



news release

for immediate release

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PA SERS Board Adopts Employer Contribution Rate Reviews Key Results of 2015 Actuarial Valuation; Accepts Governance Review Report; and Approves Actuary and Auditor Contracts

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System today formally adopted the composite employer contribution rate set by current law at 29.5% of payroll for the commonwealth's 2016-17 fiscal year.

“Even during very difficult budget negotiations, policymakers and our employers have remained disciplined to restoring funding to employee pensions according to the levels established in Act 120,” explained SERS Executive Director David Durbin. “Only two budget cycles remain until the employer contribution rate peaks and begins to steadily drop each year.”

The board adopted the employer rate following a report by the system's actuary, Hay Group, on the [2015 actuarial valuation key results](#). Hay Group will proceed in producing the full 2015 valuation report to be published this June.

The employer rate adopted today reflects a 4.5% “collar” 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. According to the key results, the actual cost of retirement benefits earned by new employees in FY 2016-17 – the “employer normal cost” – is approximately 4.52% of payroll. This 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 32% of payroll without the Act 2010-120 rate collar.

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.

In other business, based on a recommendation from the audit committee, the board accepted a report by Funston Advisory Services, LLC on a board and organizational governance review. [Funston's report](#) will be the basis for a governance manual to be published later this year.

Funston interviewed board members and SERS senior staff to identify improvements and efficiencies in serving the needs of the system's members. SERS is part of a growing number of public pension plans nationally that have undertaken similar activities to update practices for increased effectiveness, accountability and transparency.

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Additionally, the board approved two five-year contracts, one with Hay Group, Inc. to provide actuarial services and one with KPMG, LLP to provide independent auditing services to the system. Both contracts are subject to successful completion of contract negotiations.

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Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with more than 236,000 members and assets of nearly \$25 billion. A wealth of information is available at www.SERS.pa.gov.

for more information

Pamela Hile | 717.787.9657 | phile@pa.gov