

2023 Key Financial Highlights

SERS Office of Financial Management (OFM)

Table of Contents

SERS Defined Benefit Plan

	Page
• Plan Highlights	3
• Summary of Fiduciary Net Position	4
• Summary of Changes in Fiduciary Net Position	5
• Investment Balances	6
• Contribution Highlights	7
• 2023 Pension Payments by County	8
• 10 Year Funding and Payment Activity	9
• Actuarial Valuations	10

SERS Defined Contribution Plan

	Page
• Plan Highlights	11
• Summary of Fiduciary Net Position	12
• Summary of Changes in Fiduciary Net Position	13
• Fund Balances & Breakouts	14
• Contributions by Fund	15
• Contributions by Target Date Fund	16

SERS Deferred Compensation Plan

• Plan Highlights	17
• Summary of Net Position Available for Benefits	18
• Summary of Changes in Net Position Available for Benefits	19
• Fund Balances & Breakouts	20
• Contributions by Fund	21
• Contributions by Target Date Fund	22
• 10 Year Growth Plan Assets & Participants	23

Plan Highlights

- **SERS exceeded the 6.875% assumed actuarial rate of return in 2023**
 - Time-weighted rate of return on investments of **12.2%** for 2023
- **The plan's Net Position increased \$2.8 billion to \$36.4 billion at year end 2023**
 - The increase was attributed to positive investment returns and employer contributions exceeding the benefit payments and expenses
- **The plan's funded status increased to:**
 - 65.3% for accounting purposes
 - 69.6% for funding purposes
- **Shared-risk and shared-gain**
 - Most members hired since 2011 are subject to adjustments to their contributions. To date, there have been no shared-risk/shared-gain adjustments

Summary of Fiduciary Net Position

As of December 31, 2023 and 2022
(\$ millions)

	2023	2022	Increase/(Decrease)	
			\$	%
Assets				
Total receivables	\$ 650	\$ 293	\$ 357	122%
Total investments	36,597	33,870	2,727	8
Total other assets	183	218	(35)	(16)
Total assets	37,430	34,381	3,049	9
Total liabilities	1,005	774	231	30
Net position restricted for pensions	\$ 36,425	\$ 33,607	\$ 2,818	8%

See complete audited financial statements for more detail

Summary of Changes in Fiduciary Net Position

For Years Ended December 31, 2023 and 2022
(\$ millions)

	2023	2022	Increase/(Decrease)	
			\$	%
Net position restricted for pensions - beginning of year	\$ 33,607	\$ 40,231	\$(6,624)	(16)%
Additions:				
Member contributions	427	418	9	2
Employer contributions	2,199	2,075	124	6
Net investment income/(loss)	4,127	(5,213)	9,340	179
Total additions	6,753	(2,720)	9,473	348
Deductions:				
Benefit payments and refunds	3,911	3,885	26	1
Administrative expenses	24	19	5	26
Total deductions	3,935	3,904	31	1
Net increase/(decrease)	2,818	(6,624)	9,442	143
Net position restricted for pensions - end of year	<u>\$ 36,425</u>	<u>\$ 33,607</u>	<u>\$ 2,818</u>	<u>8%</u>

See complete audited financial statements for more detail

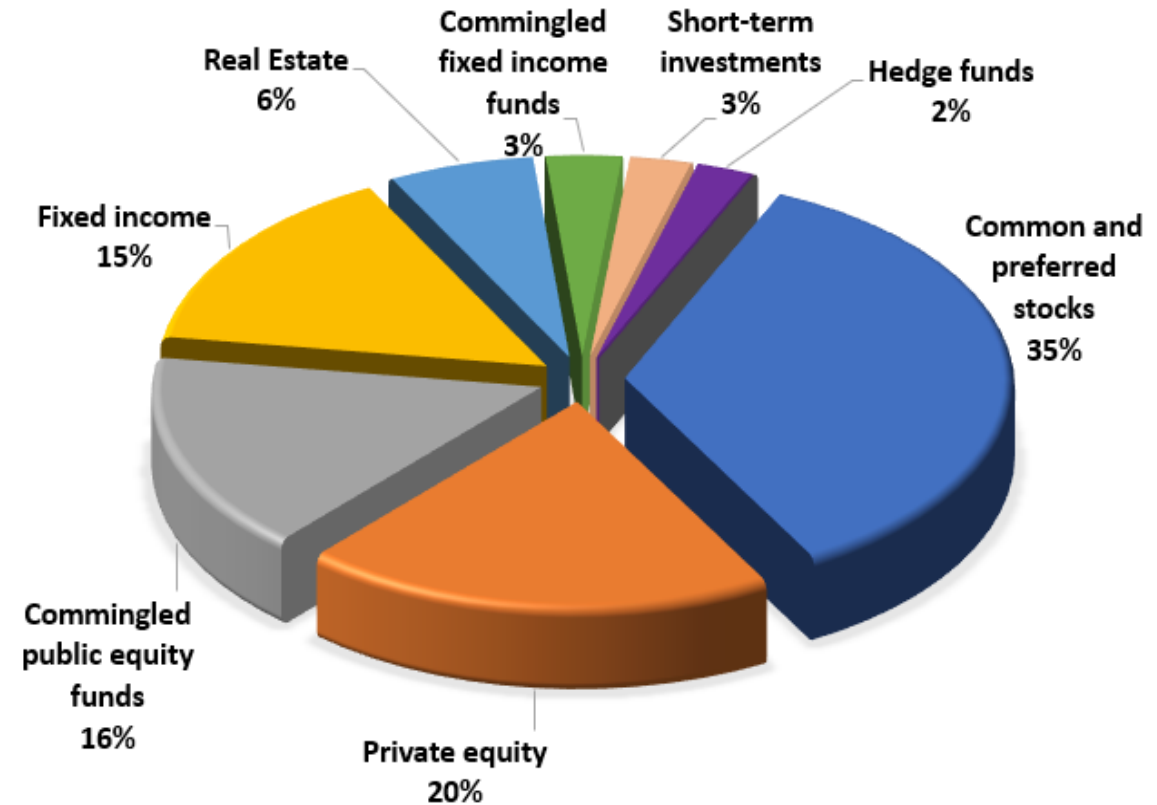
Investment Balances

Investment Balances

As of December 31, 2023 and 2022
(\$ millions)

			% of Total	
	2023	2022	2023	2022
Common and preferred stocks	\$ 12,906	\$ 11,626	35%	34%
Private equity	7,200	6,914	20	19
Commingled public equity funds	5,745	4,601	16	14
Fixed income	5,492	5,259	15	16
Real Estate	2,253	2,563	6	8
Commingled fixed income funds	1,177	1,155	3	3
Short-term investments	951	879	3	3
Hedge funds	873	872	2	3
Total	\$ 36,597	\$ 33,869		

Allocation as of December 31, 2023



Finance and Member and Participant Services Committee

Contribution Highlights

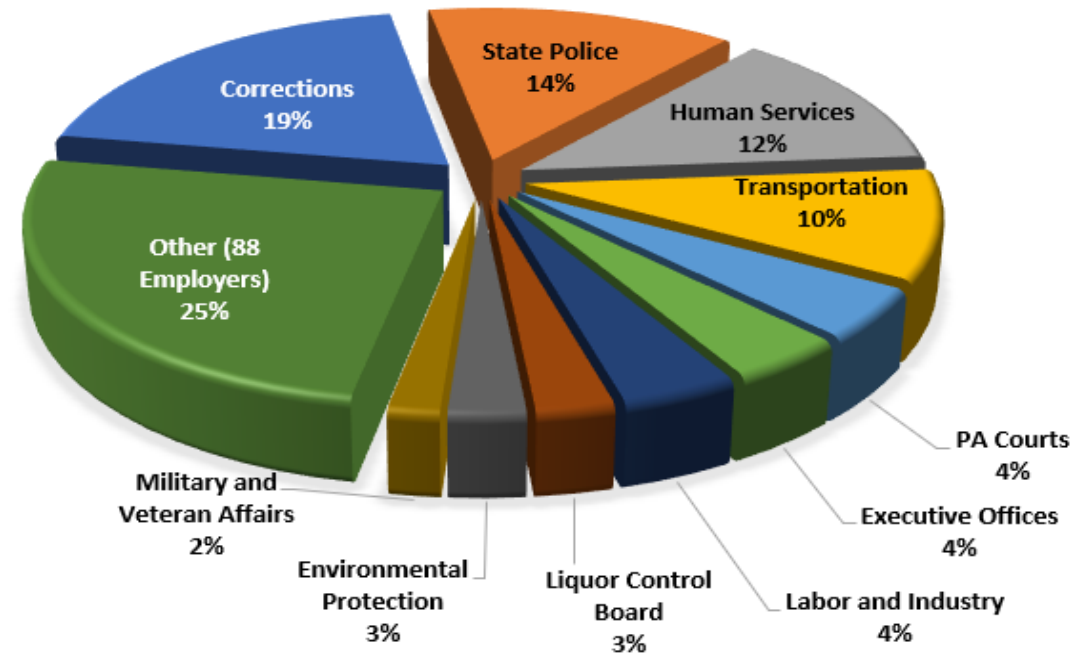
For the Year Ended December 31, 2023

Employer	Employer Contributions (\$ millions)
Corrections	\$ 427
State Police	306
Human Services	277
Transportation	212
PA Courts	98
Executive Offices	88
Labor and Industry	88
Liquor Control Board	59
Environmental Protection	58
Military and Veteran Affairs	39
Other (88 Employers)	547

Total Employer \$ 2,199

	Member Contributions (\$ millions)
All 98 Employers	\$ 427
Total Contributions	<u>\$ 2,626</u>

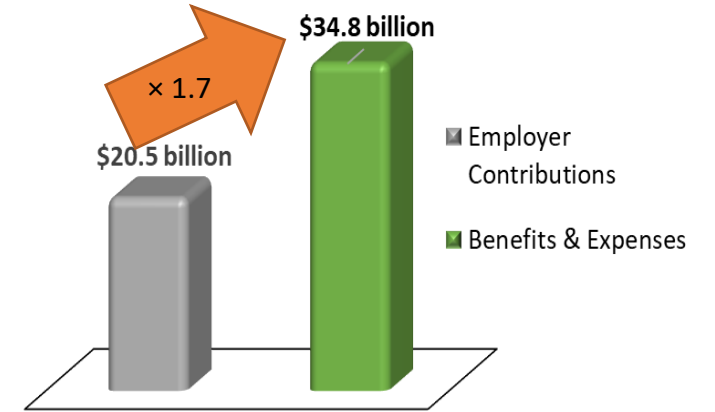
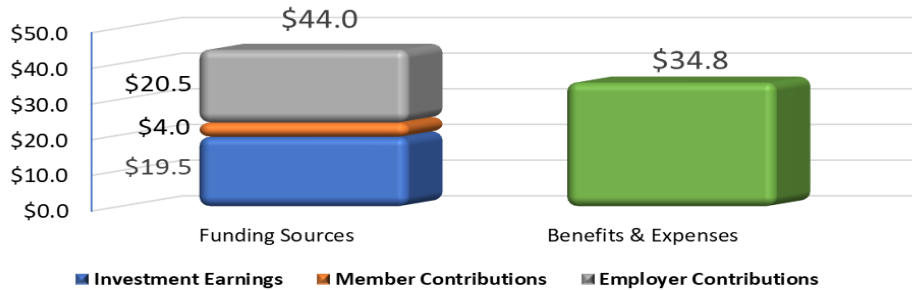
Top 10 Contributing Employers



Finance and Member and Participant Services Committee

10 Year Funding and Payment Activity

Funding by Source vs. Benefits and Expenses Paid
(\$ billions)



Statement of Change Activity By Year (\$ millions)

Calendar Year	Contributions			Investment Earnings	Benefits and Expenses	Net Position
	Employer	Member	Total			
2023	\$ 2,199	\$ 427	\$ 2,626	\$ 4,127	\$ (3,935)	\$ 36,425
2022	2,075	418	2,493	(5,213)	(3,904)	33,607
2021	2,871	405	3,276	5,682	(3,755)	40,231
2020	3,186	410	3,596	3,920	(3,584)	35,028
2019	2,115	405	2,520	5,175	(3,536)	31,096
2018	2,049	394	2,443	(1,442)	(3,421)	26,937 ^{1/}
2017	1,898	383	2,281	4,066	(3,330)	29,405
2016	1,622	375	1,997	1,587	(3,251)	26,388
2015	1,360	372	1,732	88	(3,103)	26,055
2014	1,084	366	1,450	1,462	(2,968)	27,338
10 Yr. Total	\$ 20,459	\$ 3,955	\$ 24,414	\$ 19,452	\$ (34,787)	

Annotations: 32.6% increase (from 2014 to 2023), 33.2% increase (from 2014 to 2023), 10.8% (2023 vs 2022), 10.9% (2023 vs 2014)

^{1/}Includes \$48 million adjustment for cumulative effect of change in accounting principle related to GASB 75 - Other Post-Employment Benefit Obligations

Actuarial Valuations

- Annually, the SERS Defined Benefit Plan obtains two actuarial valuations, one for financial reporting purposes (GASB 67) and one that is statutorily required for funding purposes.
- The funding valuation is used to set the employer contribution rate for the plan.
- The December 31, 2023, valuations include assumptions from the most recent actuarial experience study. The assumptions from this study were effective with the December 31, 2020, valuation going forward unless changed by the SERS Board.

Valuation Comparison

As of December 31, 2023
(\$ millions)

GASB 67 - Accounting Valuation		Funding Valuation	
Total Pension Liability (TPL)	\$ 55,780	Actuarial Accrued Liability (AAL)	\$ 55,778
Fiduciary Net Position	\$ 36,425	Actuarial Value of Assets	\$ 38,793
Net Pension Liability (NPL)	<u>\$ 19,355</u>	Unfunded AAL	<u>\$ 16,985</u>
Fiduciary Net Position/TPL	65.3%	Funded Ratio	69.6%
Fiduciary Net Position/TPL (Prior Year)	61.5%	Funded Ratio (Prior Year)	68.0%

- Under GASB 68, employers are allocated a share of the NPL, pension expense, and deferred inflows/outflows related to pensions, which are to be recorded on their financial statements.

Plan Highlights

■ Continued to see plan growth....

- 33,900 total defined contribution accounts in 2023, an increase of 8,600 accounts compared to 2022
- Employer contributions were approximately \$23.5 million in 2023 compared to \$16.8 million in 2022
- Employee contributions (including rollovers into the plan) were approximately \$42.9 million in 2023 compared to \$31.4 million in 2022
- The Defined Contribution Plan's Year End Net Position rose 78% from year ending 2022 to 2023

Summary of Fiduciary Net Position

As of December 31, 2023 and 2022
(\$ millions)

	2023	2022	Increase/(Decrease)	
			\$	%
Assets				
Total investments	\$ 191	\$ 108	\$ 83	77%
Total receivables & other assets	2	3	(1)	(33)
Total assets	193	111	82	74
Total liabilities	4	5	(1)	(20)
Net position held in trust for defined contribution plan participants	\$ 189	\$ 106	\$ 83	78%

See complete audited financial statements for more detail

Summary of Changes in Fiduciary Net Position

For Years Ended December 31, 2023 and 2022
(\$ millions)

	2023	2022	Increase/(Decrease)	
			\$	%
Net position held in trust for defined contribution plan participants - beginning of year	\$ 106	\$ 78	\$ 28	36%
Additions:				
Member contributions	43	31	12	39
Employer contributions	23	17	6	35
Annual employer charge	2	1	1	100
Net investment income/(loss)	25	(14)	39	279
Total additions	93	35	58	166
Deductions:				
Benefit payments and refunds	5	3	2	67
Administrative expenses	5	4	1	25
Total deductions	10	7	3	43
Net increase	83	28	55	196
Net position held in trust for defined contribution plan participants - end of year	\$ 189	\$ 106	\$ 83	78%

See complete audited financial statements for more detail

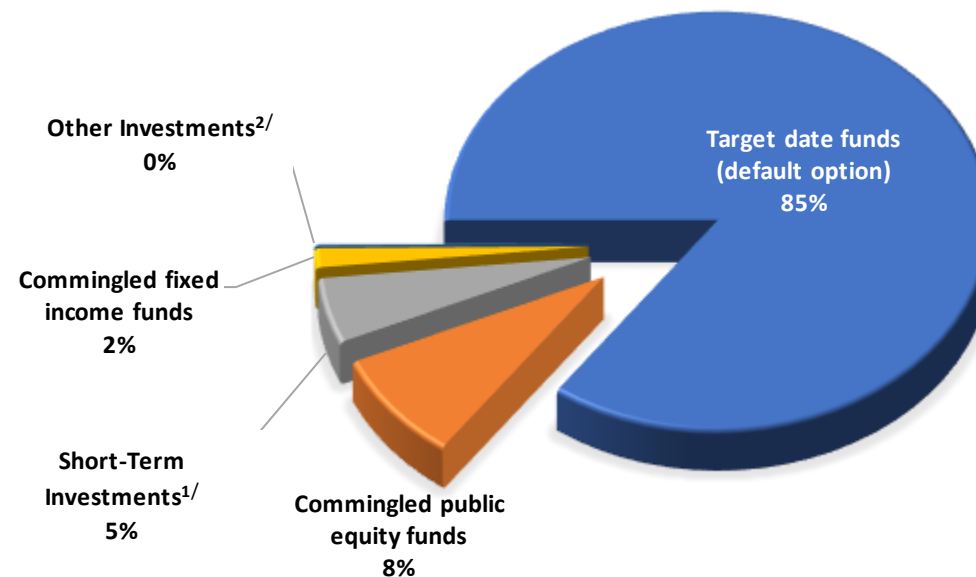
Fund Balances & Breakouts

Fund Balances

As of December 31, 2023 and 2022
(\$ thousands)

Fund	2023	2022	% of Total	
			2023	2022
Target date funds (default option)	\$162,519	\$88,490	85%	83%
Commingled public equity funds	16,012	8,480	8	8
Short-term investments ^{1/}	9,608	8,658	5	8
Commingled fixed income funds	2,839	1,536	2	1
Other investments ^{2/}	220	157	0	0
Total	<u>\$191,198</u>	<u>\$107,321</u>		

Allocation as of December 31, 2023



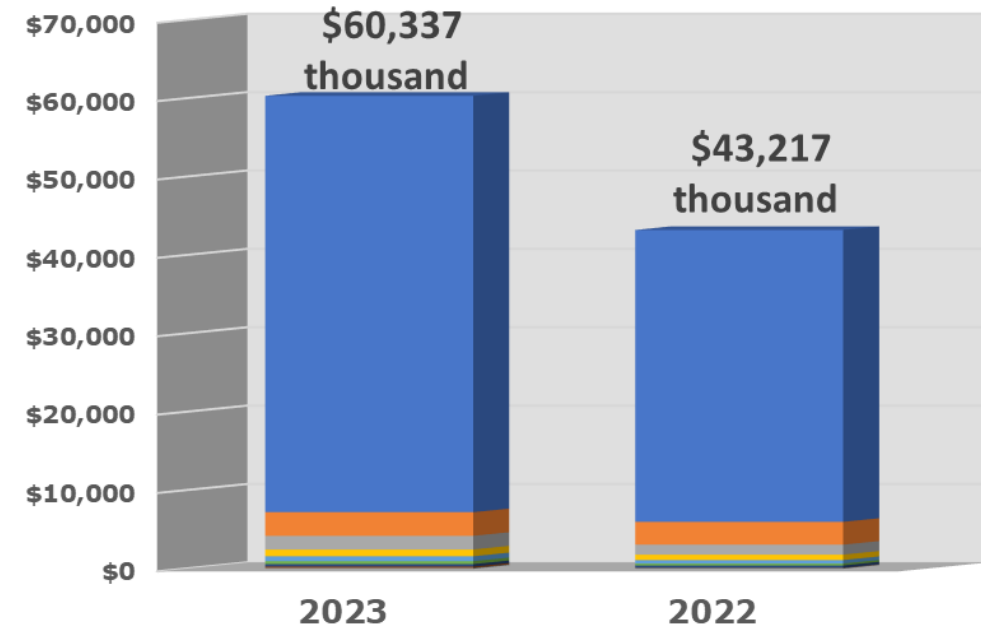
^{1/}Includes both investments in participant directed accounts and plan level cash

^{2/}Includes investments in Schwab-Self Directed Brokerage

Contributions by Fund (excl. Rollovers)

For the Years Ended December 31, 2023 and 2022
(\$ thousands)

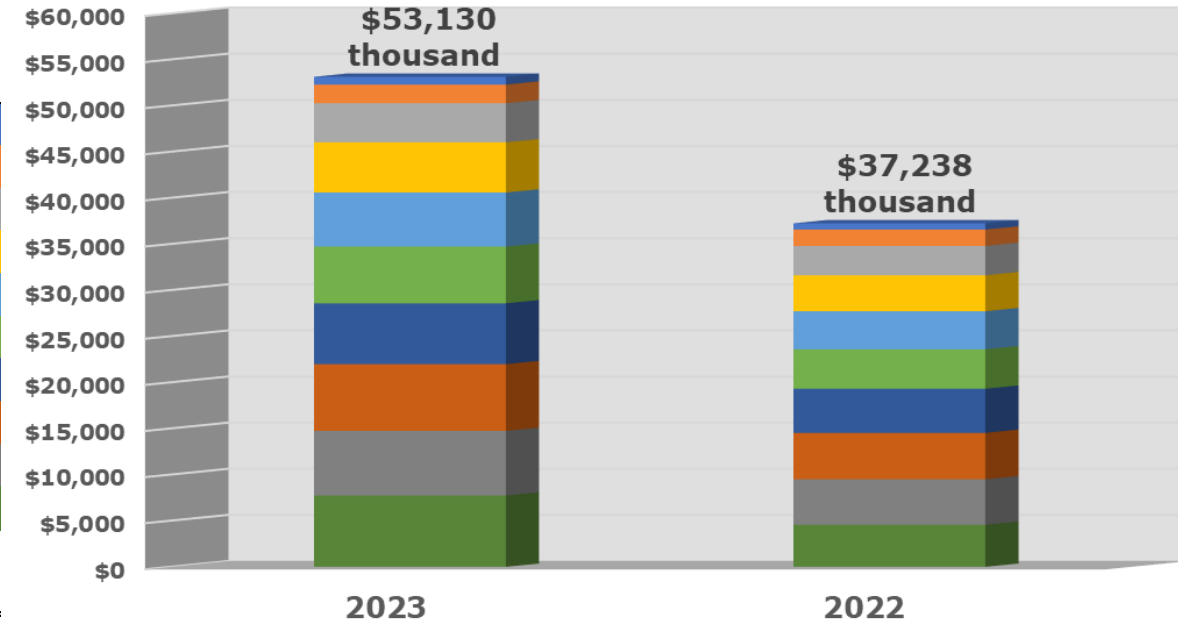
Fund	2023	2022	Increase/ (Decrease)	% Change
Target date fund suite (default option)	\$ 53,130	\$ 37,238	\$ 15,892	43%
Short-term investment fund	3,017	2,911	106	4
U.S. large company stock index fund	1,742	1,277	465	36
Global non-U.S. stock index fund	865	688	177	26
U.S. all company stock index fund	627	449	178	40
U.S. small/mid company stock index fund	376	243	133	55
U.S. bond index fund	324	293	31	11
Short-term bond index fund	140	19	121	637
U.S. TIPS fund	116	99	17	17
Total Contributions	\$ 60,337	\$ 43,217	\$ 17,120	40%



Contributions (excl. Rollovers) by Target Date Fund

For the Years Ended December 31, 2023 and 2022
(\$ thousands)

Target Date Fund	2023	2022	Increase/ (Decrease)	% Change
Post Retirement Date	\$ 848	\$ 678	\$ 170	25%
2025 Retirement Date Fund	2,029	1,773	256	14
2030 Retirement Date Fund	4,235	3,178	1,057	33
2035 Retirement Date Fund	5,438	3,902	1,536	39
2040 Retirement Date Fund	5,865	4,124	1,741	42
2045 Retirement Date Fund	6,152	4,279	1,873	44
2050 Retirement Date Fund	6,591	4,781	1,810	38
2055 Retirement Date Fund	7,232	5,030	2,202	44
2060 Retirement Date Fund	7,012	4,937	2,075	42
2065 Retirement Date Fund	7,728	4,556	3,172	70
Total Contributions	<u>\$ 53,130</u>	<u>\$ 37,238</u>	<u>\$ 15,892</u>	<u>43%</u>



Plan Highlights

- Participant contributions decreased to \$171.7 million in 2023 compared to \$177.7 million in 2022
- The number of actively contributing participants decreased to 31,500 in 2023 from 32,300 in 2022

Summary of Net Position Available for Benefits

As of December 31, 2023 and 2022
(\$ millions)

	2023	2022	Increase/(Decrease)	
			\$	%
Assets				
Total receivables	\$ 2	\$ 1	\$ 1	100%
Total investments	4,488	3,999	489	12
Total other assets	1	2	(1)	(50)
Total assets	4,491	4,002	489	12
Total liabilities				
	6	6	-	0
Net position held in trust for defined contribution plan participants	\$ 4,485	\$ 3,996	\$ 489	12%

See complete audited financial statements for more detail

Summary of Changes in Net Position Available for Benefits

For Years Ended December 31, 2023 and 2022
(\$ millions)

	2023	2022	Increase/(Decrease)	
			\$	%
Net position available for benefits - beginning of year	\$ 3,996	\$ 4,817	\$ (821)	(17)%
Additions:				
Participant contributions	172	178	(6)	(3)
Plan transfers in	53	54	(1)	(2)
Net investment income/(loss)	628	(729)	1,357	186
Total additions	853	(497)	1,350	272
Deductions:				
Benefit payments and refunds	124	122	2	2
Plan transfers out	233	196	37	19
Third party and administrative expenses	7	6	1	17
Total deductions	364	324	40	12
Increase/(decrease) in net position	489	(821)	1,310	160
Net position available for benefits - end of year	\$ 4,485	\$ 3,996	\$ 489	12%

See complete audited financial statements for more detail

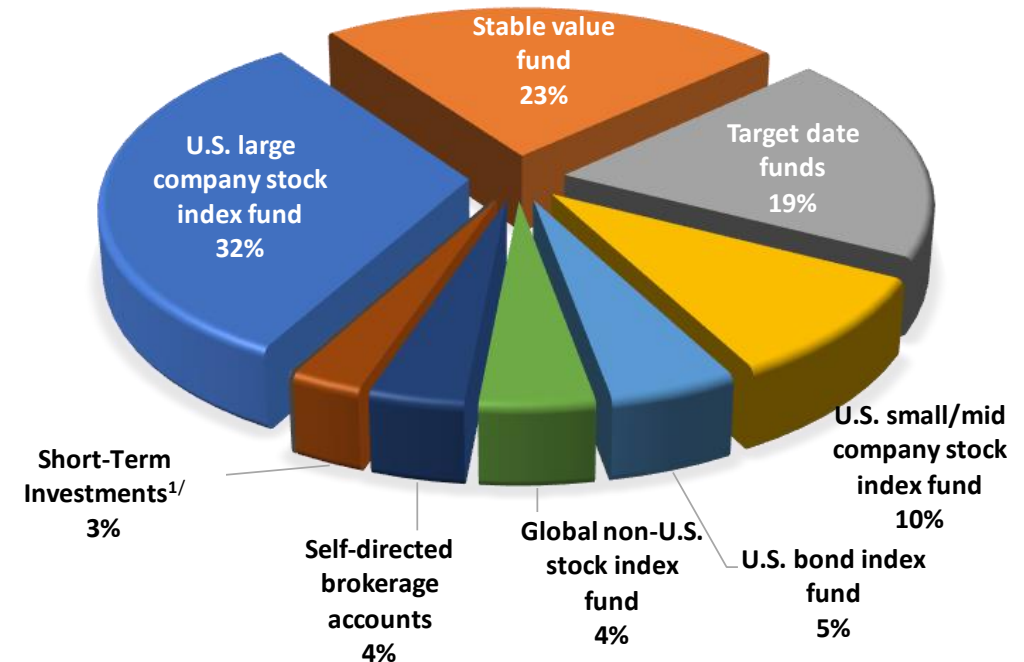
Fund Balances & Breakouts

Fund Balances

As of December 31, 2023 and 2022
(\$ millions)

Fund	2023	2022	% of Total	
			2023	2022
U.S. large company stock index fund	\$ 1,438	\$ 1,139	32%	28%
Stable value fund	1,037	1,090	23	27
Target date funds	867	783	19	20
U.S. small/mid company stock index fund	431	372	10	9
U.S. bond index fund	223	198	5	5
Global non-U.S. stock index fund	200	171	4	4
Self-directed brokerage accounts	166	143	4	4
Short-term investments ^{1/}	125	102	3	3
Group annuity contract	1	1	0	0
Total	\$ 4,488	\$ 3,999		

Allocation as of December 31, 2023

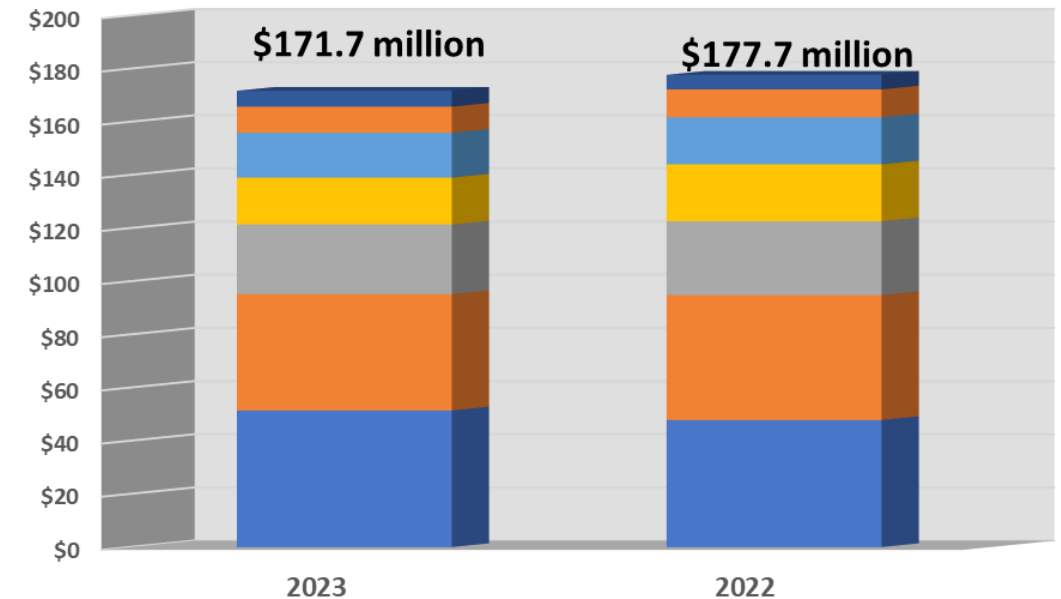


^{1/}Includes both investments in participant directed accounts and plan level cash

Contributions (excl. Rollovers) by Fund

For the Years Ended December 31, 2023 and 2022
(\$ millions)

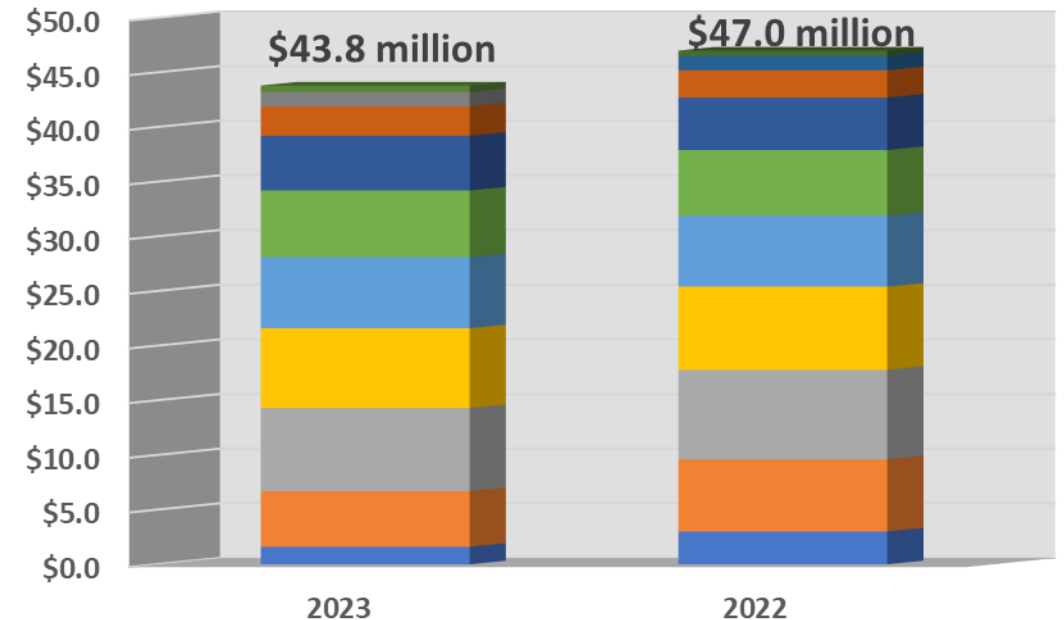
Fund	2023	2022	Increase/ (Decrease)	% Change
U.S. large company stock index fund	\$ 51.4	\$ 47.8	\$ 3.6	8 %
Target date funds	43.8	47.0	(3.2)	(7)
Stable value fund	26.2	27.8	(1.6)	(6)
U.S. small/mid company stock index fund	17.6	21.4	(3.8)	(18)
Global non-U.S. stock index fund	16.9	17.7	(0.8)	(5)
U.S. bond index fund	9.8	10.5	(0.7)	(7)
Short-term investment fund	6.0	5.5	0.5	9
Total	<u>\$171.7</u>	<u>\$177.7</u>	<u>\$ (6.0)</u>	<u>(3)%</u>



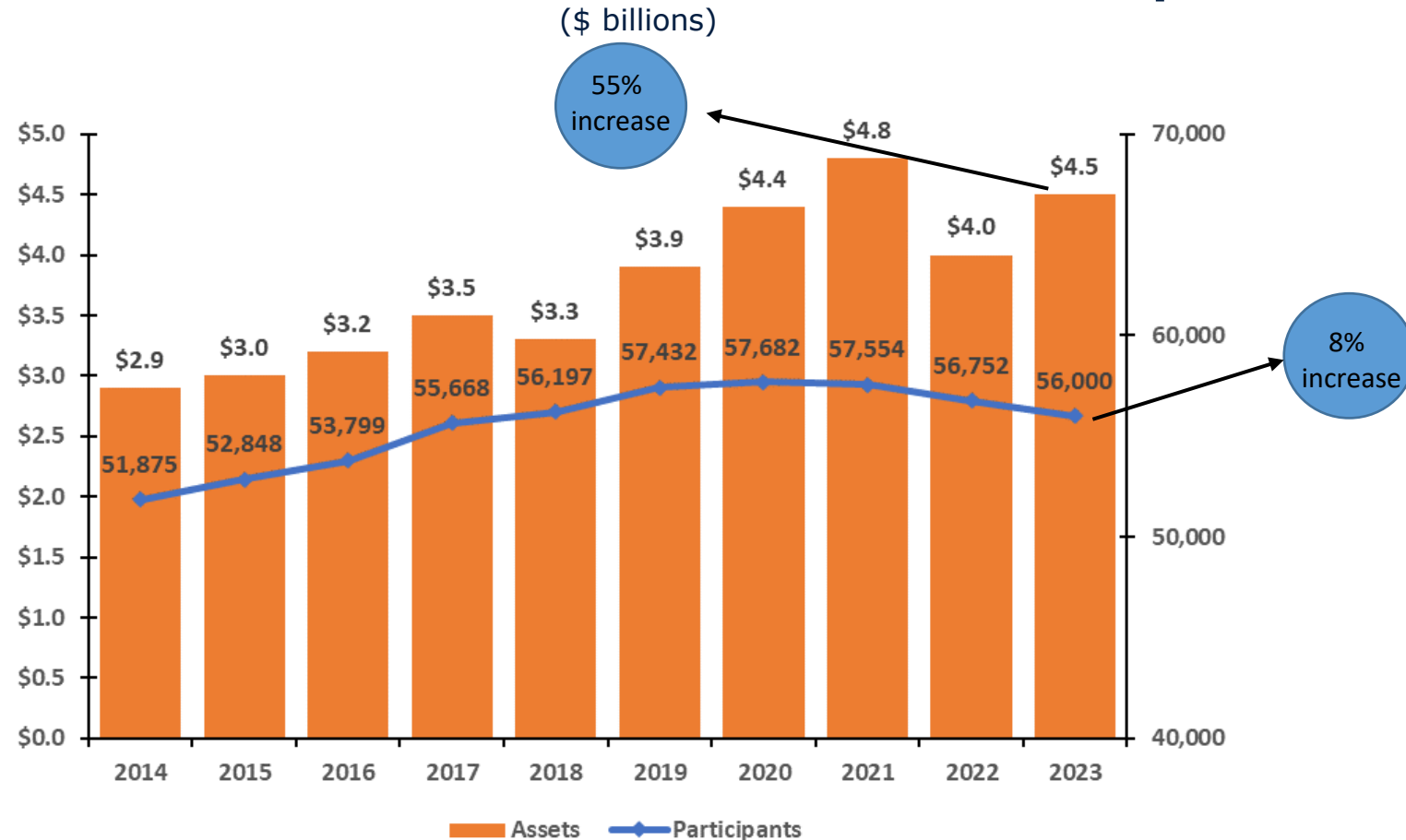
Contributions (excl. Rollovers) by Target Date Fund

For the Years Ended December 31, 2023 and 2022
(\$ millions)

Target Date Fund	2023	2022	Increase/ (Decrease)	% Change
Post Retirement Date	\$ 1.6	\$ 3.0	\$ (1.4)	(47)%
2025 Retirement Date Fund	5.1	6.6	(1.5)	(23)
2030 Retirement Date Fund	7.6	8.2	(0.6)	(7)
2035 Retirement Date Fund	7.3	7.6	(0.3)	(4)
2040 Retirement Date Fund	6.5	6.5	-	0
2045 Retirement Date Fund	6.1	6.0	0.1	2
2050 Retirement Date Fund	5.0	4.8	0.2	4
2055 Retirement Date Fund	2.7	2.5	0.2	8
2060 Retirement Date Fund	1.3	1.3	-	0
2065 Retirement Date Fund	0.6	0.5	0.1	20
Total Contributions	\$ 43.8	\$ 47.0	\$ (3.2)	(7)%



10 Year Growth Plan Assets & Participants



Finance and Member and Participant Services Committee

Thank you.

If you have questions, please contact me.

Sara E. McSurdy, CPA

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