

## **news release**

**for immediate release**

June 21, 2019

### **Penn SERS 2018 Financial Reports Available**

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced its [2018 Comprehensive Annual Financial Report](#) (CAFR) for the calendar year ended Dec. 31, 2018.

The purpose of this report is to provide a clear accounting of SERS' operations and financial position. We hope you will find the financial, investment, actuarial, and statistical information interesting and useful.

Highlights of the 2018 CAFR include:

- **2018 Benefit Payments**

As of Dec. 31, 2018, SERS had approximately \$26.9 billion after paying out approximately \$3.4 billion in retirement benefits to more than 131,000 retirees and beneficiaries; \$3.1 billion – roughly 91% - was paid to people living in Pennsylvania, stimulating local economies. SERS benefit payments continue to steadily grow, from about \$1 billion just two decades ago to \$3.4 billion in 2018.

- **2018 Investment Performance**

The SERS portfolio lost approximately 4.6%, due primarily to the high level of market volatility that took place throughout 2018, particularly during the fourth quarter. While year-to-year returns are important, as long-term investors a longer time horizon is a more appropriate view of SERS' returns. The end of 2018 marks 20, 25, and 30-year periods of returns of 6.0%, 7.7%, and 8.4% (net of fees), respectively.

- **12/31/18 Funded Status**

Based on the actuarial methods used for funding purposes, as of Dec. 31, 2018, the unfunded actuarial liability was \$22.8 billion, with a funded ratio of 56.0%. These values are used to determine the employer contribution rates for the plan and are the most commonly communicated values.

Based on the actuarial methods used for financial reporting purposes, as of Dec. 31, 2018, the resulting net pension liability was \$20.8 billion, with a fiduciary net position as a percentage of the total pension liability was 56.4%. These values are used for reporting purposes only and have no impact on the funding of the system.

- **2018 Membership**

In 2018, SERS served 102 agencies/employers, as well as approximately 240,000 total members. As is the case with mature pension plans, new retirees tend to have higher benefits than those leaving the annuity payroll. Last year, approximately 5,800 SERS members retired with an average annual benefit of about \$28,000. Approximately 4,300 retirees, who had average annual benefits of about \$16,400, were removed from the rolls.

- **Act 2017-5 Impacts on SERS in 2018 and Beyond**

Preparing for the new benefit structures created by Act 2017-5 continued to impact SERS' planning and administrative activities in 2018. Act 5 established two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for state employees (excluding most hazardous duty employees in law enforcement and security positions), who first enter SERS membership on or after January 1, 2019.

The law also 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 commonwealth budget obligations. As a result, the 33.5% employer contribution rate for FY 2019-20 reflects a savings return to the system of 0.71% of payroll. Without the plow-back provision, the employer rate for FY 2019-20 would have been lower than the 32.9% employers are paying this fiscal year (FY 2018-19). The plow-back provision works to accelerate the system's return to fully funded status.

In addition, SERS' actuary published its [2018 Actuarial Report](#) detailing the system's assets and liabilities as of Dec. 31.

Both reports, along with other information, are available in the [Newsroom](#) of the SERS website, [www.SERS.pa.gov](http://www.SERS.pa.gov).

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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 \$3.6 billion. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

### **for more information**

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