

Penn SERS 2022 Financial Reports Available

HARRISBURG – The Pennsylvania State Employees' Retirement System today announced the release of its *2022 Annual Comprehensive Financial Report* for the calendar year ended Dec. 31, 2022.

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 Defined Contribution Plan.

Defined Benefit Plan highlights include:

- **Benefit Payments** - SERS paid out approximately \$3.9 billion in retirement benefits to more than 135,000 retirees and beneficiaries; \$3.5 billion – roughly 90% - was paid to people living in Pennsylvania, stimulating local economies.
- **Plan Assets** - As of Dec. 31, 2022, the plan had a net position of \$33.6 billion.
- **Investment Performance** - The SERS portfolio saw investment losses of 12.2%, which was below the fund's annual assumed rate of return of 7.0% that was in place during the year. The end of 2022 marks 10-, 15-, 20-, and 25-year periods of returns of 6.8%, 4.5%, 7.6%, and 6.7% (net of fees), respectively.
- **Funded Status** - Based on the actuarial methods used for funding purposes, as of Dec. 31, 2022, the unfunded actuarial accrued liability was \$17.5 billion, with a funded ratio of 68.0%. These values are used to determine the employer contribution rates for the Defined Benefit Plan and are the most commonly communicated values. Based on the GASB 67 accounting valuation used for financial reporting purposes, as of Dec. 31, 2022, the resulting net pension liability was \$21.0 billion, with a fiduciary net position as a percentage of the total pension liability of 61.5%. These values are used for reporting purposes only and have no impact on the funding of the system.
- **Membership** - In 2022, SERS served approximately 239,000 total members from 101 agencies/employers. In mature pension plans such as SERS, 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 \$30,900. Approximately 4,800 retirees, who had average annual benefits of about \$18,400, 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 (with less expensive benefits), and participation in the defined contribution-only plan increases.
- **Employer Contributions** - The total employer contributions of \$2.1 billion were 28% lower than in 2021. The decrease was due primarily to the fact that there were no lump sum contributions under Act 2019-105, as had occurred with PASSHE's \$825 million payment in 2021. Despite the overall decreases in contributions, normal employer

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- contributions were up due to an increase in gross salaries and an increase to the composite employer contribution rate from 33.81% to 34.16% on July 1, 2022. Employers will pay a composite employer contribution rate of 35.32% of payroll in the upcoming fiscal year beginning next month.

Defined Contribution Plan highlights include:

- **Participants/Accounts** - There were over 25,300 defined contribution investment accounts as of Dec. 31, 2022. 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.
- **Distributions/Withdrawals** – The plan distributed approximately \$3 million in benefits and refunds of contributions in 2022.
- **Plan Assets** - As of Dec. 31, 2022, the plan had a net position of approximately \$105.8 million.
- **Contributions** - Employers contributed approximately \$16.8 million to the plan and employees contributed approximately \$31.4 million during 2022.
- **Investment Options and Income** - Plan participants can choose from 10 target date funds, four stock index funds, three bond index funds, a short-term investment fund (money market fund), and a self-directed brokerage fund option. Most plan participants invest in the default option target date fund. Net investment loss was approximately \$14 million in 2022.
- **Expenses** - Plan expenses totaled approximately \$4.6 million in 2022. A majority of the fees, costs, and expenses of administering the plan are covered through the return of unvested employer contributions. The remainder is assessed to employers as a per-participant charge.

In addition, SERS' actuary published its [2022 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 239,000 members. As of Feb. 28, 2023, SERS' Defined Benefit Plan had assets of approximately \$34.2 billion and the Defined Contribution Plan, which launched on Jan. 1, 2019, had approximately \$118 million. SERS also administers a voluntary supplemental Deferred Compensation Plan with nearly 57,000 participants and assets of approximately \$4.1 billion as of Feb. 28, 2023. A wealth of information is available at www.SERS.pa.gov.

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