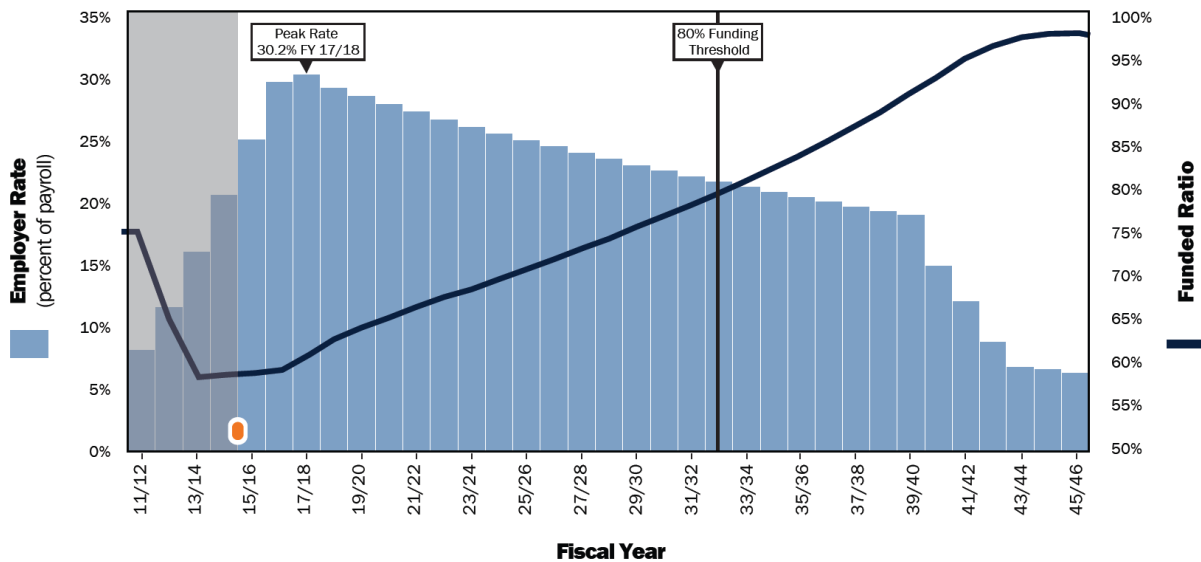


### SERS Employer Contribution Rates & Funded Ratio



#### Considerable Progress

In recent years employers have made considerable progress restoring funding to employee pensions, as shown in the first four bars of the graph. The steadily increased contributions, supplemented by investment returns above the assumed rate in the aggregate over that same period, are working to steadily strengthen the health of the SERS fund, as shown by the rising dark blue line.

#### Near the Peak

From the current budget year, marked by the orange dot, only two budget cycles remain until the employer contribution rate peaks at 30.2% of payroll in FY 2017/18. After that, the rate drops year after year.

To understand how much progress has been made, consider that in 2011 the 2017/18 employer rate was projected to hit 32.5% of payroll. At that time, the unfunded liability was projected to peak at \$20.9 billion, but is currently projected to peak at \$18.4 billion.

Current projections show the funding ratio reaching the 80% threshold generally accepted by pension experts as “healthy” within two decades. To give you some context, Pennsylvania is among 36 states that are currently below the 80% funding threshold.

#### Plan Costs Drop Each Year

The annual cost of the plan continues to drop as the number of members in the newer A-3 and A-4 classes of service increases. Today, approximately 21.4% of the active membership is in the newer A-3 and A-4 classes of service.