

**Penn SERS Board Approved Decrease in Employer Contribution Rate  
Member Contribution Rates Remain Unchanged**

HARRISBURG – The Pennsylvania State Employees’ Retirement Board, meeting here today, certified a lower employer contribution rate for the upcoming fiscal year, revised its proxy voting policy, updated its agreement with an investment manager, and continued working through its governance review, among other business.

The board certified a composite employer contribution rate of 33.65% of payroll for pension benefits for commonwealth fiscal year 2024-25. The rate is a decrease from the 35.32% employers are currently paying. The move followed a presentation by SERS’ actuary, Korn Ferry, on the [key results from its 2023 actuarial valuation](#) of the Defined Benefit Plan during the board’s Finance and Member and Participant Services Committee meeting last week.

While the full actuarial valuation report will be published next month, key results showed that there will be no shared-risk increase to member contributions in the coming fiscal year.

[Last year, Korn Ferry conducted the required two-step shared-risk/shared-gain calculations](#) to determine if member contribution rates would increase for those hired since 2010. The first 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 determines the actual impact of the investment gains or losses on the employer contribution rate for the following three fiscal years.

While the first step resulted in no further calculation required for employees hired in 2011 through 2018 (A-3 and A-4 classes of service created by Act 2010-120), the second step was required for most employees hired since 2019 (A-5 and A-6 classes of service created by Act 2017-5). The second step resulted in no increase for the current 2023-24 fiscal year and no increase next fiscal year. A similar calculation will be completed next year to determine if there will be any increase effective for fiscal year 2025-26.

“The decrease in the employer rate is the start of an expected trend that reverses more than a decade of climbing rates,” explained Executive Director Joseph A. Torta. “A reversal that was achieved through tough budgetary decisions and a commitment to restore much-needed funding to the plan. This commitment by the General Assembly, administration, and SERS-participating employers has strengthened the state’s financial outlook with benefits for all Pennsylvanians.”

According to the key results, the plan was 69.6% funded as of Dec. 31, 2023, up from 68% at the end of 2022 (on an actuarial basis, which is used for funding purposes). The unfunded liability decreased by more than \$500 million to approximately \$17 billion at year end 2023. The cost of benefits that will be earned by employees in fiscal year 2024-25, or the “normal cost” of benefits, will be 7.94% of payroll, down from 8.29% this fiscal year. A significant portion of the difference between the employers’ composite rate and the normal cost of benefits goes toward paying down the unfunded liability of the system.

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In other pension plan business, the board revised the [SERS U.S. and International Proxy Voting Policy](#) to withhold a vote from those board members who serve on the compensation committee of companies listed on the Canadian Securities Exchange that do not bring their share-based compensation plan to their shareholders for approval at the shareholder meeting immediately following the adoption of the compensation plan.

The board also updated the investment characteristics in its formal agreement with U.S. small cap growth manager Emerald, to reflect more growth-oriented measures that match the manager's current strategy.

### **Board Governance Review Business**

As part of the board's routine governance review, the board approved amendments to the committee charters for its Audit, Risk and Compliance; Board Governance and Personnel; Finance and Member and Participant Services; Investment; and Securities Litigation committees.

The board also revised its *Board Travel Policy*; (new) *Independent Actuarial Audit Policy*; (new) *Internal Audit Office Charter*; and *Committee Work Plan Procedures* and approved a new *Independent Actuary Replication Audit Policy*. The updated policies and committee charters will soon be viewable in the [SERS Board Governance Manual](#).

Revisions changed the governance review frequency from a two-year to four-year cycle and included other technical corrections and revisions for clarity, consistency, and conciseness. Substantive changes to the Audit Committee Charter enhance the independence of the committee in its oversight role.

The board also approved the *2024 Board Education Plan*, which will be an appendix to the [Board Education Policy](#) and soon available in the online governance manual.

### **Consultant Search**

The board directed staff to begin a competitive search process (RFP) for a consultant to facilitate the 2024 Board Self-Assessment process. The goal is to have a consultant hired this fall that will conduct the assessment and provide a final report to the board next summer.

### **Staff Business**

To retain pay parity with other commonwealth positions, the board authorized management salary increases and other payments as established by the Executive Board of the Commonwealth for the period of July 1, 2024, through June 30, 2027. The Board Governance and Personnel Committee also approved an increase in hourly compensation for an Investment Accountant in the SERS-Office of Financial Management, effective April 30, 2024.

On behalf of the entire SERS Board and in conjunction with National Public Service Recognition Week, Chairman Thall thanked SERS staff for their dedicated and honorable service to SERS members and participants with a formal Proclamation.

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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 243,000 members. As of Dec. 31, 2023, SERS' Defined Benefit Plan had assets of approximately \$36.4 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had approximately \$185 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with nearly 56,000 participants and assets of approximately \$4.5 billion as of Dec. 31, 2023. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

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