news release
for immediate release
April 24, 2019

PA SERS Board Announces Employer Contribution Rate
Approves $975 Million in Investments, Rebalances Equity Exposure,
Approves Consultant Contract Extension and Professional Membership

HARRISBURG – The board of the Pennsylvania State Employees’ Retirement System, meeting here today, certified the employer contribution rate for the commonwealth’s 2019-20 fiscal year and approved $975 million in investments.

The board certified a composite employer contribution rate of 33.53% of payroll for the commonwealth’s 2019-20 fiscal year. That rate reflects the actuarially calculated amount plus an extra 0.71% of payroll to return Act 2017-5 savings to the system.

“Act 2017-5 included a savings ‘plow back’ provision requiring that the annual savings achieved through SERS benefit changes flow back into the system rather than to other non-pension obligations,” explained SERS Executive Director Terrill J. Sanchez. “The ‘plow-back’ contributions, currently calculated to range from 0.10% to 0.93% of payroll, are expected in 13 of the next 23 fiscal years and will work to accelerate the system’s return to fully funded status.”

Without the Act 2017-5 “plow-back” provision, the composite rate would have been 32.82%, which is lower than the 32.90% of payroll that employers are currently paying.

The board’s action followed a report by the system’s actuary, Korn Ferry, on the Key Results of the 2018 Actuarial Valuation during the board’s Finance and Member Services Committee meeting earlier today.

In keeping with its 2018-2019 Investment Plan, the board approved commitments of up to $975 million within the Real Estate, Multi-Strategy, and Private Equity asset classes:

- Up to $50 million to Blue Moon Senior Housing II LP
- $50 million to Blue Moon Senior Housing II Sidecar LP
- Up to $70 million to Ares Special Opportunities Fund, L.P.
- $330 million to Ares PA Opportunities Fund, L.P.
- Up to €67 million (approximately $75 million) to ICG Europe Mid-Market Fund SCSp
- Up to $75 million to Permira Credit Solutions IV Master (Feeder) SCSp
- $100 million to Permira Susquehanna (Co-investment) Fund, L.P.
- Up to €67 million (approximately $75 million) to Permira VII L.P.1
- Up to $100 million to ASF VIII B L.P.
- Up to $50 million to ASF VIII PA Co-Investment Fund

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In accordance with the Portfolio Rebalancing Policy, the board also approved the reallocation of approximately $1 billion from the Mellon Capital Management Russell 3000 Index portfolio to cash.

The board also authorized an 18-month extension (until April 5, 2021) on the private equity consulting services contract with StepStone Group LLC.

The board also approved continuing the system’s membership with the Council of Institutional Investors.

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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 nearly 241,000 members and assets of approximately $29 billion. SERS also administers, through a partnership with a third-part administrator, a voluntary deferred compensation plan with nearly 56,000 participants and assets of more than $3.5 billion. A wealth of information is available at www.SERS.pa.gov.

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