

## 2020 SERS Budget Highlights

The Pennsylvania State Employees' Retirement System currently serves approximately 243,000 active, inactive, vested and retired members. Last year, the system paid nearly \$3.5 billion in benefits of which approximately \$3.2 billion was issued to SERS members who live in Pennsylvania. For 2019, the average pension paid to retirees who work to full retirement age was about \$29,440.

For FY 2020-21, SERS proposes a \$30.7 million spending authority, which is drawn from SERS funds, not general government operating accounts for administration of the Defined Benefit Plan and \$4.6 million, which will be appropriated from commonwealth funds for the Defined Contribution Plan.

### Economic Rebound

The past year, 2019, saw a dramatic rebound across both equity and debt markets. As a result, SERS experienced investment gains of nearly 19% for our defined benefit plan, more than double the fund's assumed rate of return.

Thanks to these positive returns, along with our continued push toward greater efficiencies and transparency, as well as four consecutive years of full funding of the actuarially required contribution from the General Assembly, SERS continues to progress toward our long-term goal of eliminating our unfunded liability.

Now that SERS employers are paying the full "uncollared" contribution amount, plus making extra "plowback" contributions to return Act 2017-5 savings, the impact on paying down the unfunded liability is dramatic. This funding is crucial for the overall long-term health of the pension system. Enacting a dedicated funding source for future contributions could provide additional stability and assurance.

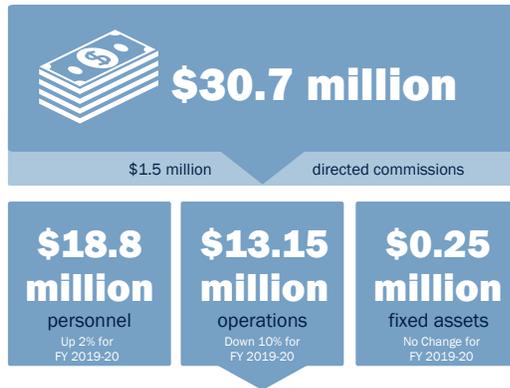
### New Plans / New Options

As a result of Act 2017-5, several important fundamental changes to SERS retirement options took effect beginning January 1, 2019. The legislation established a hybrid defined benefit/defined contribution plan with two class of service options and a straight defined contribution plan. Most new state employees are automatically enrolled in one of the two Hybrid Plan options, with the right to opt out of that Hybrid Plan and elect the Defined Contribution Plan. The exceptions are hazardous-duty employees and those who contributed to the traditional defined benefit pension plan in the past. In those two cases, the employee is automatically enrolled in the traditional defined benefit pension plan.

Additionally, all SERS members as of January 1, 2019, were given a one-time, irrevocable option to switch to either the new hybrid or defined contribution-only plan. Sixty-eight members opted into one of the new plans. Each plan is described in greater detail, including participation, asset value, and contribution rates, in the SERS 2020 Supplemental Budget Book.

## Defined Benefit Plan

### Total FY 2020-21 Spending Request

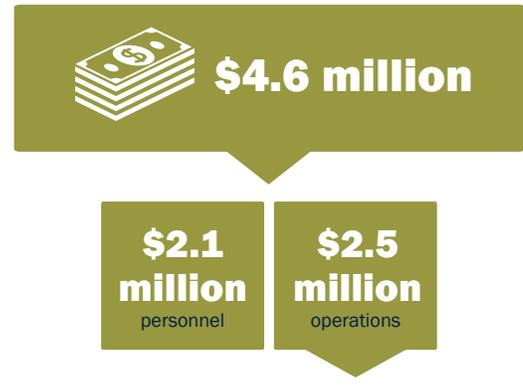


Samples from operations =

IT consulting-system upgrade **\$2.5 million**  
hardware/software maintenance **\$2.1 million**  
real estate **\$1.8 million**  
treasury services **\$1.5 million**  
postage **\$0.6 million**  
legal services **\$0.5 million**  
office equipment **\$0.4 million**

## Defined Contribution Plan

### Total FY 2020-21 Spending Request



Samples from operations =

IT consulting-system upgrade **\$280,000**  
postage **\$250,000**  
real estate **\$180,000**  
legal services **\$150,000**  
office equipment **\$26,000**

## Deferred Compensation Plan

### Total FY 2020-21 Planned Budget



Samples from operations =

specialized services **\$3.6 million**  
consultants - non EDP **\$167,900**  
real estate **\$28,500**  
printing **\$11,940**  
postage **\$11,270**  
office equipment **\$6,600**  
legal services **\$5,000**



## Hybrid Plan Snapshot

as of Dec 31, 2019

*Reflects early estimated data. For final data verified through the actuarial review process, see the updated [Hybrid Plan Snapshot](#).*

<b>Participants</b>	6,690 total 6,427 A-5 Class of Service 263 A-6 Class of Service
<b>Assets</b>	see the Defined Contribution Plan and Defined Benefit Plan Snapshots for the assets in each plan.
<b>Number of Employers</b>	102



## Defined Contribution Plan Snapshot

as of Dec 31, 2019

*Reflects early estimated data. For final data verified through the actuarial review process, see the updated [Defined Contribution Plan Snapshot](#).*

<b>Participants</b>	7,802 total accounts 6,938 participants contributing to the plan 6,690 Hybrid Plan participants 248 Defined Contribution Plan participants 864 inactive accounts
<b>Assets</b>	\$9.2 million
<b>Number of Employers</b>	102
<b>Total Participant Mandatory Contributions</b>	\$4.1 million
<b>Total Employer Contributions</b>	\$2.7 million
<b>Total Rollovers into the Plan</b>	61 totaling \$1.7 million
<b>Total Rollovers Out of the Plan</b>	15 totaling \$11,000
<b>Total Distributions/Withdrawals</b>	\$310,000
<b>Total Voluntary After-Tax Contributions</b>	\$117,000



# Defined Benefit Plan Snapshot

Reflects early estimated data. For final data verified through the actuarial review process, see the updated [Defined Benefit Plan Snapshot](#).

<b>Members</b> as of Dec 31, 2019	242,749 total 132,731 retirees and beneficiaries receiving benefits 103,266 active members paying into the system 6,752 vested members not receiving benefits
<b>Average 2018 Annuity</b>	\$21,282 per year \$29,440 per year for those who work to full retirement age
<b>Total Pension Benefits Paid</b> paid in 2019, unaudited	\$3.5 billion
<b>Member Contribution Rate</b> PA FY 2019/20	6.25% of salary, by payroll deduction (for most members) Varies between 5% and 9.3%
<b>Number of Employers</b> as of Dec 31, 2019	102
<b>Employer Contribution Rate</b> PA FY 2019/20	33.59% of payroll, composite rate 1.25% of payroll for benefits earned this year 32.34% of payroll for the unfunded liability
<b>Projected Employer Contribution Rate</b> PA FY 2020/21	33.63% of payroll 1.41% of payroll for benefits earned this year 32.22% of payroll for the unfunded liability
<b>Employer Contribution Sources</b> % provided by the Governor's Budget Office (FY 2017/18)	approx. 40% general funds approx. 48% special and federal funds approx. 12% independent employer funds
<b>Funding Sources</b> as of year-end Dec 31, 2019, unaudited	\$409 million member contributions \$2.1 billion employer contributions \$4.97 billion investment earnings
<b>Investment Returns</b> as of Dec 31, 2019 unaudited, annualized, net-of-fees	18.8% 1-year 8.1% 10-year 6.0% 20-year 8.4% 30-year
<b>Total Fund Assets</b> as of Dec 31, 2019, unaudited	\$30.9 billion
<b>Cash Flow</b> 2020 projected	\$2.46 billion annual contributions (member/employer) \$3.61 billion annual payments (benefits/administrative expenses) difference in sum necessary to cover payments must come from investment income
<b>Funded Status</b> 2018 actuarial report adjusted with preliminary 2018 year-end performance data	56.5% with an unfunded liability of \$22.3 billion
<b>Key Assumptions</b> 2018 Actuarial Report	7.25% long-term investment return 7.125% long-term investment return effective with 2019 valuation 5.55% average total salary/career growth 2.60% inflation rate



# Deferred Compensation Plan Snapshot

as of Dec 31, 2019

*Reflects early estimated data. For final data verified through the actuarial review process, see the updated [Deferred Compensation Plan Snapshot](#).*

## Participants

57,432 total accounts  
34,755 actively contributing participants

## Assets

\$3.9 billion

## Number of Employers

87

## Total Participant Contributions

\$153 million

## Total Rollovers Into the Plan

833 totaling \$63 million

## Total Rollovers Out of the Plan

1,210 totaling \$214 million

## Total Distributions/Withdrawals

29,968 totaling \$261 million

