

**Penn SERS Board Approves Advance Funding Agreement with Employer;  
Announces Fourth Quarter Investment Performance, Approves \$625 Million in New Investments,  
and Extends Investment Consulting Services Contract**

HARRISBURG – The Pennsylvania State Employees’ Retirement System Board, meeting here today, approved an \$825 million advance funding agreement with the Pennsylvania State System of Higher Education, announced fourth quarter 2020 investment performance, approved \$625 million in new investments, and extended the current contract for private equity investment consulting services, and addressed other agency business.

**Advance Funding Agreement with the State System of Higher Education**

The board approved an advance funding agreement with the Pennsylvania State System of Higher Education (PASSHE), allowing it to pre-fund a portion of its pension liabilities. The agreement allows PASSHE to make a lump sum payment of \$825 million toward its portion of the pension system’s unfunded actuarial accrued liability in exchange for credits against its future employer contributions. The lump sum payment must be made by April 30, 2021, and will become part of the general assets of the SERS Fund and invested according to the ranges established in the current *Investment Policy Statement*.

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.

**Investment Performance**

As announced last week, the SERS fund generated an 11.11% net-of-fees return in 2020, adding approximately \$3.4 billion to the fund for pension benefits.

Most of the earnings occurred in the fourth quarter of the year. Returns by asset class for the fourth quarter 2020 and year-to-date 2020 were:

<b>Asset Class</b>	<b>4<sup>th</sup> Quarter 2020</b>	<b>Calendar Year 2020</b>
Emerging Mkts Equity	20.19%	24.45%
U.S. Equity	16.85	21.28
International Developed Markets Equity	16.29	9.62
Private Equity	13.46	18.37
Private Credit	5.58	9.08
Real Estate	3.49	2.11
Fixed Income	2.24	5.78
Inflation Protection (TIPS)	1.76	11.04
Cash	0.04	0.64
<b>Total Fund</b>	<b>10.09%</b>	<b>11.11%</b>

All returns are reported net of fees. Private equity, private credit, and real estate returns are reported on a quarter lag and are adjusted for cash flows. Additional information, including benchmark data, is listed in the quarterly investment performance report to be available at [SERS.pa.gov](http://SERS.pa.gov) next week.

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### **New Investments**

The board moved to commit up to **\$125 million** to **Hellman & Friedman Capital Partners X, L.P.**, as a follow-on investment within the Private Equity asset class. The investment will increase the portfolio's concentration to existing, top performing private equity managers, while increasing exposure to Europe, the buyouts sub-strategy, and overall sector diversification.

The board also approved an investment of up to **\$500 million** over time to the **BNYM Mellon DB SL High Yield Beta Fund** within the Fixed Income asset class. The investment increases exposure to high yield fixed income, as mandated by the new fixed income structure approved by the board in Dec. 2020.

### **Contract Extension**

The board approved an 18-month extension of its current contract with the **StepStone Group** for private equity investment consulting services, under the existing terms, services, and fee schedule. The extended contract will expire on Oct. 4, 2022.

### **Education Policy Amendments**

The board also approved amendments to the *Board Education Policy* to reflect the additional training requirements enacted by state Act 2020-128. All board members will be required to complete an additional two hours of training for a total of 10 hours of mandatory training in investment strategies, actuarial cost analysis, asset allocation, risk assessment and retirement portfolio management, in addition to the one hour of required ethics training, beginning in 2022. In addition, board members appointed to serve on the Audit, Risk and Compliance Committee on or after Feb. 24, 2021, must complete 16 hours of training in risk assessments, internal controls and auditing standards beginning this 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 nearly 240,000 members. As of Dec. 31, 2020, SERS' Defined Benefit Plan had assets of nearly \$34.5 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had approximately \$35.7 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with more than 57,600 participants and assets of more than \$4.3 billion as of Dec. 31, 2020. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

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