

news release

for immediate release

September 29, 2022

Penn SERS Board Receives Improved Stress Testing and Risk Assessment Report, Approves \$225 Million in Private Market Investments

HARRISBURG – The Board of the Pennsylvania State Employees' Retirement System, meeting here today, received a stress testing and risk assessment report showing improved fund stability, and approved new private market investments.

The system's actuary, Korn Ferry, presented its [2022 Stress Testing and Risk Assessment](#) report projecting lower employer contribution rates and higher funded ratios in comparison to the 2021 assessment.

The report includes an analysis of a range of "What if?" scenarios to determine the effect such scenarios would have on future employer contributions and the availability of assets to pay benefits when due to members.

According to Korn Ferry, "this analysis highlights several policies and practices that allow SERS to be well-positioned to adjust to potentially unfavorable circumstances such as those currently being experienced during the global pandemic."

"The Governor, legislature, and other employers have taken significant steps to fully fund the actuarially determined employer contributions over the past decade," explained SERS Executive Director Joseph A. Torta. "That consistent funding of employee pensions combined with the board's dedication to an investment policy with a cash reserve to avoid having to sell investments during down markets have worked to enhance the stability of the fund for all SERS members."

New Investments

The board approved three private market investments totaling \$225 million, subject to successful completion of contract negotiations:

- Within the Private Equity asset class:
 - Up to \$100 million to the **Ardian Secondaries Fund IX L.P.**, as a follow-on investment, and
 - Up to \$50 million to the sidecar vehicle that will co-invest alongside the Ardian Secondaries Fund IX
- Within the Real Estate asset class, up to \$75 million to **Oak Street Real Estate Capital Fund VI, LP**, as a follow-on investment

Other Business

In other business, the board received a report on second quarter investment performance, approved fiscal year 2023-24 budgets, and discussed two upcoming consultant search schedules.

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Second Quarter 2022 Investment Returns

The board received a report on the investment returns generated by the State Employees' Retirement Fund for the Defined Benefit Plan. Returns by asset class for the second quarter of 2022 were:

Asset Class	2nd Quarter 2022	Year to Date 6/30/2022
Real Estate	2.59%	6.25%
Private Credit	2.42	5.49
Cash	0.17	0.19
Private Equity	1.55	1.19
Fixed Income	(4.88)	9.75
Inflation Protection (TIPS)	(6.98)	(9.79)
Emerging Mkts Equity	(13.21)	(21.74)
International Developed Markets Equity	(14.83)	(19.73)
U.S. Equity	(16.51)	(21.07)
Total Fund	(8.72%)	(11.68%)

All returns are reported net of fees. Both private equity 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 reports at SERS.pa.gov/Investments.html.

"We all know it's been a challenging economy," explained SERS Board Chairman David R. Fillman. "On the whole, returns are comparable to other public pension funds across the nation."

Fiscal Year 2023-24 Budgets

The board reviewed and approved FY 2023-24 operating budgets for submission to the Governor's Budget Office, as part of the commonwealth budget process.

Upcoming Consultant Searches

Investment staff presented proposed schedules for upcoming consultant searches. Staff plans to begin the Request for Information process to select the next Real Estate Consultant in mid-March and the General Investment Consultant in mid-May 2023. The current contract with NEPC, LLC for real estate consulting services will expire on Dec 1, 2023, and the current contract with Callan LLC for general investment consulting services will expire on Feb. 26, 2024.

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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 approximately 238,000 members. As of June 30, 2022, SERS' Defined Benefit Plan had assets of nearly \$34.5 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had approximately \$81.2 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with nearly 57,600 participants and assets of approximately \$4 billion as of June 30, 2022. A wealth of information is available at www.SERS.pa.gov.

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