



pennsylvania
State Employees' Retirement System

2013 Financial Highlights

Service and stewardship since 1923.

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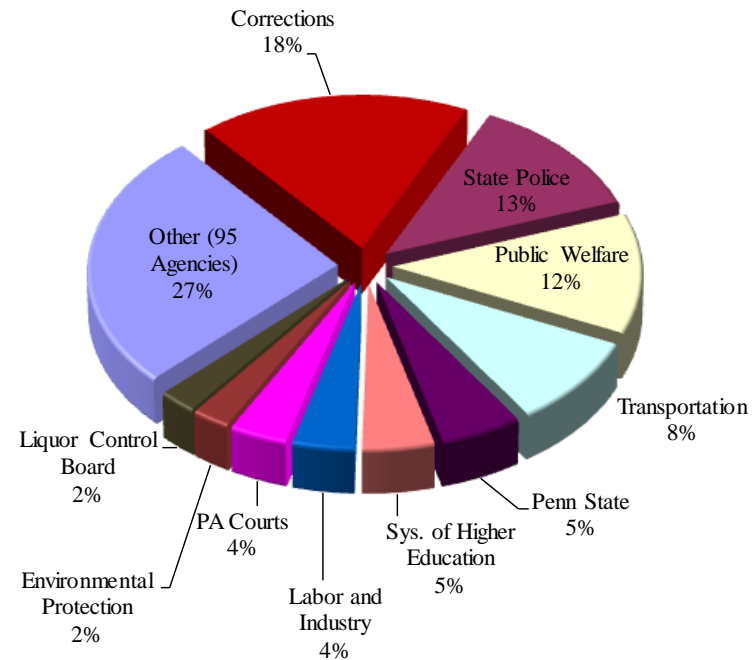
Changes in Net Position Available for Benefits (\$ millions)

	<u>2013</u>	<u>2012</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>
Net Position - Beginning	\$ 25,389	\$ 24,377		
Contributions	1,147	913	\$ 234	26%
Net Investment Income	3,724	2,795	929	33%
Less:				
Benefit Payments and Refunds	2,844	2,674	170	6%
Administrative Expenses	22	22	-	0%
Net Increase/(Decrease)	2,005	1,012		
Net Position - End of Year	<u>\$ 27,394</u>	<u>\$ 25,389</u>		

Contribution Highlights For the Year Ended December 31, 2013

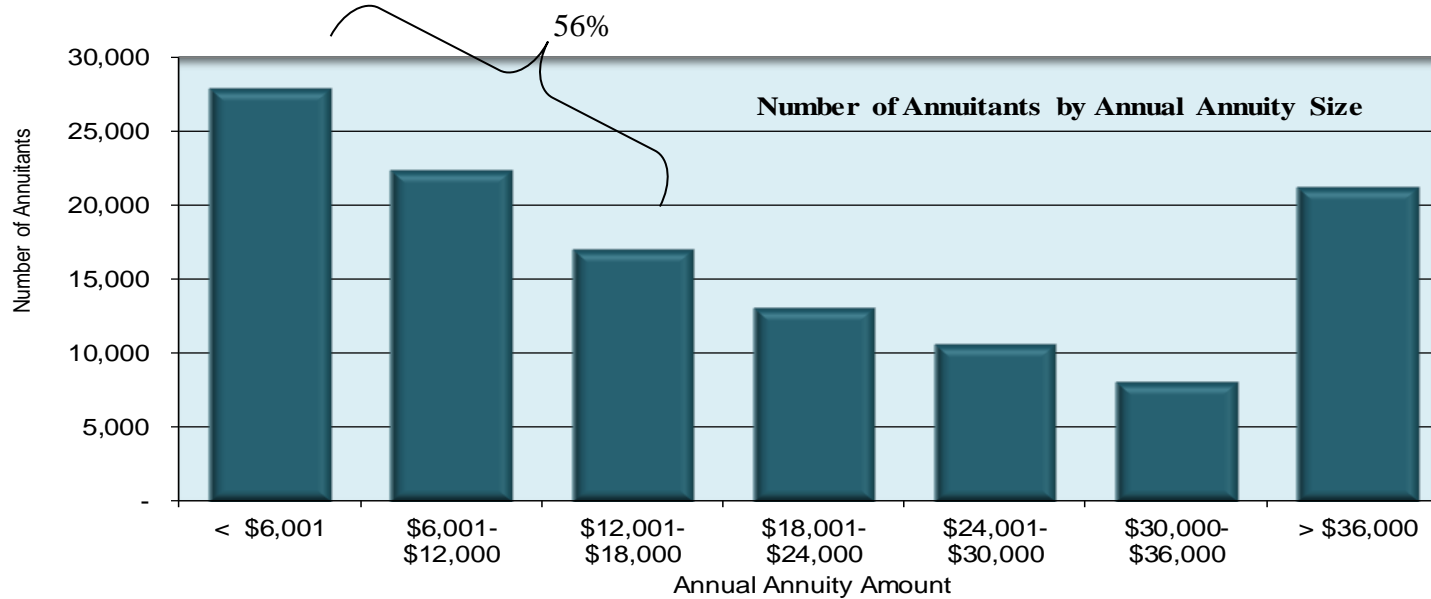
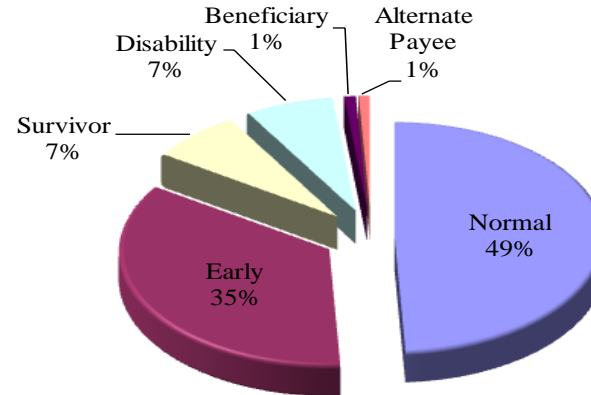
<u>Agency</u>	Employer Contributions (\$ millions)	Active Members
Corrections	\$ 145	15,529
State Police	99	6,084
Public Welfare	97	16,668
Transportation	71	12,656
Penn State	41	6,210
Sys. of Higher Education	36	5,109
Labor and Industry	31	5,113
PA Courts	29	1,967
Environmental Protection	19	2,571
Liquor Control Board	19	4,264
Other (95 Agencies)	208	29,015
Total Employer	\$ 795	105,186
	Member Contributions	
All 105 Agencies	\$ 352	
Total Contributions	\$ 1,147	

Top 10 Contributing Employers as a Percent of Total Contribution Dollars



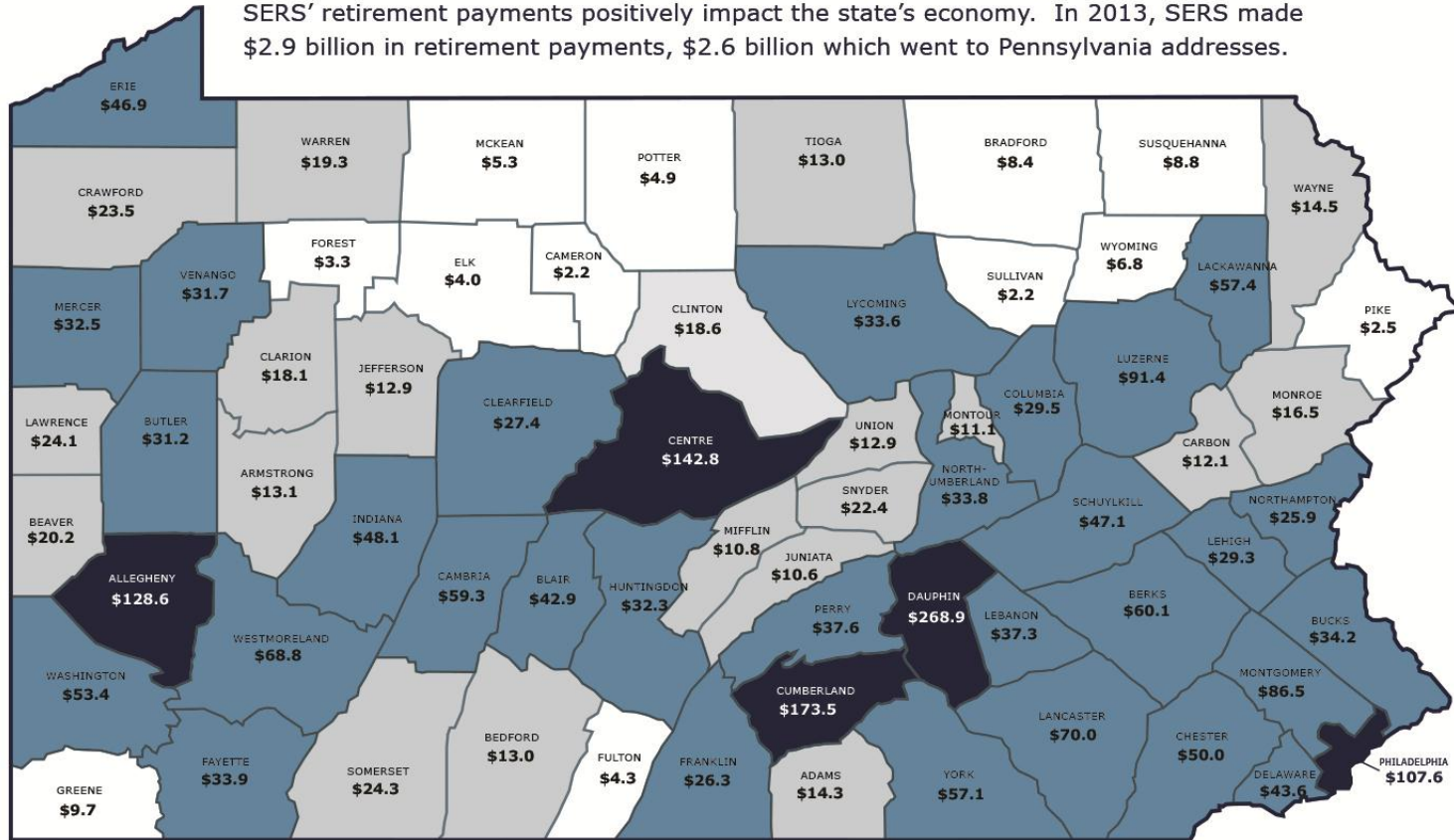
Annuity Payroll as of December 31, 2013

Retirement Type	Number of Annuitants	Average Annual Annuity
Normal	59,020	\$ 25,839
Early	42,080	16,333
Survivor	8,560	11,337
Disability	8,256	14,572
Beneficiary	1,091	13,414
Alternate Payee	1,045	9,667
Total	120,052	\$ 20,444



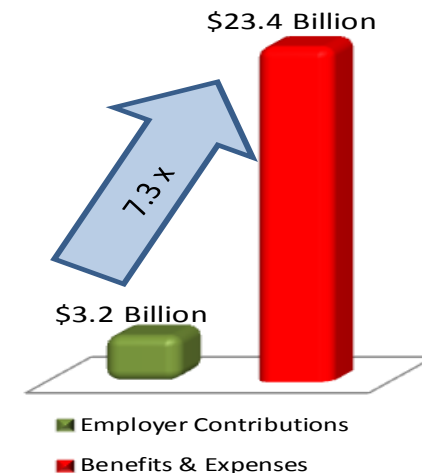
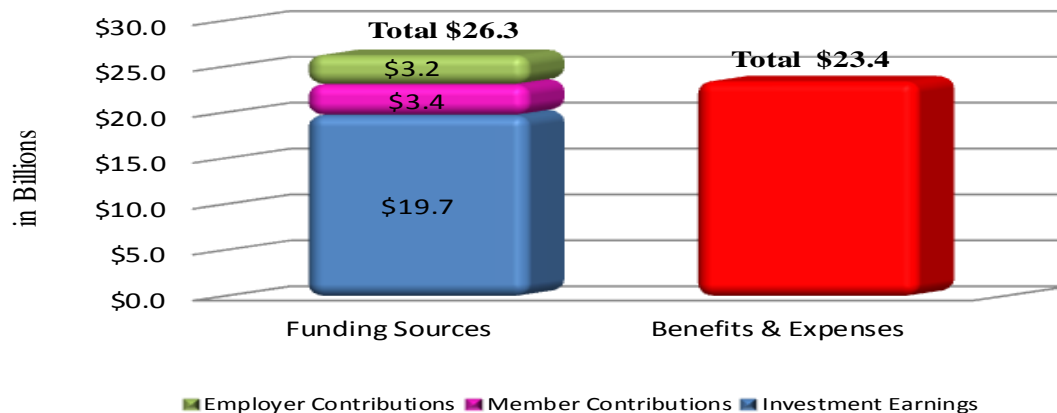
2013 Retirement Payment By County (\$ millions)

SERS' retirement payments positively impact the state's economy. In 2013, SERS made \$2.9 billion in retirement payments, \$2.6 billion which went to Pennsylvania addresses.



Ten Year Funding and Payment Activity

Funding by Source vs. Benefits and Expenses Paid

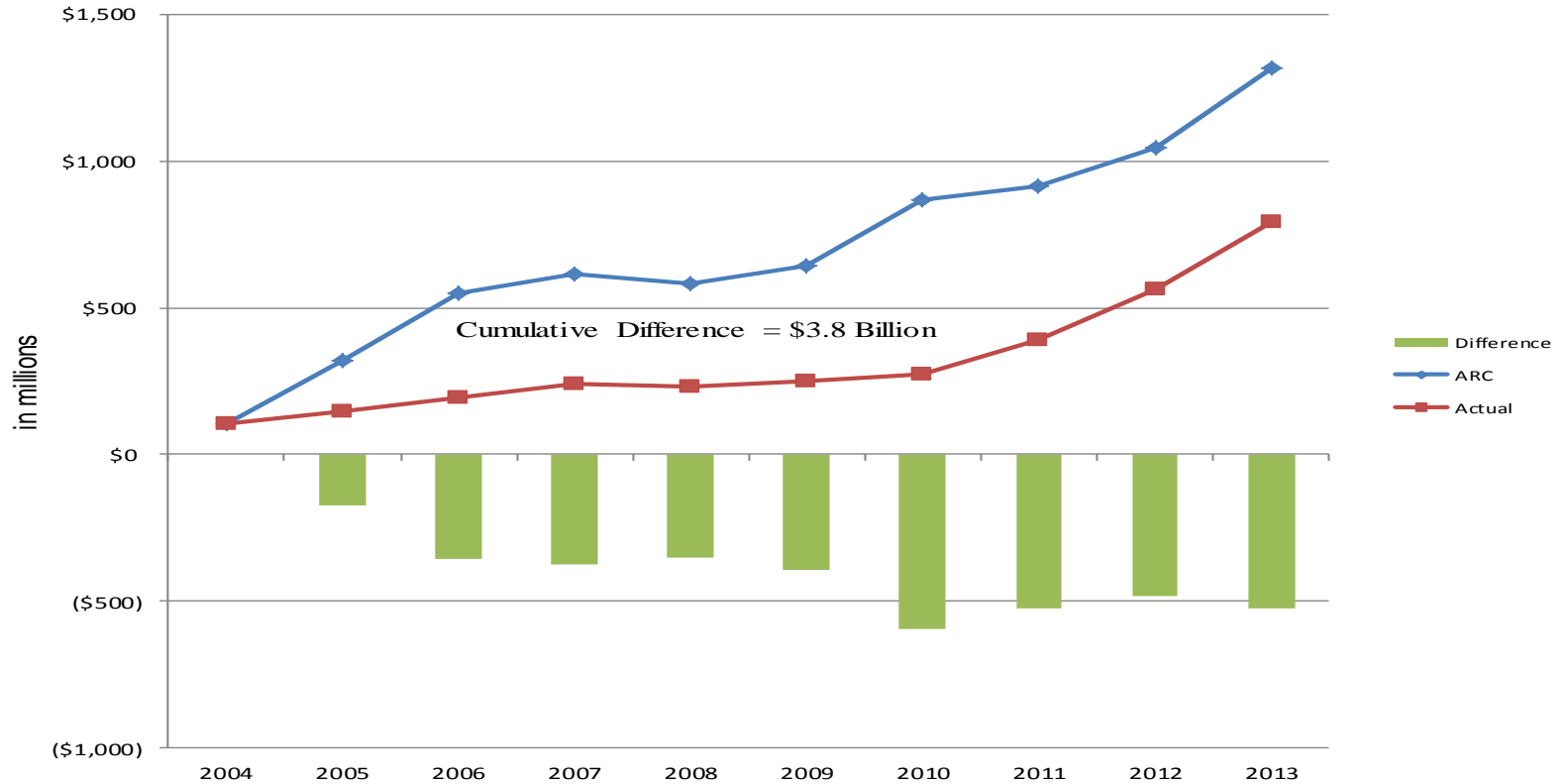


Statement of Change Activity by year (in millions)

Calendar Year	Contributions			Investment Earnings	Benefits and Expenses	Fair Value
	Employer	Member	Total			
2013	\$795	\$352	\$1,147	\$3,724	\$(2,866)	\$27,394
2012	565	348	913	2,795	(2,696)	25,389
2011	392	351	743	480	(2,732)	24,377
2010	273	349	622	3,076	(2,474)	25,886
2009	253	349	602	3,561	(2,297)	24,662
2008	235	337	572	(11,061)	(2,231)	22,796
2007	244	334	578	5,246	(2,361)	35,516
2006	196	318	514	4,730	(1,943)	32,053
2005	148	306	454	3,623	(1,966)	28,752
2004	107	310	417	3,568	(1,880)	26,641
10 Yr. Total	\$3,208	\$3,354	\$6,562	\$19,742	\$(23,446)	

10.5% (between 2013 and 2012)
 52.4% Increase (between 2013 and 2004)
 7.1% (between 2004 and 2005)
 2.8% Increase (between 2013 and 2004)

Annual Required Contributions (ARC) vs. Actual Contributions



Projected Funding Levels and Contribution Rates ^{1/}

(Dollar Amounts in Millions)

Valuation Year Ended Dec 31	Funded Ratio	Covered Payroll	Fiscal Year	Employer Normal Cost Rate	Unfunded Liability Rate	Preliminary Employer Contribution Rate	Final Employer Contribution Rate ^{2/}	Employer Contribution Dollars
2013	59.2 %	\$ 5,898	14/15	5.00 %	26.41 %	31.41 %	20.50 %	\$ 1,209
2014	59.4	6,078	15/16	5.00	26.34	31.34	25.00	1,519
2015	60.0	6,263	16/17	5.00	26.07	31.07	29.50	1,848
2016 ^{3/}	61.9	6,454	17/18	5.00	24.92	29.92	29.92	1,931
2017	64.0	6,651	18/19	5.00	23.76	28.76	28.76	1,913
2018	65.3	6,854	19/20	5.00	23.05	28.05	28.05	1,923
2019	66.5	7,063	20/21	5.00	22.38	27.38	27.38	1,934
2020	67.6	7,278	21/22	5.00	21.76	26.76	26.76	1,948
2021	68.8	7,500	22/23	5.00	21.17	26.17	26.17	1,963
2022	69.9	7,729	23/24	5.00	20.61	25.61	25.61	1,979
2023	71.0	7,964	24/25	5.00	20.07	25.07	25.07	1,997
2024	72.1	8,207	25/26	5.00	19.55	24.55	24.55	2,015

^{1/} Rates and values are for the fiscal year beginning July 1st following the valuation year and do not include the Benefits Completion Plan contribution.

^{2/} Act 2010-120 amended the Retirement Code to place a collar on increases to employer contribution rate of 4.50% for fiscal year beginning July 1, 2013 and thereafter until collar becomes unnecessary.

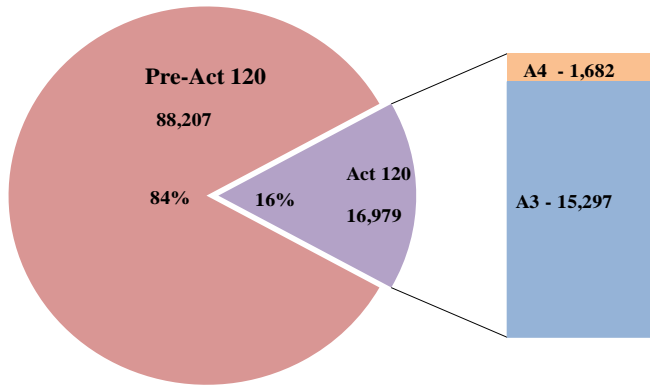
^{3/} Act 2010-120 amended the Retirement Code to place a permanent floor at employer normal cost after collars expire.

Active Member Profile

Number of Pre-Act 120 vs. Act 120 Members

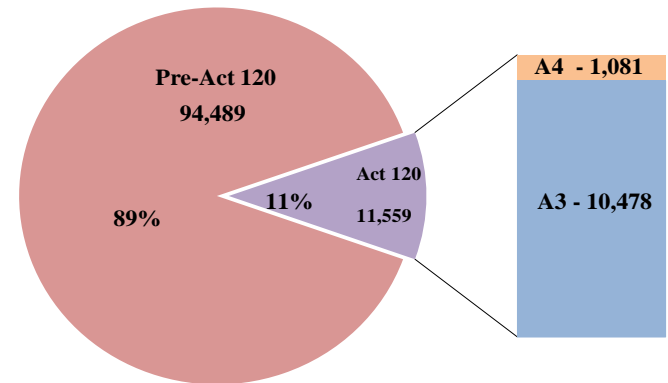
As of December 31, 2013

Total Active Member Count
105,186



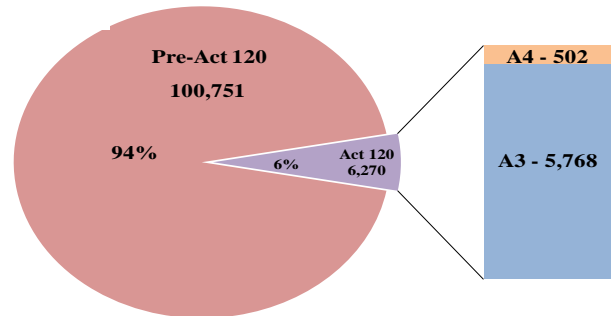
As of December 31, 2012

Total Active Member Count
106,048



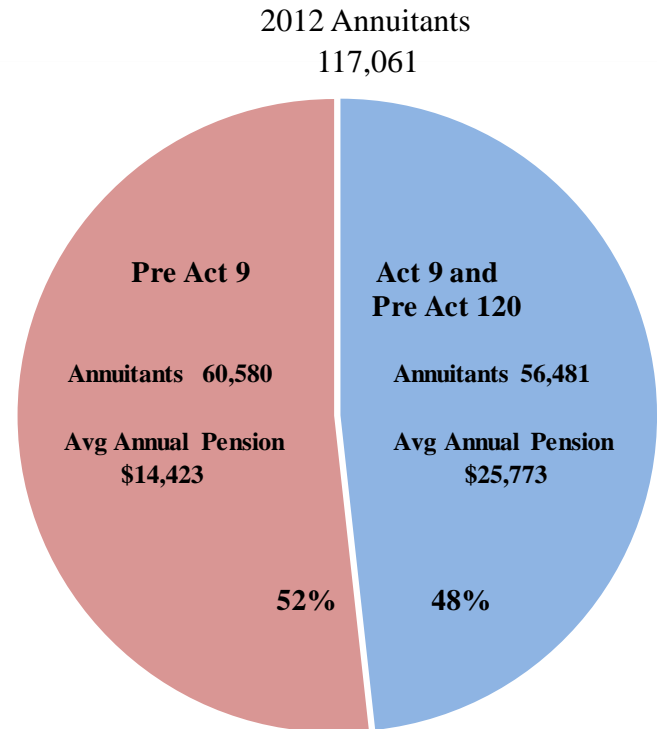
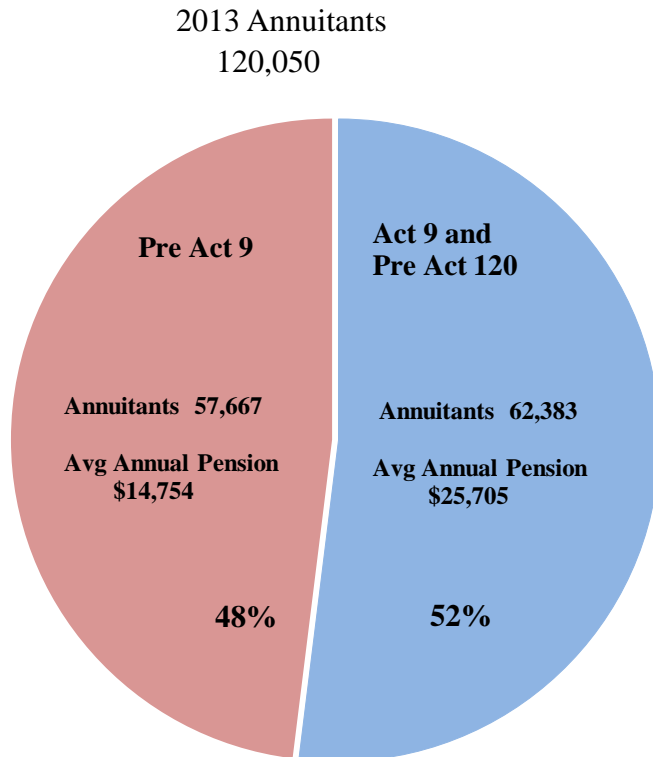
As of December 31, 2011

Total Active Member Count
107,021



Annuitant Member Profile

Number of Annuitants by Major Legislative Provision
and
Average Annual Pension



Changes in Net Position Available for Benefits (\$ millions)

	2013	2012	Change	
			\$	%
Net Position - Beginning	\$ 2,432	\$ 2,206		
Contributions	127	122	5	4%
Net Investment Income	315	193	122	63%
Less:				
Benefits, Refunds & Transfers	107	86	21	24%
Third Party and Admin. Expenses	3	3	-	0%
Net Increase/(Decrease)	332	226		
Net Position - End of Year	\$ 2,764	\$ 2,432		

Deferred Compensation Program

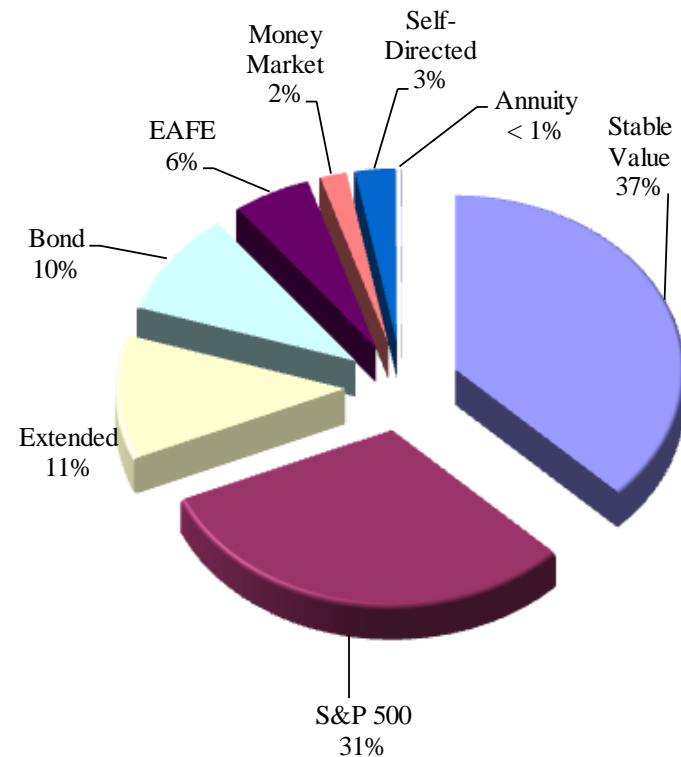


Fund Balances

(\$ millions)

			<u>Allocation %</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Stable Value	\$1,031	\$1,041	37%	43%
S&P 500 Index	859	668	31%	27%
Extended Market	316	222	11%	9%
Bond Index	266	260	10%	11%
EAFE Equity Index	153	120	6%	5%
S-T Money Market	52	52	2%	2%
Self-Directed Brokerage	80	63	3%	3%
Annuity Contract	<u>2</u>	<u>2</u>	<u>0%</u>	<u>0%</u>
Total	<u>\$2,759</u>	<u>\$2,428</u>	<u>100%</u>	<u>100%</u>

Allocation as of December 31, 2013

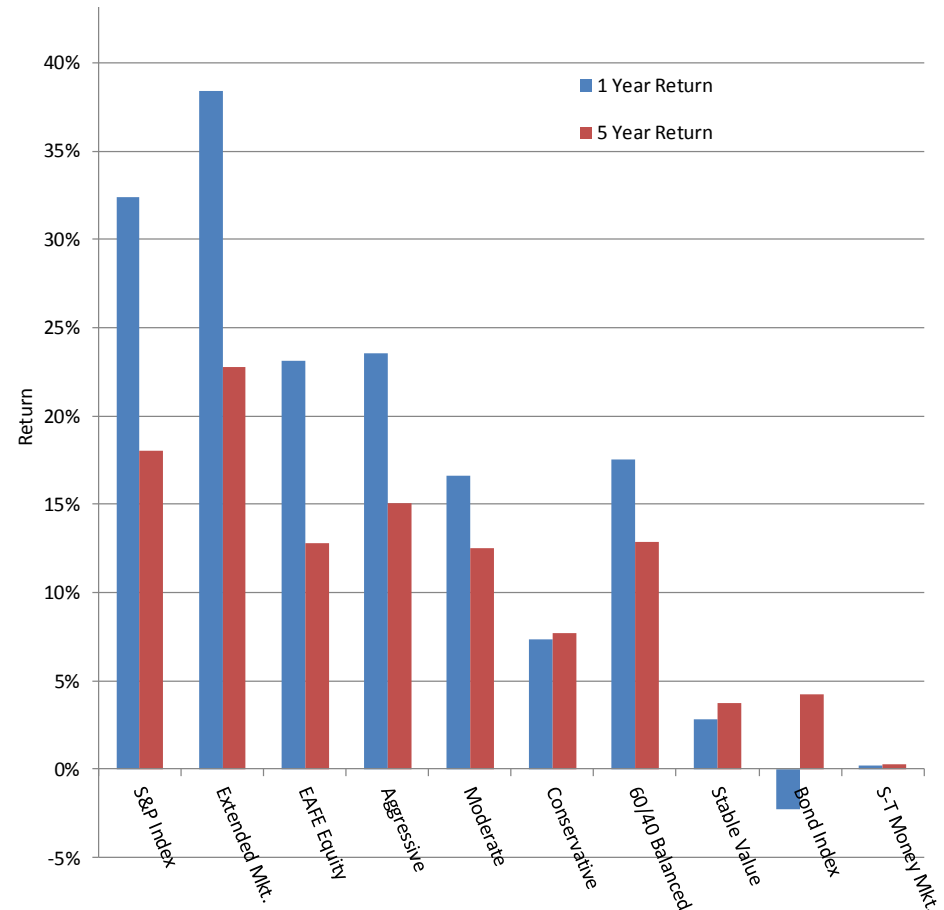


Deferred Compensation Program



Fund Returns As of December 31, 2013

FUND	1 Year Return	5 year Average Return	Since Inception Average Return
<u>EQUITY</u>			
S&P Index	32.39%	18.02%	9.71%
<i>Large Cap</i>			
Extended Market	38.40%	22.78%	9.20%
<i>Med/Small Cap</i>			
EAFE Equity Index	23.09%	12.77%	5.01%
<i>International</i>			
<u>PROFILE SERIES</u>			
Aggressive	23.54%	15.06%	8.46%
Moderate	16.65%	12.53%	7.66%
Conservative	7.38%	7.67%	5.67%
<u>ASSET ALLOCATION</u>			
60/40 Balanced	17.54%	12.84%	7.09%
<u>FIXED INCOME</u>			
Stable Value	2.79%	3.74%	5.06%
Bond Index	-2.26%	4.25%	6.11%
<i>Aggregate Bond</i>			
<u>CASH</u>			
Short-Term Money Market	0.18%	0.30%	3.69%



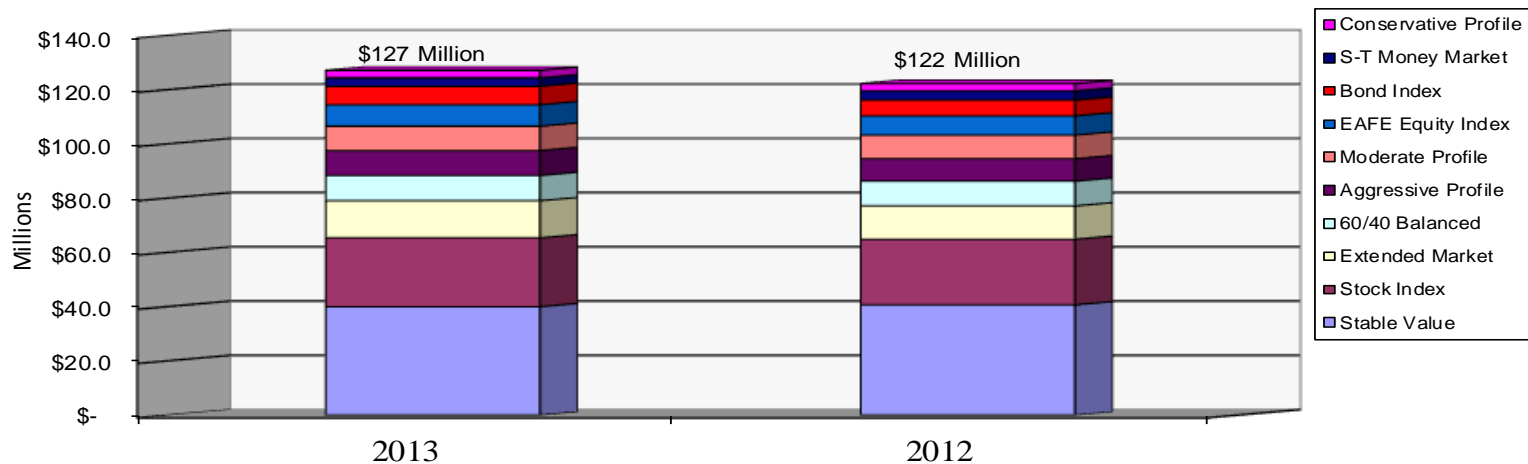
Deferred Compensation Program



Contributions by Fund for the years ended December 31, 2013 and 2012 (\$ Millions)

<u>Fund</u>	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Stable Value	\$ 40.0	\$ 40.7	\$ (0.7)	-2%
S&P 500 Index	25.4	24.2	1.2	5%
Extended Market	13.6	12.3	1.3	11%
Moderate Profile	9.2	9.1	0.1	1%
60/40 Balanced	9.2	8.3	0.9	11%
Aggressive Profile	9.0	8.7	0.3	3%
EAFE Equity Index	7.9	7.1	0.8	11%
Bond Index	6.8	5.8	1.0	17%
Short-Term Money Market	3.1	3.4	(0.3)	-9%
Conservative Profile	2.8	2.7	0.1	4%
Total Contributions	\$ 127.0	\$ 122.3	\$ 4.7	4%

Annual Contributions

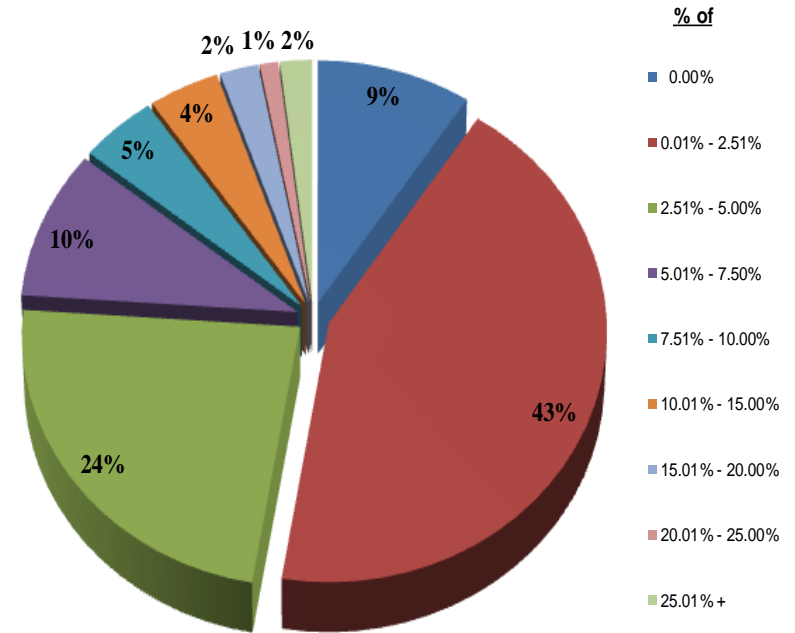


Contribution Levels

Contribution Levels
As of December 31, 2013

% of Participants by Contribution Levels

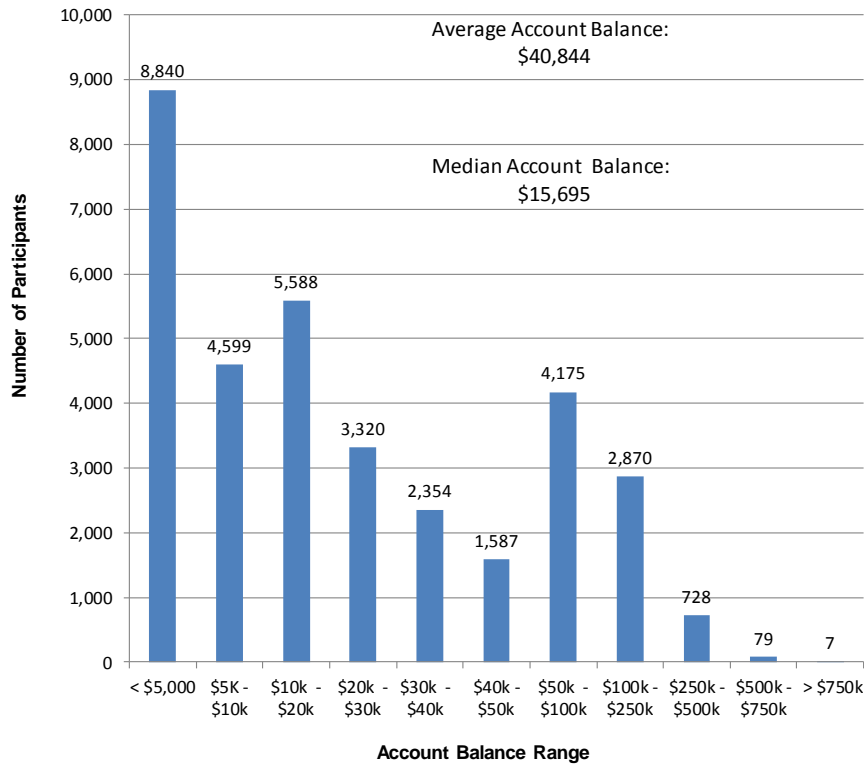
<u>% of Salary</u>	<u># of Participants</u>	<u>Percent</u>	<u>Average Annual Contribution</u>
0.00%	3,172	9.29%	\$ -
0.01% - 2.51%	14,809	43.37%	745
2.51% - 5.00%	7,996	23.42%	2,147
5.01% - 7.50%	3,296	9.65%	3,930
7.51% - 10.00%	1,587	4.65%	5,742
10.01% - 15.00%	1,458	4.27%	18,569
15.01% - 20.00%	790	2.31%	27,194
20.01% - 25.00%	381	1.12%	31,407
25.01% +	658	1.93%	19,505
Total Active Participants	34,147		
Average Contribution Percentage and Amount		4.23%	\$ 2,995



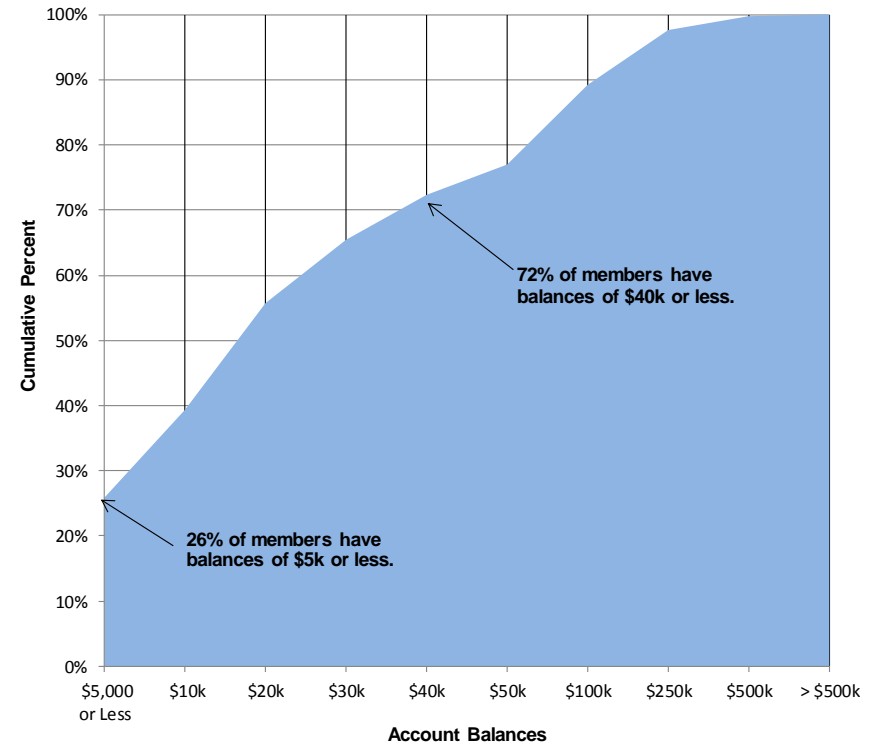
Deferred Compensation Program



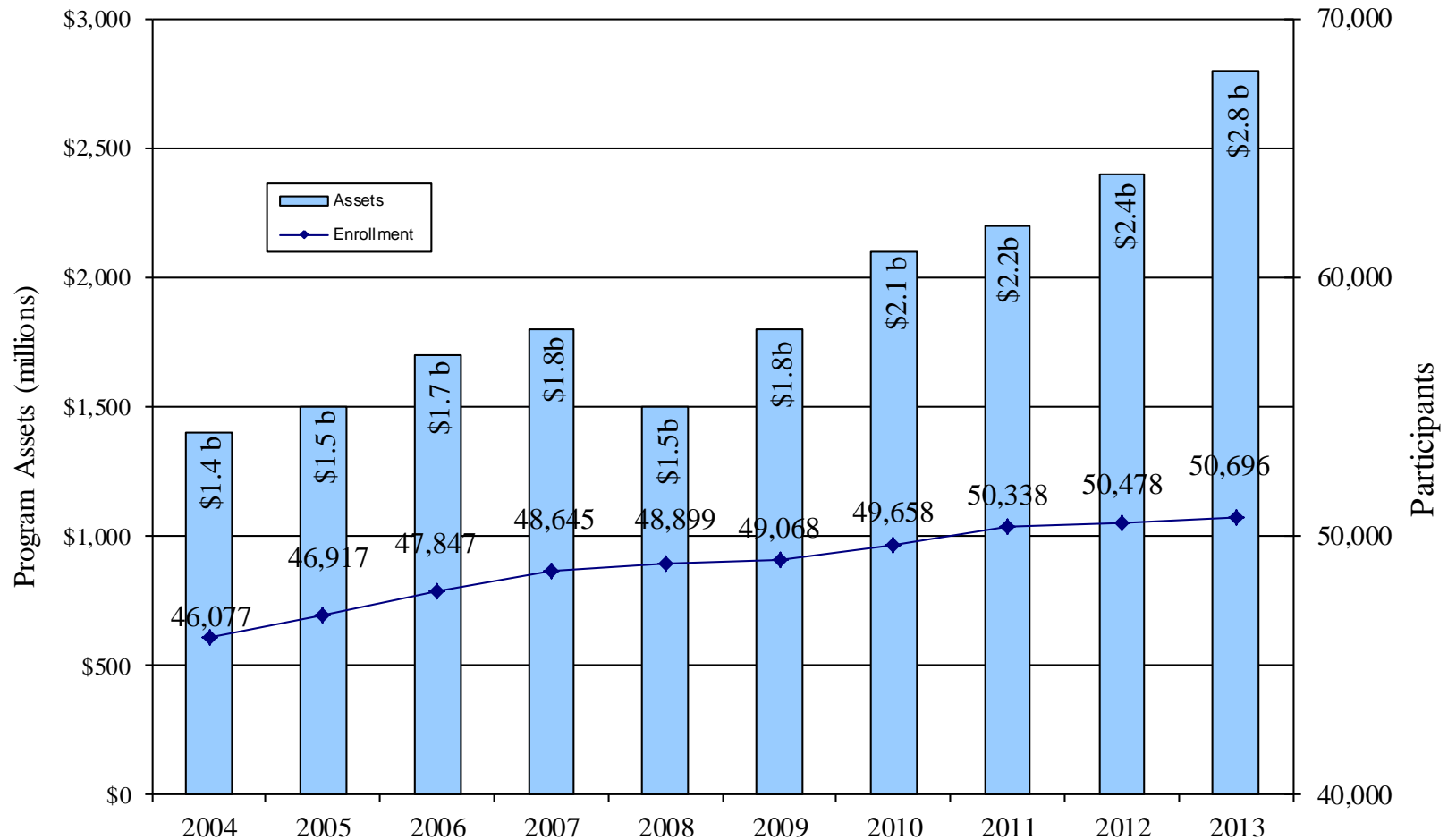
Number of Participants by Account Balance Ranges



Cumulative Participant Population by Balance Threshold



Ten Year Activity



In August 2012, the Deferred Compensation program began offering a Roth option. Roth participant data as of December 31, 2013:

- 1,630 Participant Accounts
- Average participant age: 45
- Average balance: \$2,846
- Total Roth Balance: \$4,600,385

2013 Other Statistics

Defined Benefit Plan		Deferred Compensation Program	
Avg. Active Member Credited Service	12.0	Total Active Members	34,147
Avg. Active Member Annual Salary	\$ 53,224	Total Non-Active Members	16,549
Avg. Age at Retirement	58.5	Total Member Count	50,696
Avg. Annual Pension for New Retirees	\$ 25,690	Avg. SERS DCP member Account Balance	\$ 40,844
Avg. Ann. Pen. for Ret. Removed from Rolls	\$ 13,454	Avg *Surveyed DCP Account Balance	\$ 57,000
Ten Yr. Active Member Growth (108,405 to 105,186)	-2.97%	Largest Account Balance	\$ 1,301,291
Ten Yr. Retired Member Growth (98,727 to 120,052)	21.60%	Avg. Ann. SERS DCP Member Contributions	\$ 2,995
Total Option 4 Withdrawal Payouts	\$ 325 Million	Avg. *Surveyed DCP Contribution	\$ 3,833
Avg. Option 4 Payout	\$66,188	Avg. Number of Investment Options held	2.45

* 2014 National Association of Government Defined Contribution Administrators Public Sector Defined Contribution Plan survey of 126 government defined contribution plans.