

## **SERS Employer Contribution Rate to Drop Slightly Next Fiscal Year**

***SERS Board Approves Private Equity Commitment,  
Temporarily Expands Delegation of Authority to CIO,  
Approves Advanced Funding Agreement with PSU***

HARRISBURG – The board of the Pennsylvania State Employees' Retirement System, meeting by phone today, certified the employer contribution rate for the commonwealth's 2020-21 fiscal year, approved a new private equity commitment, temporarily expanded the delegation of authority to the system's Chief Investment Officer, and approved an agreement with The Pennsylvania State University to pre-fund a portion of its pension liabilities.

The board approved the actuarially calculated employer contribution rate of 33.48% of payroll, a slight decrease from the 33.59% employers are paying today.

"The commonwealth's employers will dedicate a slightly lower percentage of their payroll toward employee pensions next fiscal year," explained SERS Executive Director Terrill (Terri) Sanchez. "The drop was due in part to the fund's strong 18.8% investment return last year. This strong return also means that 40,000 of our members will see no increase in their contribution rates as a result of the shared risk provision for the next three years."

The FY 2020-21 rate reflects the actuarially calculated amount plus an extra 0.66% of payroll to return Act 2017-5 savings to the system. The 2017 pension reform bill included a savings "plow-back" provision requiring that the savings achieved through SERS benefit changes flow back into the system rather than to other non-pension obligations.

The board's action followed a report by the system's actuary, Korn Ferry, on the [Key Results of the 2019 Actuarial Valuation](#) during the board's Finance and Member Service Committee meeting earlier today.

### **Private Equity Commitment**

The board also approved a follow-on commitment of up to €50 million (approximately \$54 million) to CVC Capital Partners VIII (A) L.P. within the private equity asset class. The action advances SERS' strategy of concentrating commitments to top-tier private investment managers.

### **Expanded Delegation of Authority to CIO**

Given the current market volatility, the board also moved to temporarily expand the delegation of authority to the Chief Investment Officer to execute certain investment actions on behalf of the Board until December 31, 2020.

"This temporary expansion allows the CIO to manage cash, when needed, and adjust holdings in the public market portfolios," said SERS Board Chairman Fillman. "This action allows us to operate more efficiently during this volatile market environment."

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### **Advanced Funding Agreement with PSU**

In other business, the board approved an advance funding agreement with The Pennsylvania State University, allowing the university to pre-fund a portion of its pension liabilities. The agreement allows the university to make a one-time lump sum payment of \$1.061 billion toward its portion of the pension system's unfunded actuarial accrued liabilities in exchange for credits against its future employer contributions. The lump sum payment will become part of the general assets of the SERS Fund and invested according to the ranges established in the current Investment Policy Statement.

"The negotiated agreement could provide benefits that extend beyond the pension system and the university," explained SERS Executive Director Terrill (Terri) Sanchez. "While it provides a significant infusion of cash that will help pay down the pension system's unfunded actuarial accrued liability and increase its funded ratio, it also provides the university with more predictable operating budgets, and the commonwealth could also benefit from better credit ratings."

According to Act 2019-105, SERS' actuary calculates the portion of the unfunded actuarial accrued liability that an eligible SERS-participating employer is liable for based on SERS' most recent actuarial valuation. The eligible SERS-participating employer may then make a one-time lump sum payment of between 75% and 100% of their unfunded actuarial accrued liability, in exchange for credits against future contributions.

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### **Pennsylvania State Employees' Retirement System**

Established in 1923, SERS is one of the nation's oldest retirement plans for public employees, with approximately 243,000 members and participants. SERS' Defined Benefit Plan had assets of \$30.9 billion and the Defined Contribution Plan, which launched on Jan. 1, 2020, had \$9.2 million as of Dec. 31, 2019. SERS also administers a voluntary supplemental Deferred Compensation Plan with more than 57,000 participants and assets of more than \$3.9 billion. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov). Follow us on [Facebook](#) | [Twitter](#)

### **For more information**

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