

**Penn SERS Board Approves Employer Contribution Rate,  
Accepts Report on Board Governance Recommendations,  
Invests \$50 Million in Private Equity**

HARRISBURG – The Pennsylvania State Employees' Retirement System Board, meeting by videoconference today, certified the employer contribution rate for the commonwealth's 2021-22 fiscal year, accepted a report summarizing results from a board governance and self-assessment review, approved a \$50 million private equity investment, and addressed other business.

The board certified a composite employer contribution rate of 33.81% of payroll for commonwealth fiscal year 2021-22, a slight increase from the 33.48% employers are currently paying.

The board's action followed a report by the system's actuary, Korn Ferry, on the [\*Key Results of the 2020 Actuarial Valuation\*](#) during the board's Finance and Member Services Committee meeting earlier today.

The rate reflects the actuarially calculated amount plus an extra 0.62% of payroll to return Act 2017-5 savings to the system. The provision requires that the annual savings achieved through SERS benefit changes flow back into the system rather than to other non-pension obligations.

The actuarially calculated rate reflects:

- Economic and demographic assumption changes approved by the board in July 2020 as part of the experience study, which increased the unfunded liability by approximately \$1.3 billion.
- The nearly \$1.1 billion lump sum payment from Penn State University for its share of the unfunded liability, which reduced the unfunded liability by approximately \$1.1 billion.

**Board Governance and Self-Assessment Report**

The board accepted a report summarizing results from a board governance and self-assessment review conducted in Feb. The 2021 review followed-up an initial review conducted in late 2015, when the board hired Funston Advisory Services LLC to review its policies and governance structure to identify strengths, weaknesses, and areas for improvement.

According to the new report by Funston, the board made "significant improvements in its governance, structure, policies, and practices over the past five years since its last governance review."

"The recommendations from our first assessment resulted in the development of the [SERS Board Governance Manual](#), enhancements to existing policies and processes in place at that time, and development of new policies and processes," explained SERS Executive Director Terrill (Terri) Sanchez. "The policies and processes contained in our governance manual are more than just words on paper, they are meaningful to us and we have been committed to establishing procedures to uphold the enhanced and newly established policies."

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"As noted in Funston's presentation, high-performing organizations seek to continually improve. That is what this follow-up assessment was about and what this organization intends to do." Added Sanchez.

### **Private Equity Investment**

The board also approved a follow-on commitment of **up to \$50 million** to **PSG V L.P.** within the private equity asset class for investments in software and tech-enabled service companies.

### **Other Business**

In other investment-related business, the board:

- Approved revisions to the *SERS' Defined Benefit Plan Investment Policy Statement* to consider equity exposure (both public and private) of the total fund, add a 2% micro-cap equity allocation, add a 3% covered-call strategy within the U.S. Equity sub-asset class, and reduce the private equity target allocation from 14% to 12%.
- Moved to delegate authority to the Chief Investment Officer, with pre-deal review by the Investment Committee, to hire actively mandated long credit managers within the fixed income asset class. The new process will reduce the hiring process by about four weeks.
- Moved to renew its contract with **Abel Noser** to provide investment transactions cost analysis consultant under the same services and fee structure as the current contract that is set to expire June 30, 2021. The new five-year contract will expire on June 30, 2026.

In other business, the board delegated to the Chief Counsel, the authority to hire a Chief Compliance Officer (Attorney 4) from the pool of applicants who responded to the position posting that was open from Feb. 1 through Feb. 26, 2021. The selected candidate will also need approval from the SERS Board Chairman.

SERS Board Chairman David Fillman also acknowledged receiving Executive Director Sanchez's notice that she will retire effective July 2, 2021, and thanked her for more than 35 years of service to the Commonwealth.

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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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