

2021 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
• 2021 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

- In April 2021, the State System of Higher Education (PASSHE) paid a one-time lump sum contribution of \$825 million toward its unfunded liability under its Funding Agreement with SERS.
- SERS' investment strategy and asset allocation helped yield positive investment results for 2021.
 - Time-weighted rate of return on investments of 17.2% for 2021
 - The return for the ten-year period ended December 31, 2021 was 9.4%
- The plan's funded status improved to:
 - 76.0% for accounting purposes
 - 69.6% for funding purposes

Summary of Fiduciary Net Position

As of December 31, 2021 and 2020
(\$ millions)

	2021	2020	Increase/(Decrease)	
			\$	%
Total assets	\$ 40,990	\$ 36,816	\$ 4,174	11%
Total deferred outflows - OPEB	6	6	-	-
Total assets and deferred outflows	40,996	36,822	4,174	11
Total liabilities	749	1,778	(1,029)	(58)
Total deferred inflows - OPEB	16	16	-	-
Total liabilities and deferred inflows	765	1,794	(1,029)	(57)
Net position restricted for pensions	\$ 40,231	\$ 35,028	\$ 5,203	15%

See complete audited financial statements for more detail

Summary of Changes in Fiduciary Net Position

For Years Ended December 31, 2021 and 2020
(\$ millions)

	2021	2020	Increase/(Decrease)	
			\$	%
Net position restricted for pensions - beginning of year	\$ 35,028	\$ 31,096		
Additions:				
Member contributions	405	410	\$ (5)	(1)%
Employer contributions	2,871	3,186	(315)	(10)
Net investment income	5,682	3,920	1,762	45
Total additions	8,958	7,516	1,442	19
Deductions:				
Benefit payments and refunds	3,731	3,557	174	5
Administrative expenses	24	27	(3)	(11)
Total deductions	3,755	3,584	171	5
Net increase	5,203	3,932	1,271	32
Net position restricted for pensions - end of year	\$ 40,231	\$ 35,028	\$ 5,203	15%

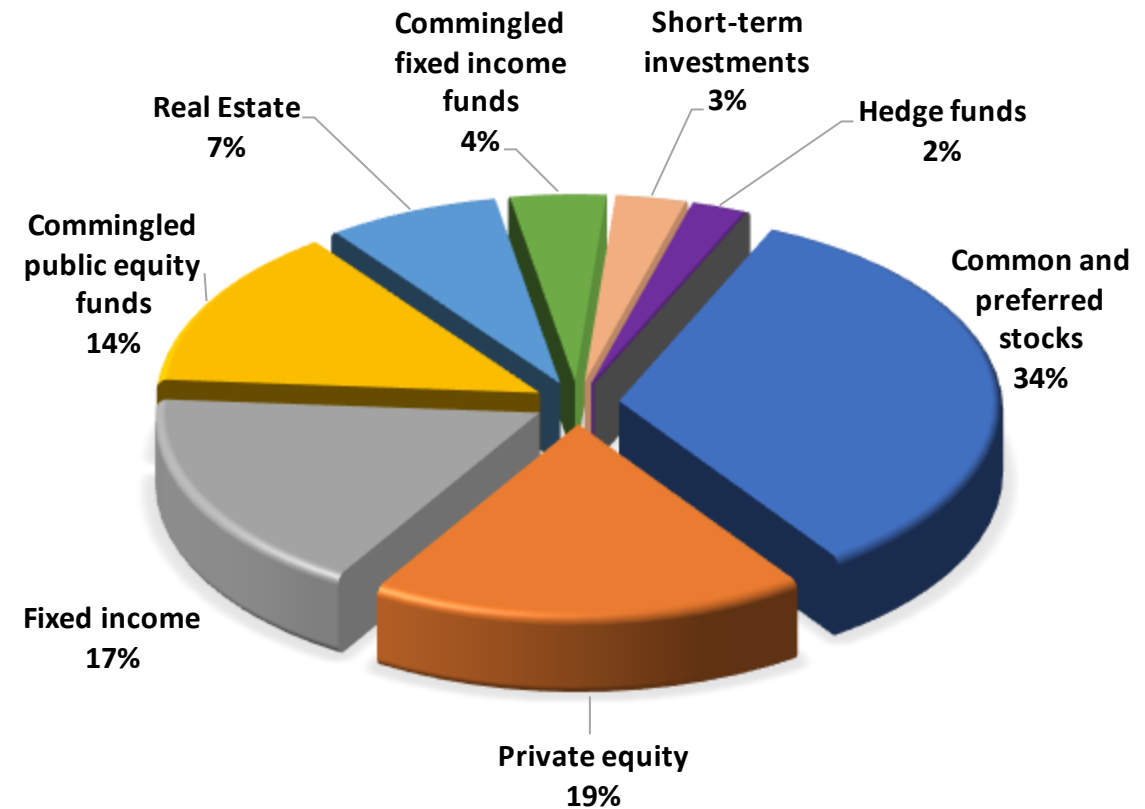
See complete audited financial statements for more detail

Investment Balances

As of December 31, 2021 and 2020
(\$ millions)

			Allocation %	
	2021	2020	2021	2020
Common and preferred stocks	\$ 13,583	\$ 10,037	34%	28%
Private equity	7,437	5,626	19	16
Fixed income	7,001	9,544	17	26
Commingled public equity funds	5,527	5,206	14	14
Real Estate	2,983	2,586	7	7
Commingled fixed income funds	1,657	350	4	1
Short-term investments	1,221	1,839	3	5
Hedge funds	934	1,019	2	3
Other investments	-	4	-	-
Total	\$ 40,343	\$ 36,211		

Allocation as of December 31, 2021



Finance and Member and Participant Services Committee

Contribution Highlights

For the Year Ended December 31, 2021

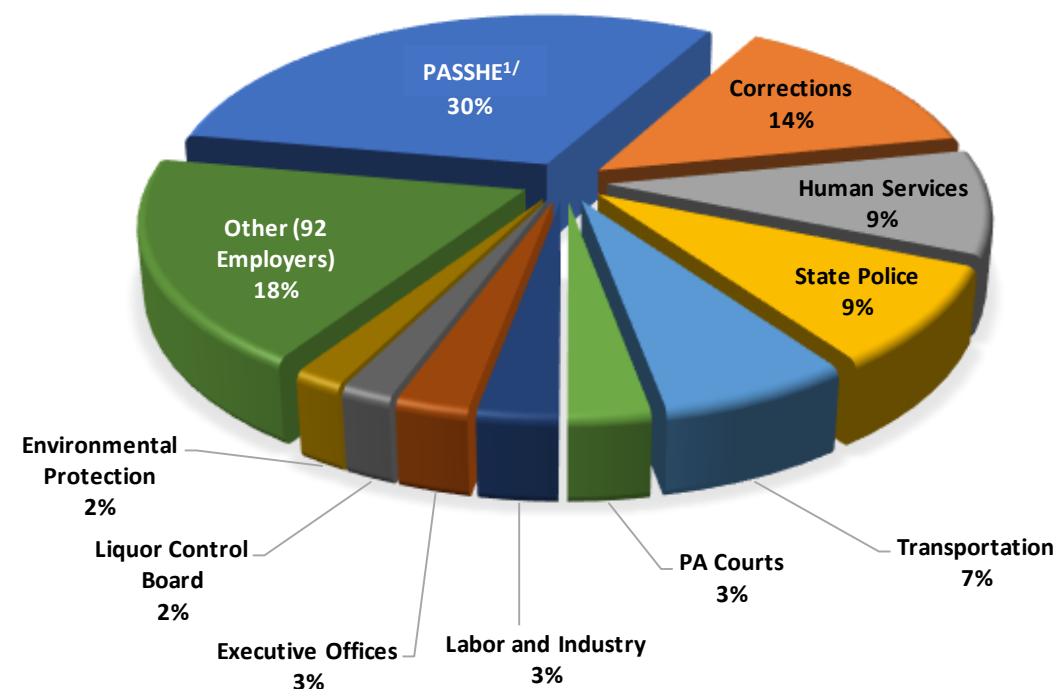
Employer	Employer Contributions (\$ millions)
PASSHE ^{1/}	\$ 870
Corrections	397
Human Services	267
State Police	255
Transportation	200
PA Courts	86
Labor and Industry	84
Executive Offices	77
Liquor Control Board	54
Environmental Protection	52
Other (92 Employers)	529

Total Employer Contributions \$ 2,871

	Member Contributions (\$ millions)
All 101 Employers	\$ 405
Total Contributions	\$ 3,276

^{1/}Includes \$825 million prepayment of unfunded liability

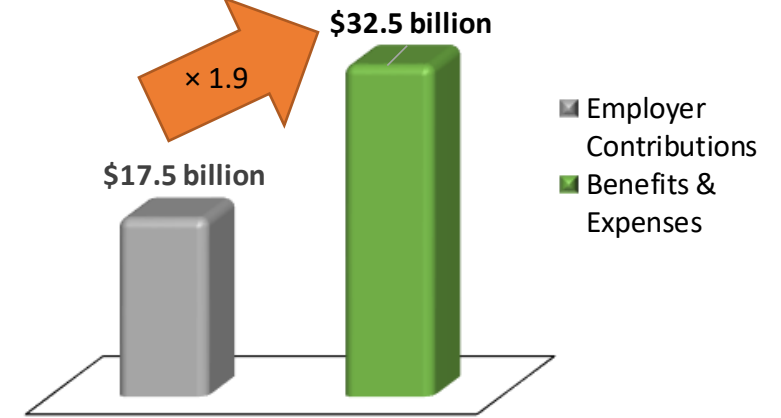
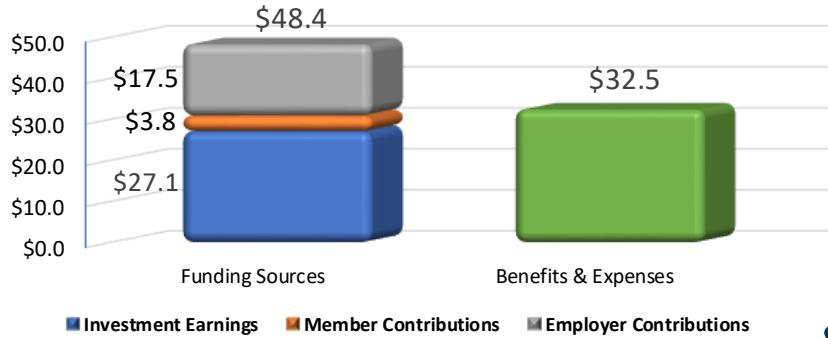
Top 10 Contributing Employers



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			
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
2013	795	352	1,147	3,724	(2,866)	27,394
2012	566	348	914	2,795	(2,696)	25,389
10 Yr. Total	\$ 17,546	\$ 3,810	\$ 21,356	\$ 27,057	\$ (32,510)	

Annotations: 9.3% change between 2021 Net Position and 2020 Net Position; 10.6% change between 2021 Net Position and 2012 Net Position; 39.3% increase in Benefits and Expenses from 2012 to 2021; 58.5% increase in Net Position from 2012 to 2021.

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

Finance and Member and Participant Services Committee

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, 2021 valuations include assumptions from the most recent actuarial experience study.

Valuation Comparison

As of December 31, 2021
(\$ millions)

GASB 67 - Accounting Valuation		Funding Valuation	
Total Pension Liability (TPL)	\$ 52,936	Actuarial Accrued Liability (AAL)	\$ 52,927
Fiduciary Net Position	\$ 40,231	Actuarial Value of Assets	\$ 36,847
Net Pension Liability (NPL)	<u>\$ 12,705</u>	Unfunded AAL	<u>\$ 16,080</u>
Fiduciary Net Position/TPL	76.0%	Funded Ratio	69.6%
Fiduciary Net Position/TPL (Prior Year)	67.0%	Funded Ratio (Prior Year)	59.4%

- 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

- 18,700 total defined contribution accounts in 2021, an increase of 5,500 accounts compared to 2020.
- Employer contributions were approximately \$11.4 million in 2021 compared to \$7.7 million in 2020.
- Employee contributions (including rollovers into the plan) were approximately \$22.5 million in 2021 compared to \$14.8 million in 2020.

■ Reduced the per-participant charge assessment to employers for FY 2021-22

Summary of Fiduciary Net Position

As of December 31, 2021 and 2020
(\$ millions)

	2021	2020	Increase/(Decrease)	
			\$	%
Total assets	\$ 80	\$ 41	\$ 39	95%
Total deferred outflows - OPEB	2	2	-	-
Total assets and deferred outflows	82	43	39	91
Total liabilities	3	2	1	50
Total deferred inflows - OPEB	1	1	-	-
Total liabilities and deferred inflows	4	3	1	33
Net position held in trust for defined contribution plan participants	\$ 78	\$ 40	\$ 38	95%

See complete audited financial statements for more detail

Summary of Changes in Fiduciary Net Position

For Years Ended December 31, 2021 and 2020
(\$ millions)

	2021	2020	Increase/(Decrease)	
			\$	%
Net position held in trust for defined contribution plan participants - beginning of year	\$ 40	\$ 12		
Additions:				
Member contributions	23	15	\$ 8	53%
Employer contributions	11	8	3	38
Annual employer charge	2	5	(3)	(60)
Net investment income	7	4	3	75
Total additions	43	32	11	34
Deductions:				
Benefit payments and refunds	1	-	1	N/A
Administrative expenses	4	4	-	-
Total deductions	5	4	1	25
Net increase	38	28	10	36
Net position held in trust for defined contribution plan participants - end of year	\$ 78	\$ 40	\$ 38	95%

See complete audited financial statements for more detail

Fund Balances & Breakouts

Fund Balances

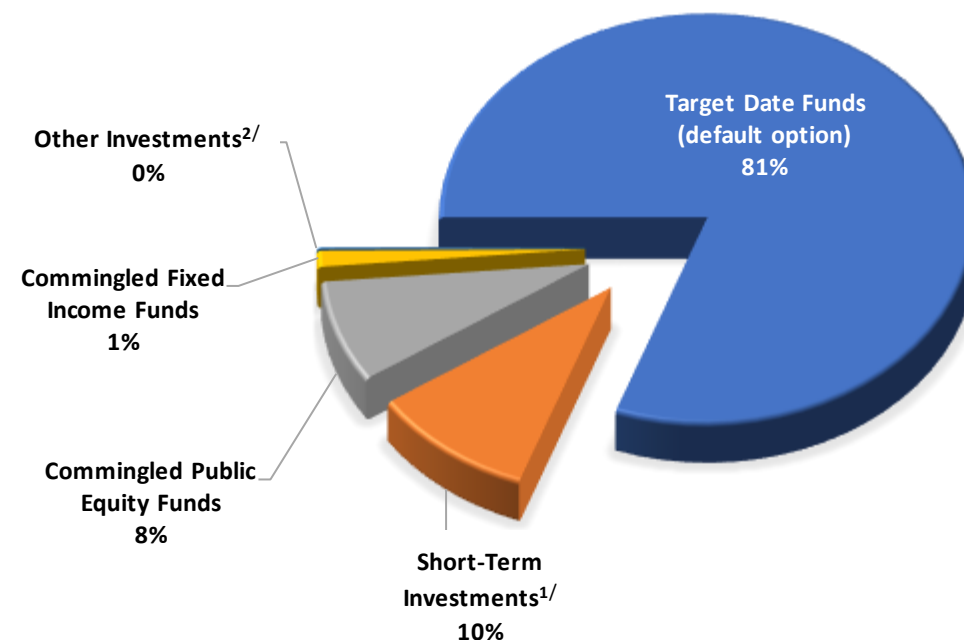
As of December 31, 2021 and 2020
(\$ thousands)

Fund	2021	2020	Allocation %	
			2021	2020
Target Date Funds (default option)	\$63,914	\$31,445	81%	76%
Short-Term Investments ^{1/}	7,958	6,432	10	16
Commingled Public Equity Funds	6,383	2,844	8	7
Commingled Fixed Income Funds	1,000	450	1	1
Other Investments ^{2/}	88	41	0	0
Total	<u>\$79,343</u>	<u>\$41,212</u>		

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

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

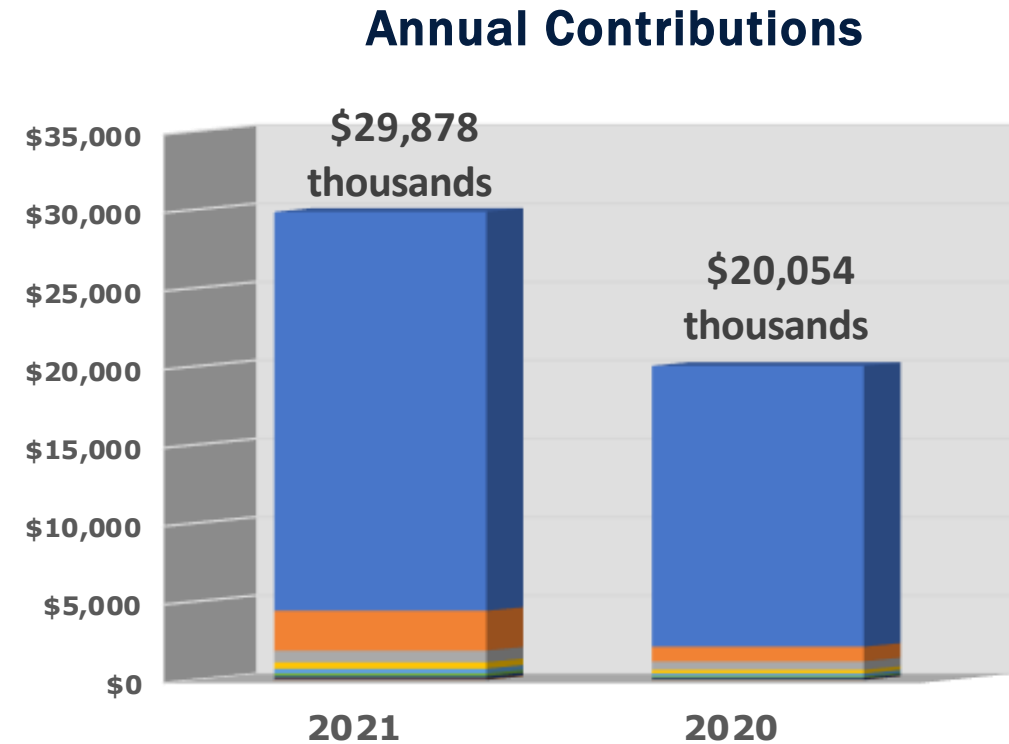
Allocation as of December 31, 2021



Contributions by Fund (excl. Rollovers)

For the Years Ended December 31, 2021 and 2020
(\$ thousands)

Fund	2021	2020	Increase/ (Decrease)	% Change
Target date fund suite (default option)	\$ 25,453	\$ 17,924	\$ 7,529	42%
Short-term investment fund	2,537	929	1,608	173
U.S. large company stock index fund	745	549	196	36
Global non-U.S. stock index fund	416	229	187	82
U.S. all company stock index fund	295	176	119	68
U.S. small/mid company stock index fund	181	96	85	89
U.S. bond index fund	165	98	67	68
U.S. TIPS fund	59	26	33	127
Short-term bond index fund	27	27	-	-
Total Contributions	\$ 29,878	\$ 20,054	\$ 9,824	49%

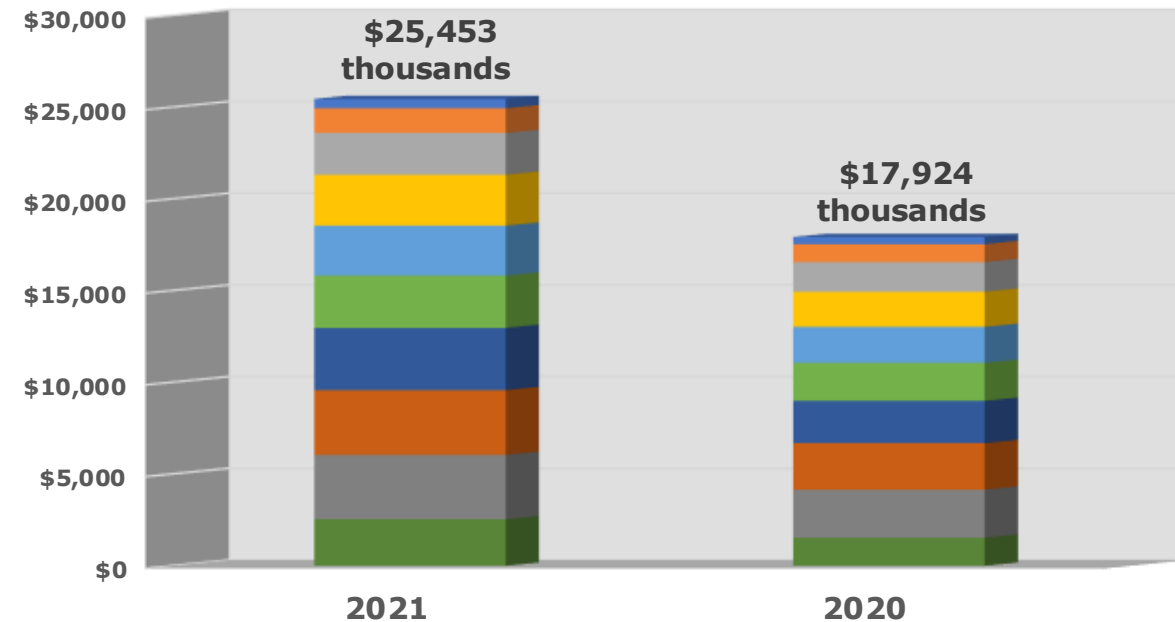


Contributions (excl. Rollovers) by Target Date Fund

For the Years Ended December 31, 2021 and 2020
(\$ thousands)

Annual Contributions

Target Date Fund	2021	2020	Increase/ (Decrease)	% Change
Post Retirement Date	\$ 507	\$ 387	\$ 120	31%
2025 Retirement Date Fund	1,346	977	369	38
2030 Retirement Date Fund	2,282	1,618	664	41
2035 Retirement Date Fund	2,774	1,916	858	45
2040 Retirement Date Fund	2,717	1,958	759	39
2045 Retirement Date Fund	2,856	2,074	782	38
2050 Retirement Date Fund	3,393	2,306	1,087	47
2055 Retirement Date Fund	3,527	2,532	995	39
2060 Retirement Date Fund	3,511	2,625	886	34
2065 Retirement Date Fund	2,540	1,531	1,009	66
Total Contributions	\$ 25,453	\$ 17,924	\$ 7,529	42%



Plan Highlights

- **Implemented Board approved fee changes effective July 1, 2021**
 - Reduced the third-party administrator fee to participants from \$4.95 to \$4.65 per month
 - Instituted an administrative fee on accounts with balances of more than \$5,000, to cover the costs of administering the plan, that consists of both:
 - A flat fee of \$1 per month and
 - An annual asset-based fee of 2 basis points of the account value, withheld on a monthly basis, not to exceed \$50 per annually
- **Participant contributions increased to approximately \$174.3 million in 2021 compared to \$158.3 million in 2020 despite actively contributing participants decreasing to 33,600 in 2021 from 34,300 in 2020**

Summary of Net Position Available for Benefits

As of December 31, 2021 and 2020
(\$ millions)

	2021	2020	Increase/(Decrease)	
			\$	%
Assets				
Total receivables	\$ 1	\$ 2	\$ (1)	(50)%
Total investments	4,819	4,379	440	10
Total assets	4,820	4,381	439	10
Liabilities				
Total liabilities	3	4	(1)	(25)
Net position available for benefits	<u>\$ 4,817</u>	<u>\$ 4,377</u>	<u>\$ 440</u>	<u>10%</u>

See complete audited financial statements for more detail

Summary of Changes in Net Position Available for Benefits

For Years Ended December 31, 2021 and 2020
(\$ millions)

	2021	2020	Increase/(Decrease)	
			\$	%
Net position available for benefits - beginning of year	\$ 4,377	\$ 3,895	\$ 482	12%
Additions:				
Participant contributions	174	158	16	10
Plan transfers in	64	60	4	7
Net investment income	499	519	(20)	(4)
Total additions	737	737	-	0
Deductions:				
Benefit payments and refunds	117	126	(9)	(7)
Plan transfers out	174	124	50	40
Third party and administrative expenses	6	5	1	20
Total deductions	297	255	42	17
Increase in net position	440	482	(42)	(9)
Net position available for benefits - end of year	\$ 4,817	\$ 4,377	\$ 440	10%

See complete audited financial statements for more detail

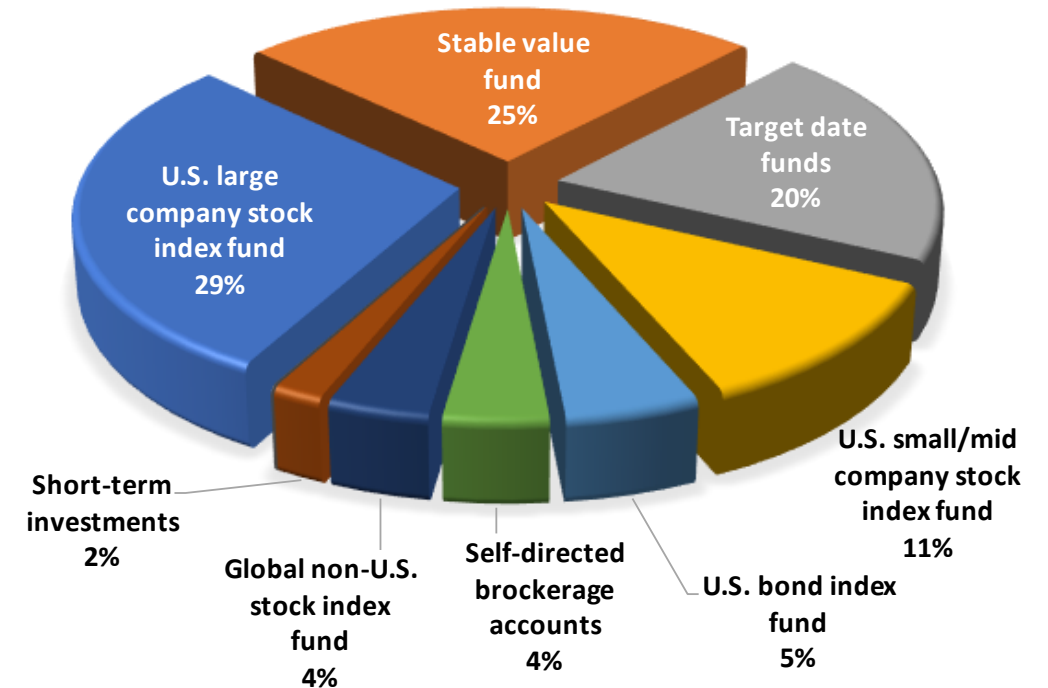
Fund Balances & Breakouts

Fund Balances

As of December 31, 2021 and 2020
(\$ millions)

Allocation as of December 31, 2021

Fund	2021	2020	Allocation %	
			2021	2020
U.S. large company stock index fund	\$ 1,398	\$ 1,158	29%	27%
Stable value fund	1,204	1,237	25	28
Target date funds	963	867	20	20
U.S. small/mid company stock index fund	550	501	11	11
U.S. bond index fund	242	225	5	5
Self-directed brokerage accounts	188	166	4	4
Global non-U.S. stock index fund	183	140	4	3
Short-Term Investments ^{1/}	90	84	2	2
Group annuity contract	1	1	-	-
Total	<u>\$4,819</u>	<u>\$4,379</u>		



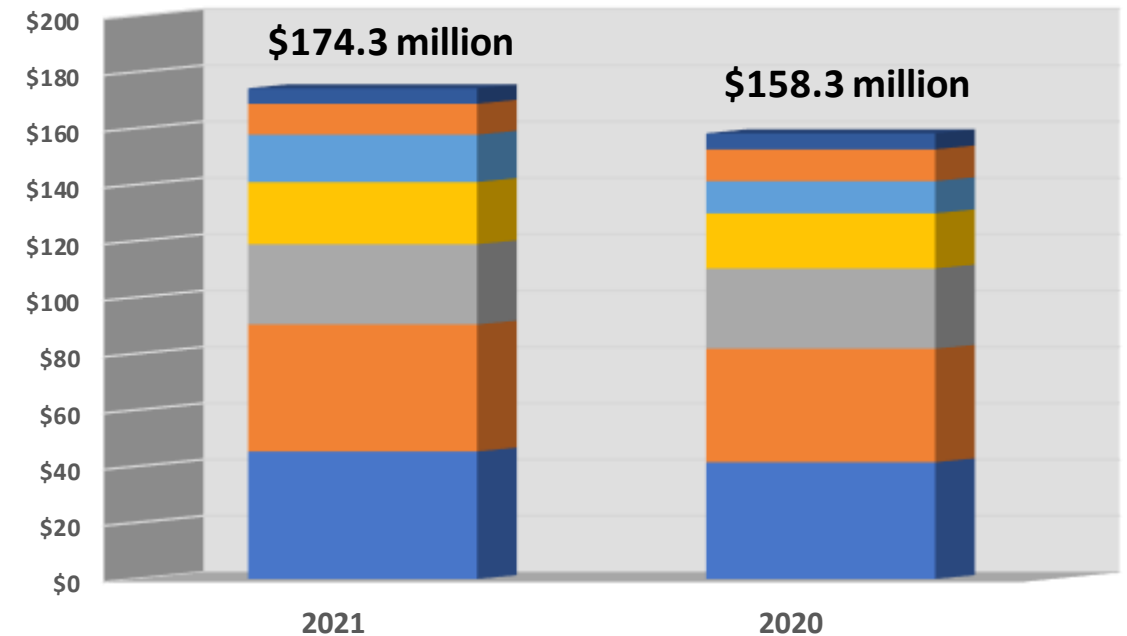
^{1/}Includes both investments in participant directed accounts and plan level cash

Contributions (excl. Rollovers) by Fund

For the Years Ended December 31, 2021 and 2020
(\$ millions)

Annual Contributions

Fund	2021	2020	Increase/ (Decrease)	% Change
Target date funds	\$ 45.3	\$ 41.5	\$ 3.8	9%
U.S. large company stock index fund	45.1	40.3	4.8	12
Stable value fund	28.5	28.5	-	-
U.S. small/mid company stock index fund	22.1	19.6	2.5	13
Global non-U.S. stock index fund	16.8	11.4	5.4	47
U.S. bond index fund	11.0	11.3	(0.3)	(3)
Short-term investment fund	5.5	5.7	(0.2)	(4)
Total	<u>\$174.3</u>	<u>\$158.3</u>	<u>\$ 16.0</u>	<u>10%</u>

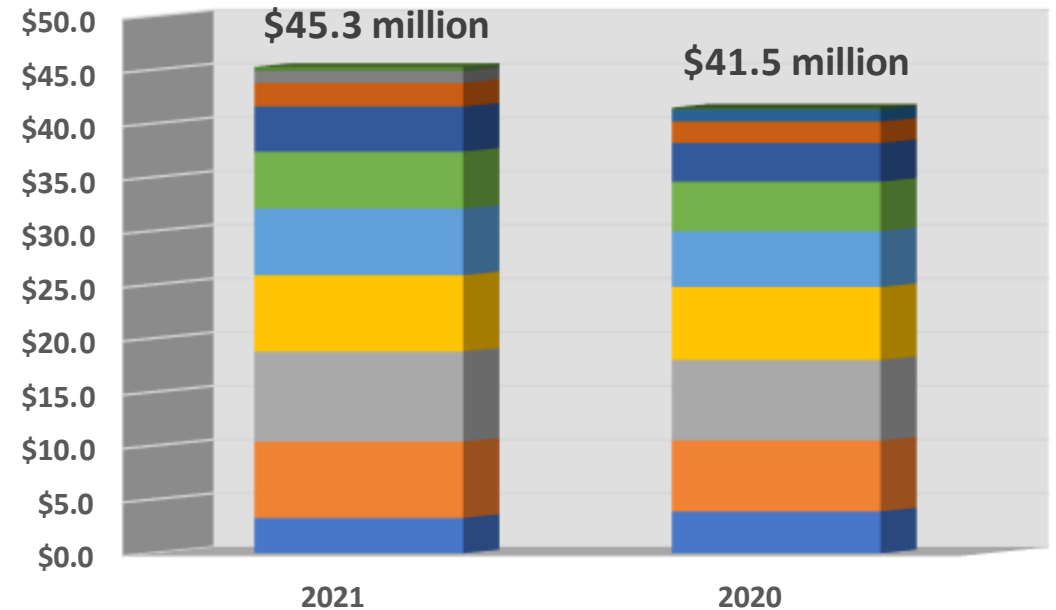


Contributions (excl. Rollovers) by Target Date Fund

For the Years Ended December 31, 2021 and 2020
(\$ millions)

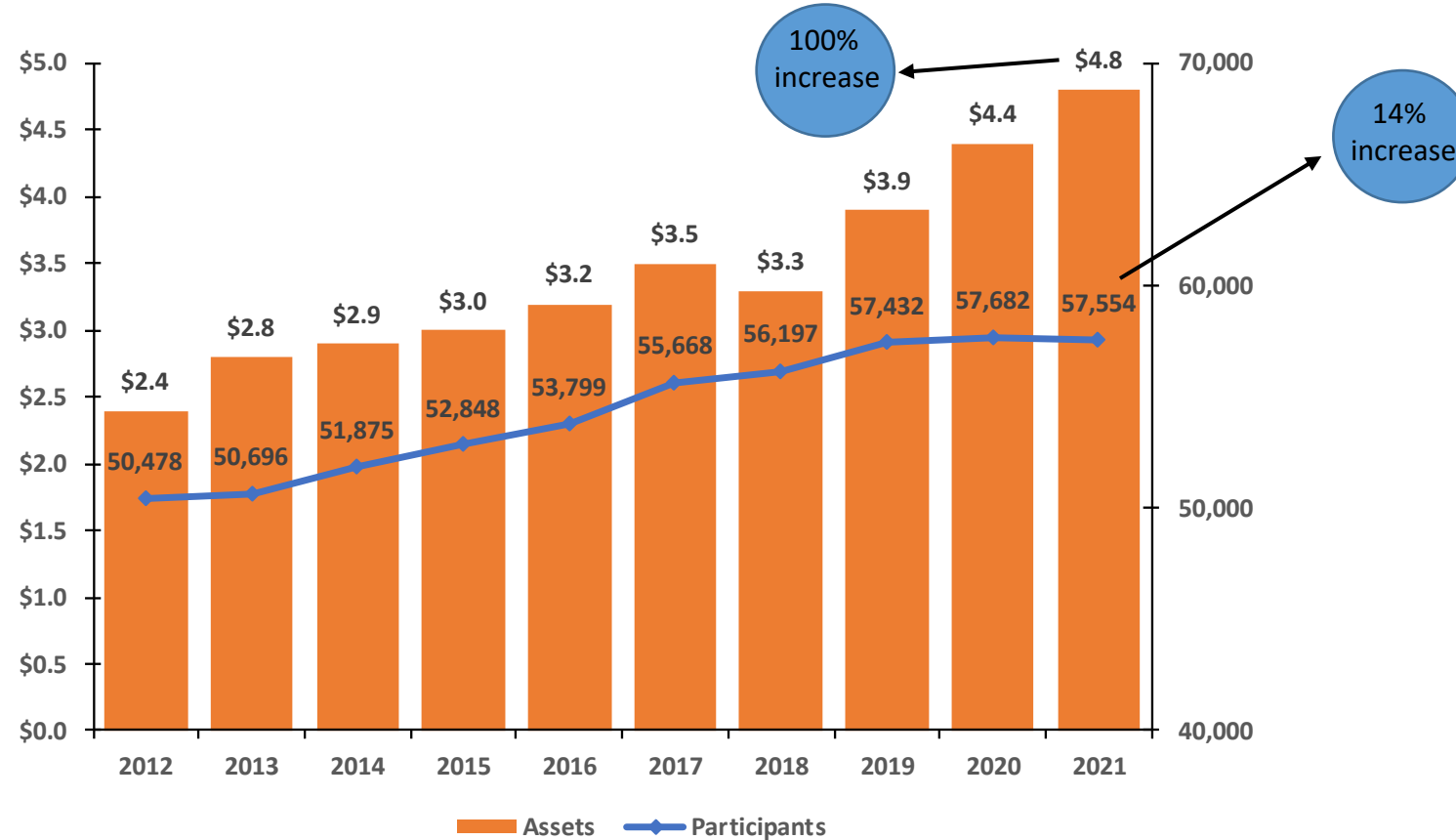
Target Date Fund	2021	2020	Increase/ (Decrease)	% Change
Post Retirement Date	\$ 3.3	\$ 3.9	\$ (0.6)	(15)%
2025 Retirement Date Fund	7.1	6.6	0.5	8
2030 Retirement Date Fund	8.4	7.5	0.9	12
2035 Retirement Date Fund	7.1	6.8	0.3	4
2040 Retirement Date Fund	6.2	5.2	1.0	19
2045 Retirement Date Fund	5.3	4.6	0.7	15
2050 Retirement Date Fund	4.2	3.6	0.6	17
2055 Retirement Date Fund	2.2	2.0	0.2	10
2060 Retirement Date Fund	1.1	1.1	-	-
2065 Retirement Date Fund	0.4	0.2	0.2	100
Total Contributions	\$ 45.3	\$ 41.5	\$ 3.8	9%

Annual Contributions



10 Year Growth Plan Assets & Participants

(\$ billions)



Finance and Member and Participant Services Committee

Thank you.

If you have questions, please contact me.

Sara E. McSurdy, CPA, CFE Chief Financial Officer

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Finance and Member and Participant Services Committee