

## 2026 SERS Budget Highlights

The Pennsylvania State Employees' Retirement System currently serves approximately 246,000 current and former state employees, their survivors, and beneficiaries. Last year, the system paid over \$4.0 billion in pension benefits, of which more than \$3.6 billion was paid to retirees who live in Pennsylvania. For 2025, the average pension paid to retirees who work to full retirement age was \$33,264. For FY 2026-27, SERS proposes a \$43.2 million spending authority, which is drawn from SERS funds, not general government operating accounts, for administration of the Defined Benefit Plan, \$2.9 million for the Defined Contribution Plan, and \$1.2 million for the Deferred Compensation Plan.

### Streamlining Payments to Participants

Working with the state Treasury, our third-party administrator Empower, and our employers, SERS implemented a new process that streamlined the flow of money through our Defined Contribution Plan and Deferred Compensation Plan. As a result, plan participants have quicker access to their money in the plans, and plan participants and commonwealth employers enjoy savings of 35% over prior years.

### Cost Savings Initiatives

Since 2010, SERS has reduced investment manager fees by approximately 62%, from 95.9 basis points in 2010 to 36.0 basis points in 2025. In 2025, investment manager fees and expenses decreased from the previous year by approximately \$9.4 million. The decrease was primarily due to higher fund distributions and lower manager operating expenses within the private market investments and realizing fee savings over a full year after transitioning emerging market managers from active to passive exposure in 2024. SERS continues to increase the use of low-cost passive index funds. In 2024, SERS terminated all active emerging markets equity managers and transitioned the assets to a low-cost passive U.S. equity index.

### Strategic Plan / Digital Transformation Update

As part of our ongoing strategic plan, SERS procured a vendor to complete a major technology assessment of our current systems and tools. That review provided our board with an independent analysis and recommendations as we move forward to procure a pension administration system that we can personalize according to our specific plan provisions in the Retirement Code and plan documents. This work is profoundly impactful to our customer service delivery and will be for years to come.

### Completion of SOC 1 Type 2 Audit

With board acceptance in late August 2025, SERS completed its first System and Organization Controls (SOC) 1, Type 2 audit, as required by Act 2020-128. SERS business units, with the assistance of a third-party consultant, collaborated to enhance our internal controls over financial reporting and develop a detailed system description that supports our 14 identified control objectives. Clifton Larson Allen LLP (CLA) was awarded the contract for the SOC 1 Type 2 audit through a competitive bidding process, and the review encompassed the period of December 1, 2024, through June 30, 2025. SERS received an unqualified audit opinion from CLA, which means that there were no significant deficiencies found during the audit process. We are scheduled to complete another internal control audit after the fiscal year ending December 31, 2030.



# Defined Benefit Plan Snapshot

## Members

as of Dec 31, 2025

244,901 total  
 99,993 active members paying into the system  
     Hybrid Plan members 31,034  
     Defined Benefit Plan 68,959  
 138,145 retirees and beneficiaries receiving benefits  
 6,763 inactive members not receiving benefits

## Average 2025 Annuity

\$26,611 per year  
 \$33,264 per year for those who work to full retirement age

## Total Pension Benefits Paid

paid in 2025, unaudited

\$4.1 billion

## Member Contribution Rate

PA FY 2025-26

6.25% of salary, by payroll deduction (for most members)  
 Varies between 5.09% and 9.3% (for most members)

## Number of Employers

as of Dec 31, 2025

96

## Employer Contribution Rate

PA FY 2025-26

32.38% of payroll, composite rate  
 7.65% of payroll for benefits earned this year  
 24.73% of payroll primarily for the unfunded liability

## Projected Employer Contribution Rate

PA FY 2026-27

31.70% of payroll  
 8.13% of payroll for benefits earned this year  
 23.57% of payroll primarily for the unfunded liability

## Employer Contribution Sources

% provided by the Governor's Budget Office (FY 2018-19)

approx. 40% general funds  
 approx. 52% special and federal funds  
 approx. 8% independent employer funds

## Funding Sources

as of year-end Dec 31, 2025, unaudited

\$467.0 million member contributions  
 \$2.3 billion employer contributions  
 \$5.2 billion investment earnings

## Investment Returns

as of Dec 31, 2025  
 unaudited, annualized, net-of-fees

13.7% 1-year  
 8.3% 10-year  
 6.6% 25-year  
 9.4% inception to date return

## Total Fund Assets

as of Dec 31, 2025, unaudited

\$42.6 billion

## Cash Flow

2026 projected

\$2.8 billion annual contributions (member/employer)  
 \$4.2 billion annual payments (benefits/administrative expenses)  
 difference in sum necessary to cover payments must come from investment income

## Funded Status

2024 Actuarial Report adjusted with preliminary 2025 year-end performance data

71.4% with an unfunded liability of \$16.7 billion

## Key Assumptions

2024 Actuarial Report

6.9% long-term investment return  
 4.6% average total salary/career growth  
 2.5% inflation rate



# Hybrid Plan Snapshot

as of and the year-ended Dec. 31, 2025, unaudited

## Participants

31,034 total  
29,988 A-5 Class of Service  
1,046 A-6 Class of Service

## Assets

See the *Defined Contribution Plan* and *Defined Benefit Plan* snapshots for the assets in each plan.

## Eligible Employers

96



# Defined Contribution Plan Snapshot

as of and for the year-ended Dec. 31, 2025, unaudited

**Participants** 47,936 total accounts  
 32,222 participants contributing to the plan  
 Hybrid Plan participants 31,034  
 Defined Contribution Plan participants 1,188  
 15,714 inactive accounts

**Assets** \$451.9 million

**Eligible Employers** 96

**Total Participant Mandatory Contributions** \$57.9 million

**Total Voluntary After-Tax Contributions** \$2.8 million

**Total Employer Contributions** \$38.7 million

**Total Rollovers Into the Plan** \$8.1 million

**Total Distributions/Withdrawals** \$11.7 million



# Deferred Compensation Plan Snapshot

as of and for the year-ended Dec. 31, 2025, unaudited

**Participants**

57,356 total accounts  
36,064 actively contributing participants

**Assets**

\$5.4 billion

**Eligible Employers**

74

**Total Participant Contributions**

\$191.2 million

**Total Rollovers Into the Plan**

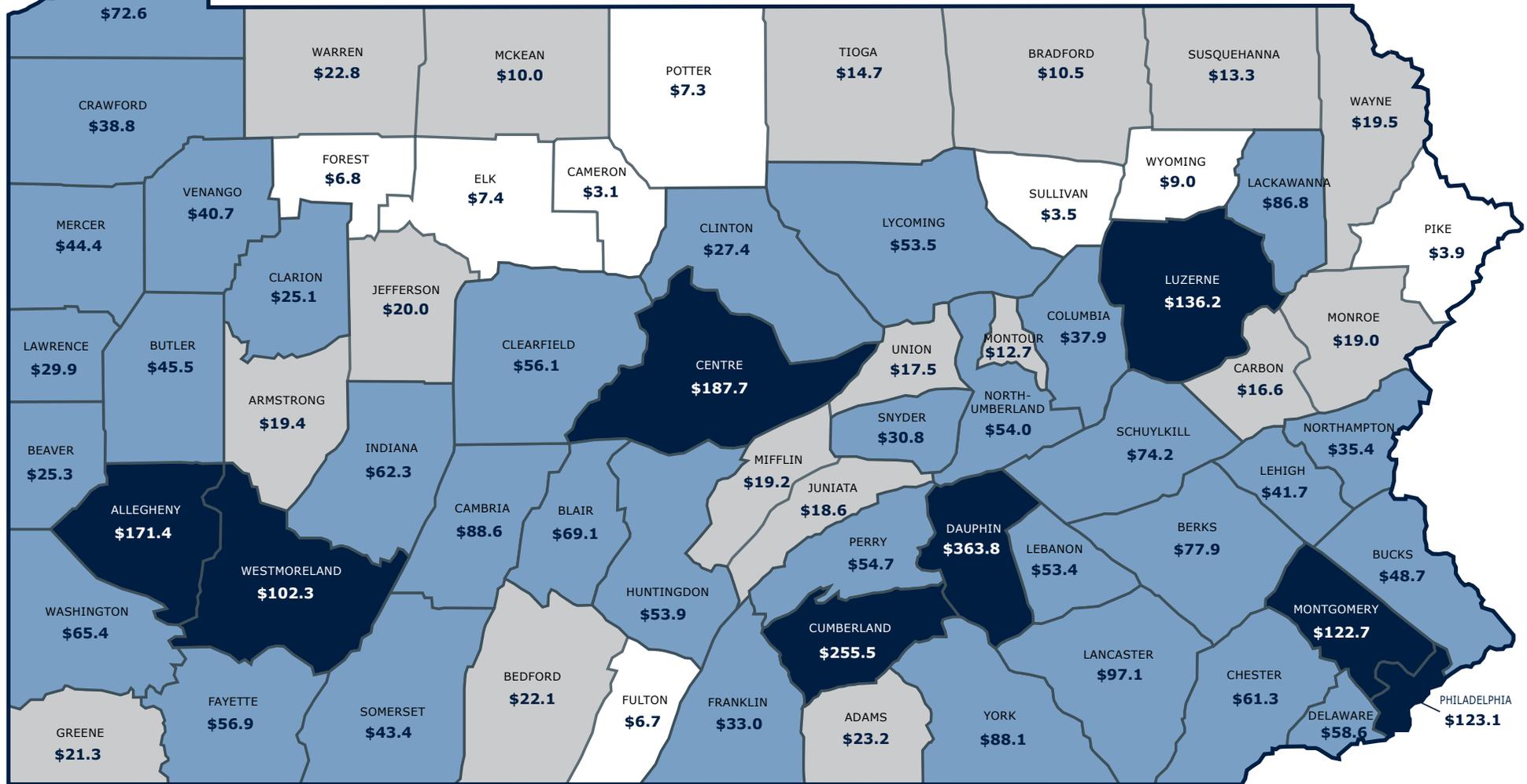
\$67.3 million

**Total Distributions/Withdrawals**

\$456.8 million

# 2025 Pension Payments By County (\$ millions)

SERS pension payments positively impact the state's economy. In 2025, SERS made over \$4.0 billion in pension payments, more than \$3.6 billion went to Pennsylvania addresses.



White square: \$0 - \$9.9 million

Light grey square: \$10 - \$24.9 million

Medium blue square: \$25 - \$99.9 million

Dark blue square: \$100 million +

Domestic Out of State \$404.2 million

Out of Country \$2.2 million