



For Immediate Release
Wednesday, April 24, 2013

**PA SERS Board Adopts Employer Contribution Rate and
Approves Key Results of 2012 Actuarial Valuation;**
Approves \$625 Million in Investments

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System today adopted the composite employer contribution rate of 16% of payroll for fiscal year 2013-14. Sixteen percent is the rate established by a 2010 law known as "Act 120."

Intended to moderate a steep spike in the employer costs, Act 120 caps year-to-year employer contribution rate increases while still gradually increasing funding to the system over time. In this case, the increase was capped at 4.5% over last year's rate. Without Act 120, the composite employer rate would be more than 31% of payroll.

The 16% composite rate adopted by the Board represents a weighted average of 18 rate categories for the system's various classes of service. SERS staff will notify each employer of the actual rates for their employees.

The Board adopted the rate following a report by the System's actuary, Hay Group, on [key 2012 actuarial valuation results](#). According to the key results, SERS ended 2012 with a funded status of approximately 59% on both an actuarial and market value of assets – 59.0% and 58.8% respectively. Liabilities of the system were valued at approximately \$43 billion and assets at approximately \$25.3 billion, resulting in an unfunded liability of approximately \$17.7 billion.

The key results also list the actual cost of the retirement benefit that will be earned by people who join SERS in the 2013-14 fiscal year – the "employer normal cost" – at approximately 5% of payroll. That is the rate employers would pay if there were no unfunded liability and all other actuarial assumptions proved exactly accurate over the year.

Hay Group will proceed in producing the full 2012 actuarial valuation report to be published this June.

In other business, the Board approved the following commitments, subject to successful contract negotiations.

- Within the global public equity asset class, \$575 million to be allocated as:
 - **\$250 million to Martin Currie Investment Management** for an actively managed emerging markets growth mandate;
 - **\$150 million to Kleinwort Benson Investors** for an actively managed emerging markets value mandate;

- more -

- **\$100 million to Mondrian Investment Partners Limited** for an actively managed emerging markets value mandate;
- **\$75 million to GlobeFlex Capital L.P.** for an actively managed emerging markets small-cap mandate.

The commitments will be funded by reallocating assets within the portfolio and are the final steps in rebalancing the portfolio's emerging markets active/passive management mix, a key initiative of SERS' *2012-13 Strategic Investment Plan* (page 25).

- Within the alternative investments asset class, **up to \$50 million to Insight Venture Partners VIII, L.P.** as a follow-on commitment. The late-stage venture commitment will be funded by distributions and serves to further refine SERS' manager selection, improving both the depth and breadth of investment exposure in the asset class as outlined in the *2012-13 Strategic Investment Plan* (page 21).

In addition, the Board moved to update its securities litigation policy that provides general guidelines for staff in evaluating SERS' securities litigation options, and to, upon approval of the Governor, grant a pay increase equal to the Commonwealth's pay increase of 2.25% effective July 1, 2013, to SERS' Executive Director.

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SERS' *2012-13 Strategic Investment Plan* is available at www.SERS.state.pa.us, by clicking on "Investments" in the left-hand navigation.

About the Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with assets of approximately \$25.5 billion and nearly 230,000 members.

For More Information

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