

**Penn SERS Extends Investment Consultant Contracts,
Announces 4th Quarter and Year-End 2022 Investment Performance,
Approves \$75 Million Investment**

HARRISBURG – The Board of the Pennsylvania State Employees’ Retirement System, meeting here today, approved extending its current general investment consultant contracts, announced fourth quarter and year-end 2022 investment performance, and approved a \$75 million investment.

The board approved a one-year extension of its current contracts with **Callan LLC** for general investment consulting services for the defined benefit, defined contribution, and deferred compensation plans, under existing terms, services, and costs. The current contracts will expire on February 25, 2024. The extensions will allow Callan to assist with the search for a Third-Party Administrator for the defined contribution and deferred compensation plans.

Pension Fund Investment Performance

The board also received a report on the investment returns generated by the State Employees’ Retirement Fund for the Defined Benefit Plan.

2022 was a difficult year for investors as both stocks and bonds dipped. According to CNBC, the S&P 500 dropped 19.4% while the Nasdaq Composite Index lost 33.1% during the year.

SERS Fund returns by asset class for the fourth quarter of and calendar year 2022 were:

Asset Class	4th Quarter 2022	Calendar Year 2022
International Developed Markets Equity	15.86%	(15.17%)
Emerging Markets Equity	9.83	(22.84)
U.S. Equity	7.22	(19.06)
Inflation Protection (TIPS)	2.18	(12.99)
Fixed Income	1.46	(12.34)
Real Estate	1.40	6.02
Legacy Private Credit	1.34	8.00
Cash	0.94	1.65
Private Equity	(0.33)	(5.06)
Total Fund	4.75%	(12.15%)

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](https://www.sers.pa.gov/Investments.html).

New Pension Fund Investment

The board approved a commitment of **up to \$75 million to PSG VI L.P.**, as a follow-on investment within the Private Equity asset class.

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No Shared-Risk Contribution Changes This Year

SERS' actuary, Korn Ferry, presented the board with its shared-risk/shared-gain calculations, concluding that there will be no increase in the member contribution rates for the commonwealth fiscal year beginning July 1, 2023.

Most members hired since 2011 are subject to shared-risk and shared-gain adjustments to their contributions. According to Section 5501.1 of the Retirement Code, the testing is broken into two steps. The initial step determines if SERS' investments performed more than 1% above or below the assumed rate of return during the measurement period. If so, the second step is to determine the actual impact of the investment gains or losses on the employer contribution rate, for each of the next three fiscal years. The increase or decrease in the member contribution rate cannot be greater than the resulting increase or decrease in the employer contribution rate.

The testing period for most members hired in 2011 through 2018 (A-3 and A-4 classes of service created by Act 2010-120), was a 10-year look back. Over the ten-year period, SERS' annualized return was only 0.4974% below the annualized assumed rate of return, resulting in no shared-risk/shared-gain change for the A-3 and A-4 classes of service.

The testing period for most members hired since 2019 (A-5 and A-6 classes of service created by Act 2017-5) was a three-year look back. Over the three-year period, SERS' annualized return was 2.4433% below the annualized assumed rate of return resulting in the potential for a shared-risk increase in contributions. The net effect of the investment experience during the testing period; however, will not result in an increase in employer contributions for the year beginning July 1, 2023. Therefore, there will be **no change** in the member contribution rates effective July 1, 2023. A similar calculation will be completed to determine if there will be any increase effective for the years beginning July 1, 2024, or 2025.

Other Business

The Board Finance and Member & Participant Services Committee approved new board member and Acting Secretary of Banking and Securities Sarah Hammer as the committee's Assistant Chair.

The board also approved 2023 work plans for each board committee.

Following the board's December 2022 approval of an aggregate pay increase budget for investment professional staff in 2023, the Board Governance and Personnel Committee approved annual salary adjustments for 25 investment professional staffers within the Office of Financial Management and the Investment Office. The board also approved a salary increase for the Chief Investment Officer.

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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 239,000 members. As of Dec. 31, 2022, SERS' Defined Benefit Plan had assets of approximately \$33.7 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had approximately \$103.3 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with nearly 56,800 participants and assets of approximately \$4.1 billion as of Dec. 31, 2022. A wealth of information is available at www.SERS.pa.gov.

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