

**Penn SERS Board Receives Investment Performance and Stress Testing and Risk Assessment Reports; Hires General Investment Consultant**

HARRISBURG – The Pennsylvania State Employees’ Retirement Board, meeting here today, received reports on investment performance as of June 30 and its annual stress testing and risk assessment of the Defined Benefit (pension) Plan.

For the twelve months ended June 30, 2024, the fund earned a 9.84% return on investments. Returns for the second quarter and first six months of the year were:

<b>Asset Class</b>	<b>2<sup>nd</sup> Quarter 2024</b>	<b>Year to Date 6/30/2024</b>
Emerging Markets Equity	4.98%	8.59%
U.S. Equity	2.96	12.92
Legacy Private Credit	2.63	5.29
Cash	1.33	2.69
Private Equity	1.29	3.53
Inflation Protection (TIPS)	0.71	0.54
Fixed Income	0.33	0.15
International Developed Markets Equity	(0.29)	5.12
Real Estate	(3.84)	(9.24)
<b>Total Fund</b>	<b>1.34%</b>	<b>5.20%</b>

All returns are reported net of fees. Both private equity and real estate returns are reported on a quarter lag and are adjusted for cash flows. Additional information, including benchmark data, is listed in the quarterly investment performance reports at [SERS.pa.gov/Investments.html](https://sers.pa.gov/Investments.html).

The board also received reports on the first quarter [Defined Contribution Plan investment option performance](#) and [Deferred Compensation Plan investment option performance](#), which also are available on SERS’ website.

**Stress Testing and Risk Assessment Report**

The board also approved the [2024 Stress Testing and Risk Assessment Report](#) prepared by SERS’ Actuary, Korn Ferry.

The report considers a wide range of investment-related, demographic-related, and contribution-related risks that could affect the long-term health and stability of the SERS Fund. Korn Ferry ran several calculations based on a series of “What if?” scenarios to determine any potential effect on future employer contributions and the availability of assets to pay benefits when due to members. Korn Ferry concluded that, “SERS is well positioned to adjust to the risks analyzed ... if the SERS employers consistently contribute the full ADC [Actuarially Determined Contribution]. The current policies and practices utilized by SERS contain mechanisms to help control the volatility of the employer contribution rates and can help ensure assets will be available to pay all benefits when due to members.”

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In an Issue Brief published November 8, 2023, the Pew Trusts commended SERS for the high level of detail and analysis contained in its stress tests: "Thanks to this analysis, state policymakers can understand the scale and the timing of cost increases needed to address these investment scenarios and plan accordingly."

### **Hired General Investment Consultant**

Wrapping up a comprehensive search process, the board hired **RVK, Inc.** as its general investment consultant for the Defined Benefit (pension) Plan, Defined Contribution Plan, and Deferred Compensation Plan for a five-year term beginning February 26, 2025.

### **New Investment**

In other business, the board approved a commitment of **up to \$75 million** to **LLR Equity Partners VII, L.P.**, as a follow-on investment within the Private Equity asset class.

### **Portfolio Adjustments**

The board adopted updates to [SERS' Defined Benefit Investment Policy Statement](#) that remove the dedicated targets to the two U.S. Equity sub-strategies (U.S. Large Cap and U.S. Small Cap) to eliminate the small cap bias relative to U.S. Equity's benchmark, the Russell 3000 index. The updated policy will be available shortly on SERS' public website.

The board also approved the orderly liquidation of the Global Inflation-Linked Bonds portfolio managed by New Century Advisors, LLC, and to transition the assets to SERS' cash account.

### **Independent Actuary Replication Audit**

The board authorized staff to award a contract for independent actuary replication services, as procured through SERS-RFP 23-023, in accordance with the Commonwealth Procurement Code and the Department of General Services' policies, procedures, and guidelines. The winning bidder will be named after successful contract negotiations, as required by the Commonwealth's Procurement Code, 62 Pa. C.S. §106.1(b)(4).

### **FY 2025-26 Proposed Budgets**

The board approved FY 2025-26 Defined Benefit Plan administrative and investment, Defined Contribution Plan, and Deferred Compensation Plan budget proposals, including specific allocations from those budgets for the SERS-Internal Audit Office.

### **Committee Minutes Update**

The board also approved an update to the June 11, 2024, Investment Committee meeting minutes.

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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 243,000 members. As of June 30, 2024, SERS' Defined Benefit Plan had assets of approximately \$37.7 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had more than \$242 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with nearly 56,000 participants and assets of approximately \$4.7 billion as of June 30, 2024. A wealth of information is available at [www.SERS.pa.gov](http://www.SERS.pa.gov).

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