for the 2012-13 fiscal year at 11.5% of payroll -- the “collared” rate established in 2010 by Act 120 pension reform legislation. Intended to moderate the expected steep increase in the employer contribution rate, the legislation included funding collars that capped year-to-year increases, providing a predictable, moderated increase in funding. Without the legislation, the employer rate for the 2012-13 fiscal year would have jumped to 26.4% of payroll.

The 11.5% composite rate certified by the Board represents a weighted average of 18 rate categories for the system’s various classes of service. SERS staff will notify employers of the actual rate for their employee classes.

In other business, the Board moved to reallocate \$750 million within the global equity portfolio, investing \$250 million each with:

- Cornerstone Capital Management
- Diamond Hill Capital Management
- Epoch Investment Partners

Funding will be reallocated from existing passively managed funds to the three new actively managed funds, subject to successful contract negotiations.

The Board also moved to reinvest \$75 million of distributions from the alternative investment portfolio:

- Committing up to \$50 million to Carlyle Energy Mezzanine Opportunities Fund, L.P.

- Committing up to \$25 million to NewSpring Growth Capital III, L.P., as a follow-on investment.

In addition, the Board approved amendments to the Commonwealth's voluntary, participant-funded \$2.2 billion Deferred Compensation Program plan document. The amendments allow participants to choose a new Roth option to defer post-tax compensation in addition to the pre-tax compensation deferrals already offered through the program. While the new Roth option will not be available until participating employers change their payroll systems to account for both pre-tax and post-tax payroll deductions, the option should be available to many participants next year.

Also at today's meeting, the Board named David Durbin as SERS Executive Director. Mr. Durbin has been serving as Acting Executive Director since December 2011.

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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 \$24.9 billion and more than 227,000 members.

For More Information

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