



For Immediate Release
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PA SERS Adopts Employer Contribution Rate

Reviews Key Results of the 2013 Actuarial Valuation and Investment Allocation Targets

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System today moved to set a composite employer contribution rate of 20.5% of payroll for FY 2014-15, to adjust its 10-year asset allocation targets, and to maintain its 7.5% assumed investment rate of return.

The composite employer rate represents a weighted average of 18 different rates for the system's various classes of service; SERS will notify each employer of the actual rates for its employees.

The board adopted the employer rate following a report by the system's actuary, Hay Group, on [key 2013 actuarial valuation results](#). According to the key results, SERS ended 2013 with a funded status of 59.2% on an actuarial basis and 62.4% based on the market value of SERS assets. The system's assets were actuarially valued at approximately \$26 billion and liabilities at approximately \$44 billion, resulting in an unfunded liability of approximately \$18 billion.

The employer rate adopted today reflects a 4.5% "cap" established by Pennsylvania Act 2010-120 which limits year-to-year increases in employer contributions while still gradually increasing funding to the pension system over time. The key results indicated that the actual cost of retirement benefits earned by people who join SERS in FY 2014-15 – the "employer normal cost" – is approximately 5% of payroll. That is the rate employers would pay if there were no unfunded liability and all other actuarial assumptions proved to be exactly accurate over the year. Incorporating the unfunded liability, however, the composite employer rate to fully fund the system would be more than 31% of payroll without the Act 2010-120 rate cap.

Hay Group will proceed in producing the full 2013 actuarial valuation report to be published in June.

The board also moved to adopt new 10-year asset allocation targets. The action results from analyzing current market conditions and making measured adjustments that are projected to keep the portfolio in line with the system's 7.5% assumed investment rate of return.

According to SERS Chairman Glenn E. Becker, "Given the long-term time horizon and the overall consistency with SERS' ongoing strategic investment goals, these refinements do not signal a new direction or indicate any significant or impending movement of assets. We will continue our incremental, disciplined, and deliberate approach to reaching our targets."

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Asset Class	SERS Portfolio (Jan. 31, 2014)	2012 10-Year Target	2014 10-Year Target
Alternative Investments	22%	14%*	15%
Global Public Equities	35%	38%	40%
Real Assets	16%	14%*	17%
Diversifying Assets	7%	12%	10%
Fixed Income	15%	19%	15%
Liquidity Reserve	6%	3%	3%

Numbers may not add due to rounding.

** For the purposes of this table non-core real estate is included in the real assets class as per page 20 of SERS' [2012 – 2013 Strategic Investment Plan](#).*

In other business, to remain consistent with general pay increases expected to be approved for employees under the Governor's jurisdiction, the board approved a 2% pay increase for SERS management employees, effective on or about July 1, 2014, contingent upon action of the Governor's Executive Board. In addition, the board approved a temporary pay increase for Deputy CIO Thomas F. Brier to be in effect during his service as Acting CIO.

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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 market assets of more than \$27 billion and nearly 230,000 members.

For More Information

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