

**Penn SERS Board Reduces Investment Return and Inflation Assumptions;  
Approves Up to \$125 Million in New Investments,  
Per-Participant Charge for the Commonwealth's Defined Contribution Plan,  
Livestreaming of Board Meetings**

HARRISBURG – The board of the Pennsylvania State Employees' Retirement System, meeting here today, reduced the investment return assumption and rate of inflation used in valuing the Defined Benefit Plan.

The board lowered the annual assumed rate of investment return from the current 7.125% to 7%, compounded annually, and the assumed rate of inflation from the current 2.6% to 2.5%, compounded annually, for the Defined Benefit Plan. Both assumption changes will be effective with the December 31, 2020 actuarial valuation.

The changes were approved, along with several other economic and demographic assumption changes, after a joint presentation by the system's actuary, Korn Ferry, and General Investment Consultant, Callan, on preliminary results from Korn Ferry's experience study to be completed this fall.

Periodic experience studies allow pension plan administrators to compare the demographic and economic assumptions used to calculate the value of the plan against the actual experience of the plan and make changes to the assumptions as needed taking into account the most recent actual experience as well as the actuary's expectations for the future.

The board also approved two investments of up to a total of \$125 million:

- Within the Private Equity asset class, the board committed up to **\$50 million** to **LLR Equity Partners VI, L.P.** This follow-on commitment continues the system's more than 20-year relationship with the firm, which is one of the top-performing PA-based managers and one of the strongest performing managers overall in the portfolio.
- Within the Private Credit asset class, the board committed up to **\$75 million** to **HPS Mezzanine Partners 2019, L.P.** This is a new relationship for SERS.

In business specific to the Defined Contribution Plan, the board approved charging employers a per-participant charge for each of their employees who participate in the plan, which opened to new employees on January 1, 2019. The charge will cover the administrative costs associated with operation of the plan and will be effective for commonwealth FY 2020-21 forward. Commonwealth funding that had been provided for plan startup and the first year of operation stopped with passage of the current fiscal code, Act 2020-23, on May 23, 2020. As an alternative, the fiscal code authorized the per-participant charge.

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In business related to general board operations, the board directed staff to work toward livestreaming public board and committee meetings beginning as early as this December, and to archive the recordings on the SERS website according to the commonwealth's records retention policies and management directives. This action aligns with transparency recommendations from the Public Pension Management and Asset Investment Review Commission's (created as part of Act 2017-5) final report released in December 2018.

"This is a very important step forward in our continuing progress toward greater transparency for our members, participants, and other stakeholders," said Terrill (Terri) J. Sanchez, Executive Director. "While our meetings have been open to the public, Pennsylvania is a large state and travel to Harrisburg is not easy for all, especially during this pandemic. Livestreamed meetings allow our members and participants to see the thought and care that our board gives to the decisions that impact their retirement plans and their future."

The board also amended the bylaws so that committee chairs and assistant chairs continue in their respective offices until a successor is elected (chairs) or appointed (assistant chairs). This amendment corrected a gap in service between the originally stated end of the calendar year and the election or appointment of new chairs/assistant chairs early in the next calendar year.

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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 240,000 members. As of April 30, 2020, SERS' Defined Benefit Plan had assets of \$29.3 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had \$16.8 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with more than 57,000 participants and assets of more than \$3.7 billion. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

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