

news release

for immediate release

July 6, 2020

New Penn SERS 2019 Financial Report Available

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced the release of its [2019 Comprehensive Annual Financial Report](#) (CAFR) for the calendar year ended Dec. 31, 2019.

The purpose of this report is to provide a clear accounting of SERS' operations and financial position with details about the traditional Defined Benefit Plan and the new Defined Contribution Plan that opened on Jan. 1, 2019.

Defined Benefit Plan highlights include:

- **Benefit Payments** - As of Dec. 31, 2019, SERS had approximately \$31.1 billion after paying out approximately \$3.5 billion in retirement benefits to more than 132,000 retirees and beneficiaries; \$3.2 billion – roughly 91% - was paid to people living in Pennsylvania, stimulating local economies. SERS benefit payments continue to steadily grow, from about \$1 billion more than two decades ago to \$3.5 billion in 2019.
- **Investment Performance** - The SERS portfolio gained nearly 19%, more than double the fund's assumed rate of return, due to a dramatic rebound across all asset classes. The end of 2019 marks 10-, 15-, 20-, and 25-year periods of returns of 8.1%, 6.7%, 6.0%, and 8.4% (net of fees), respectively.
- **Funded Status** - Based on the actuarial methods used for funding purposes, as of Dec. 31, 2019, the unfunded actuarial accrued liability was \$23.0 billion, with a funded ratio of 56.5%. These values are used to determine the employer contribution rates for the plan and are the most commonly communicated values.

Based on the GASB 67 accounting valuation used for financial reporting purposes, as of Dec. 31, 2019, the resulting net pension liability was \$18.2 billion, with a fiduciary net position as a percentage of the total pension liability was 63.1%. These values are used for reporting purposes only and have no impact on the funding of the system.

- **Membership** - In 2019, SERS served 102 agencies/employers, as well as approximately 243,000 total members. As is the case with mature pension plans, new retirees tend to have higher benefits than those leaving the annuity payroll. Last year, approximately 6,100 SERS members retired with an average annual benefit of about \$28,800. Approximately 4,400 retirees, who had average annual benefits of about \$16,300, were removed from the rolls.

- **Plan Costs Decreasing** - The annual cost of the plan continues to drop as the number of members in the newer A-3, A-4, A-5, and A-6 classes of service, and the defined contribution-only plan increases.

In addition, Act 2017-5 included a "savings plow-back" provision requiring that the annual savings achieved through SERS' benefit changes flow back into the system rather than to other non-pension obligations. As a result, the 33.48% projected employer contribution rate for FY 2020-21 includes a savings return of 0.66%. Without the plow-back provision, the employer rate would have been lower. The plow-back provision will work to accelerate the system's return to fully funded status.

Defined Contribution Plan highlights include:

- **Participants/Accounts** - There were over 8,000 defined contribution investment accounts established in 2019. Most new state employees are automatically enrolled in the Hybrid Plan, in which a portion of their retirement benefit comes from their personal defined contribution investment account. In addition, 68 existing members of the pension plan acted on a one-time irrevocable option to switch into either the new hybrid plan or defined contribution-only plan during the first 90 days of 2019.
- **Plan Assets** - As of Dec. 31, 2019, the Defined Contribution Plan had assets of approximately \$12.4 million.
- **Contributions** - Employers contributed \$2.8 million to the plan and employees contributed \$6.1 million during 2019.
- **Investment Options and Income** - Plan participants can choose from 10 target date funds, four stock index funds, three bond index funds, a money market fund, and a self-directed brokerage fund option, with most plan participants investing in the default option target date fund. Participants earned net investment income of approximately \$673,000 in 2019.
- **Expenses** - While fees, costs and expenses of administering this plan are to be paid by the participants, the costs are currently paid by the commonwealth. Plan expenses totaled approximately \$5.2 million in 2019.

In addition, SERS' actuary published its [2019 Actuarial Report](#) detailing the system's assets and liabilities as of Dec. 31.

Both reports, along with other information, are available in the [Resources](#) section of the SERS website, www.SERS.pa.gov.

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Pennsylvania State Employees' Retirement System

Established in 1923, SERS is one of the nation's oldest and largest retirement plans for public employees, with more than 240,000 members. As of Dec. 31, 2019, SERS' Defined Benefit Plan had assets of \$31.1 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had \$12.4 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with more than 57,000 participants and assets of more than \$3.9 billion. A wealth of information is available at www.SERS.pa.gov. Follow us on [Facebook](#) | [Twitter](#)

for more information

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