



## DEFINED BENEFIT PLAN - TRADITIONAL PENSION

# SHARED-RISK / SHARED-GAIN

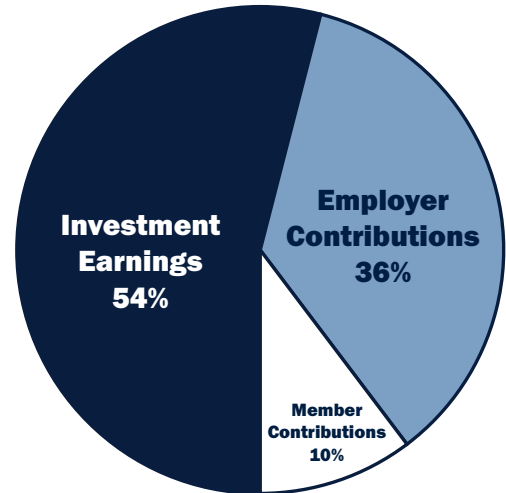
*For those who entered SERS membership since 1/1/2011*

As a SERS member, you and your employer contribute a percentage of your pay to your pension benefit. The contributions flow into the SERS Fund and are invested to help fund SERS pensions.

Shared-risk/shared-gain provisions were written into the Retirement Code in 2010 and 2017. The provisions apply to those who first entered SERS membership since 01/01/2011 (members in the A-3, A-4, A-5, and A-6 classes of service). The provisions distribute both the risk from investment losses and the gain from investment income between the employers and members who contribute to the plan.

In basic terms, if the SERS Fund performs more than 1% above or below the assumed rate of return during a measurement period, the resulting gain or loss is shared by the employers and members in the form of lower or higher contribution rates.

**SERS Funding Sources**  
(20-Year Cumulative History)



### Range of Member Contribution Rate Changes

For most employees who entered SERS membership:

- Between 1/1/2011 and 12/31/2018 and most employees who entered hazardous duty law enforcement or security positions after 12/31/2018 (A-3 and A-4 classes of service), the rate may change by no more than 2% overall.
- On or after 1/1/2019 (A-5 and A-6 classes of service), the rate may change by no more than 3% overall.

### SERS Pension Plan Member Contribution Rate Ranges

Class	Base Rate	Range
A-3	6.25%	4.25% - 8.25%
A-4	9.3%	7.3% - 11.3%
A-5	5%	2% - 8%
A-6	4%	1% - 7%

## Two-Step Review Process

The review is a two-step process.



Consider if investments performed more than 1% above or below the assumed rate of return during the measurement period.

If yes ...



Determine the actual impact of the investment gains or losses on the employer contribution rate for the following three fiscal years. If there is no impact on the employer contribution rate, there is no impact on the member contribution rate. If there is an impact on the employer contribution rate, that impact is shared with the members.

## Review History

Results of the calculations are published in [SERS' annual actuarial reports](#), Schedule D, beginning in 2011.

Calendar Year	Review Years	Result
2014	2011 – 2013	No change
2017	2011 – 2016	No change
2020	2011 – 2019	No change

## Most Recent Review

By law, the last shared-risk/shared-gain review was conducted in 2023 and considered investment performance in:

- 2013 – 2022 for those who entered SERS membership between 1/1/2011 and 12/31/2018 (A-3 and A-4 classes of service). The first step of the calculation resulted in no need to complete the second step. **No member contribution rate change.**
- 2020 – 2022 for those who entered SERS membership on or after 1/1/2019 (when the new A-5 and A-6 classes opened to new members). The first step of the calculation resulted in a requirement to **conduct the second calculation the following three years.**

The second calculation in the review resulted in no member contribution increase for fiscal years 2023-24 and 2024-25. We **fully expect** that an increase will be effective for fiscal year 2025-26 beginning 7/1/2025.

For each calendar year, the actual investment returns, expected returns, and difference between the two are as follows:

SERS Investment Returns				
	Calendar Year	Actual Return	Assumed Return	Difference
<b>Class A-3 &amp; A-4</b> 10-Year Geometric Averages (2013 – 2022) Actual Return: <b>6.7899%</b> Assumed Return: <b>7.2873%</b> Difference: <b>-0.4974%</b>	2013	13.6142%	7.5000%	6.1142%
	2014	6.3501	7.5000	-1.1499
	2015	0.3952	7.5000	-7.1048
	2016	6.5111	7.5000	-0.9889
	2017	15.0820	7.2500	7.8320
	2018	-4.5458	7.2500	-11.7958
	2019	18.7540	7.2500	11.5040
	2020	11.1068	7.1250	3.9818
	2021	17.2399	7.0000	10.2399
	2022	-12.1466	7.0000	-19.1466
<b>Class A-5 &amp; A-6</b> 3-Year Geometric Averages (2020 – 2022) Actual Return: <b>4.5984%</b> Assumed Return: <b>7.0417%</b> Difference: <b>-2.4433%</b>				