

2023 SERS Budget Highlights

The Pennsylvania State Employees' Retirement System currently serves nearly 240,000 current and former state employees, their survivors, and beneficiaries. Last year, the system paid approximately \$3.9 billion in pension benefits, of which approximately \$3.5 billion was paid to retirees who live in Pennsylvania. For 2022, the average pension paid to retirees who work to full retirement age was \$31,331. For FY 2023-24, SERS proposes a \$35.7 million spending authority, which is drawn from SERS funds, not general government operating accounts, for administration of the Defined Benefit Plan, \$5.3 million for the Defined Contribution Plan, and \$1.8 million for the Deferred Compensation Plan.

New Deputy Executive Director of Office of Member and Participant Services

In June, 2022, the agency hired Brenda Cunard as Deputy Executive Director of Member and Participant Services. Brenda was a retirement counselor in SERS' Pittsburgh Regional Office from 2008-2013, where she provided one-on-one counseling in a multi-county area for retiring members regarding retirement benefits, and assisted active members and annuitants on legislation, provisions, rules and regulations of the State Employees' Retirement Code. Prior to rejoining SERS, she served as a retirement communications manager at PSERS, since August 2016, managing a staff of professionals responsible for the communication of retirement benefit information and counseling in six of PSERS' regional offices.

New E-Signature Document Management Platform

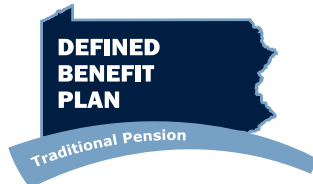
Beginning in early 2022, the agency began using a new cloud-based E-signature and document management platform that lets multiple users access and sign a wide array of important papers. The platform, named DocuSign, also gives users the ability to quickly check a document's status, send reminders, view audit trails, and securely store important documents online. Making these documents electronically accessible, shareable, trackable, and secure, will help to ease the burden of paperwork that can be so complex and time-consuming.

New Strategic Planning Initiative

Beginning in November, 2022, SERS launched an ambitious initiative as part of the strategic planning process to transform SERS into a digital workplace with the aim of reducing the use of paper in business operations wherever practicable. The underlying premise is that creating a more streamlined workflow and having access to important information across the enterprise through electronic data will help to improve efficiencies and customer service at SERS. It will also serve to expand telework capabilities to more business processes in more business areas, as well as serve as an additional layer of insulation against business disruptions brought on by another pandemic shutdown or some other event.

Agency-Wide Policy and Process Initiative

Throughout 2022, SERS engaged in an agency-wide policy and process initiative to update existing, and draft new, policies and processes in order to document our internal controls and operational practices. Policies and processes support a sound internal control structure and assist employees (especially those new to SERS) in performing their job responsibilities accurately and efficiently. To aid employees with this critical work, SERS' Chief Compliance Officer held educational sessions and distributed written materials about policies, processes, and PolicyTech, our central repository for SERS policy and process documents.



Defined Benefit Plan Snapshot

Members

as of Dec 31, 2022

239,230 total
 96,395 active members paying into the system
 Hybrid Plan members 17,124
 Defined Benefit Plan 79,271
 135,647 retirees and beneficiaries receiving benefits
 7,188 inactive members not receiving benefits

Average 2022 Annuity

\$25,017 per year
 \$31,331 per year for those who work to full retirement age

Total Pension Benefits Paid

paid in 2022, unaudited

\$3.9 billion

Member Contribution Rate

PA FY 2022-23

6.25% of salary, by payroll deduction (for most members)
 Varies between 5% and 9.3%

Number of Employers

as of Dec 31, 2022

101

Employer Contribution Rate

PA FY 2022-23

34.16% of payroll, composite rate
 8.32% of payroll for benefits earned this year
 25.84% of payroll primarily for the unfunded liability

Projected Employer Contribution Rate

PA FY 2023-24

34.44% of payroll
 8.98% of payroll for benefits earned this year
 25.46% 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, 2022, unaudited

\$415 million member contributions
 \$2.1 billion employer contributions
 \$(5.1) billion investment earnings

Investment Returns

as of Dec 31, 2022
 unaudited, annualized, net-of-fees

-12.2% 1-year
 6.7% 25-year
 6.8% 10-year
 9.2% inception to date return

Total Fund Assets

as of Dec 31, 2022, unaudited

\$33.7 billion

Cash Flow

2023 projected

\$2.6 billion annual contributions (member/employer)
 \$4.0 billion annual payments (benefits/administrative expenses)
 difference in sum necessary to cover payments must come from investment income

Funded Status

2021 actuarial report adjusted with preliminary 2022 year-end performance data

69.4% with an unfunded liability of \$16.4 billion

Key Assumptions

2021 Actuarial Report

7.0% long-term investment return
 4.6% average total salary/career growth
 2.5% inflation rate



Hybrid Plan Snapshot

as of December 31, 2022

Participants

17,124 total
16,475 A-5 Class of Service
649 A-6 Class of Service

Assets

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

Eligible Employers

101



Defined Contribution Plan Snapshot

as of and for the year-ended December 31, 2022, unaudited

Participants 25,306 total accounts
 17,711 participants contributing to the plan
 Hybrid Plan participants 17,124
 Defined Contribution Plan participants 587
 7,595 inactive accounts

Assets \$103.3 million

Eligible Employers 101

Total Participant Mandatory Contributions \$24.8 million

Total Voluntary After-Tax Contributions \$1.4 million

Total Employer Contributions \$16.6 million

Total Rollovers Into the Plan 178 totaling \$5.0 million

Total Rollovers Out of the Plan 200 totaling \$1.1 million

Total Distributions/Withdrawals 1,211 totaling \$3.0 million



Deferred Compensation Plan Snapshot

as of and for the year-ended December 31, 2022, unaudited

Participants

56,752 total accounts
32,272 actively contributing participants

Assets

\$4.1 billion

Eligible Employers

76

Total Participant Contributions

\$177 million

Total Rollovers Into the Plan

650 totaling \$56 million

Total Rollovers Out of the Plan

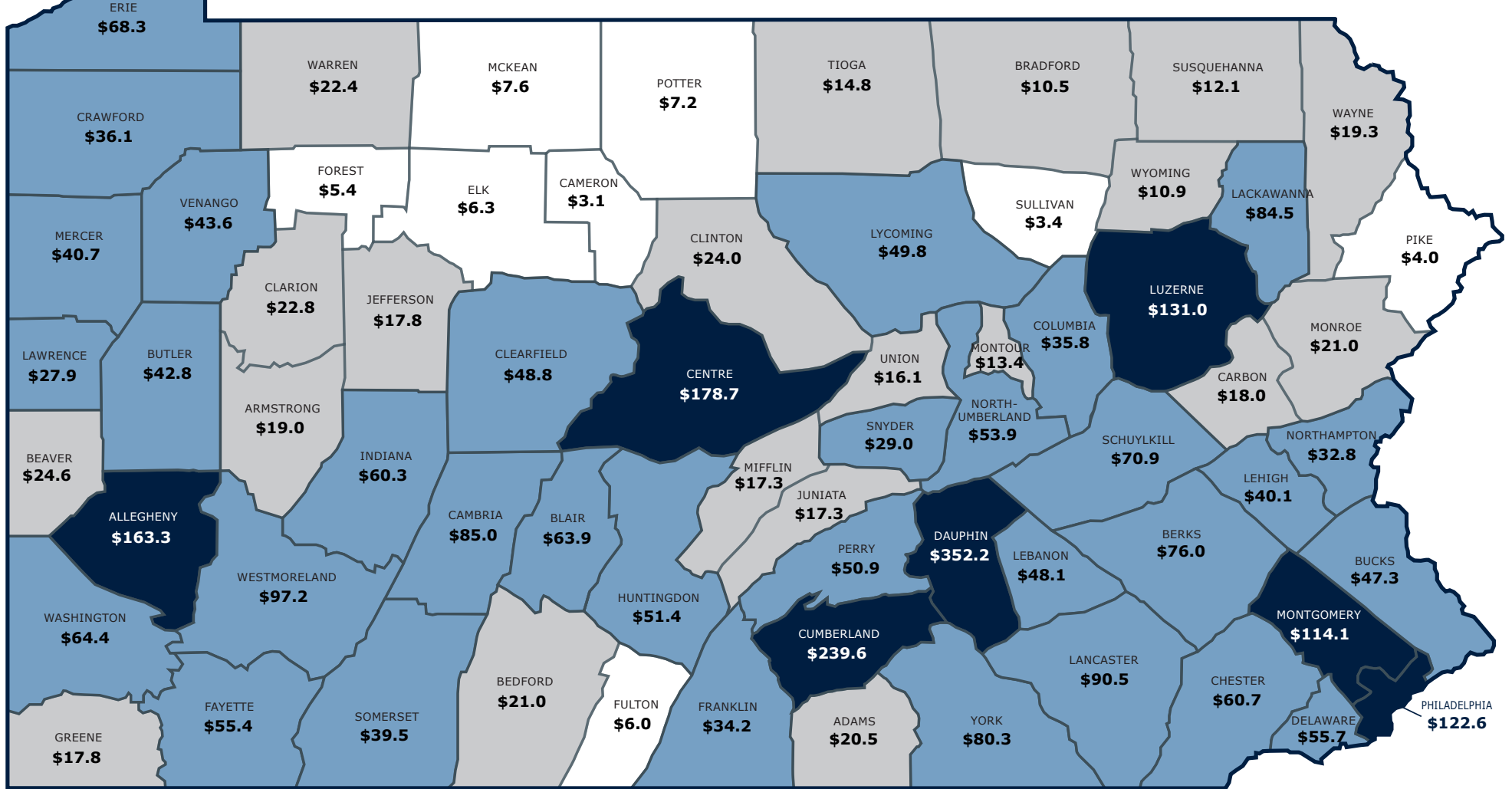
1,745 totaling \$198 million

Total Distributions/Withdrawals

28,621 totaling \$320 million

2022 Pension Payments By County (\$ millions)

SERS pension payments positively impact the state's economy. In 2022, SERS made approximately \$3.9 billion in pension payments, nearly \$3.5 billion went to Pennsylvania addresses.



White: \$0 - \$9.9 million Light Blue: \$10 - \$24.9 million Medium Blue: \$25 - \$99.9 million Dark Blue: \$100 million +

Domestic Out of State \$372.4 million

Out of Country \$1.4 million



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