

news release

for immediate release

April 29, 2015

PA SERS Board Adopts Employer Contribution Rate; Reviews Key Results of 2014 Actuarial Valuation

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System, meeting here today, formally adopted the employer contribution rate set by current law at 25% of payroll as the composite employer contribution rate for the commonwealth's 2015-16 fiscal year.

“Over the last four years policymakers and our employers have made the tough decisions and have done the hard work to remain disciplined to meeting their pension obligations outlined in Act 120,” explained SERS Executive Director David Durbin. “That hard work is already yielding results as the funded ratio has improved over the past two years and that improvement is expected to accelerate over the next two decades.”

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 the [key results of the 2014 actuarial valuation](#).

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 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 2015-16 – the “employer normal cost” – is approximately 4.95% 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 31.5% of payroll without the Act 2010-120 rate cap.

The key results also show that SERS ended 2014 with a funded status of 59.4% on an actuarial basis and 61.1% on a market value basis. The system's assets were valued at approximately \$26.6 billion and liabilities at approximately \$44.8 billion, resulting in an unfunded liability of approximately \$18.2 billion.

The key results include a new page reporting the system's liabilities and net position calculated according to new reporting standards issued by the Governmental Accounting Standards Board (GASB) and required for valuations for fiscal years ending in 2014.

-more-



The new reporting standards, commonly referred to as GASB 67, don't impact the funding of public systems but are geared to improving reporting consistency across systems. According to the GASB 67 standards, SERS' unfunded liabilities are \$3.3 billion less than as calculated and reported according to the system's actuarial methods, resulting in a funded ratio of approximately 65% compared to the 59.4% funded ratio calculated and reported according to the system's actuarial methods.

Hay Group will proceed in producing the full 2014 actuarial valuation report to be published in June.

###

Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with nearly 230,000 members and assets of more than \$27.5 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

Pamela Hile | 717.787.9657 | phile@pa.gov