

2024 SERS Budget Highlights

The Pennsylvania State Employees' Retirement System currently serves approximately 243,000 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 2023, the average pension paid to retirees who work to full retirement age was \$31,944. For FY 2024-25, SERS proposes a \$39.5 million spending authority, which is drawn from SERS funds, not general government operating accounts, for administration of the Defined Benefit Plan, \$6.0 million for the Defined Contribution Plan, and \$1.8 million for the Deferred Compensation Plan.

New Deputy Executive Director of Administration

In May, 2023, the agency hired Elizabeth (Beth) N. Christian as Deputy Executive Director for Administration. Beth began her Commonwealth career in 1993 serving the Departments of Labor and Industry, Human Services and General Services before beginning her service at SERS. In her new capacity she directs all activities of SERS, Office of Administration including the Bureaus of Information Technology, Human Resources and Operations. Beth is a graduate of the Harrisburg University Leadership Development Program; an alumna of the Commonwealth of Pennsylvania's Leadership Development Institute and serves as a mentor for SHRM, STEM-UP and Women in Leadership with mentees in MD, Canada and Bangladesh.

Strategic Plan Approved

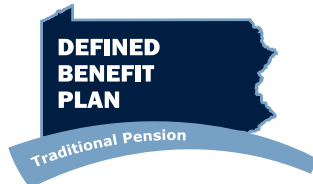
In July, 2023, the SERS board approved a new four-year Strategic Plan ("Transforming the SERS Experience by Expanding Digital Options"), to take place from July 1, 2023 through June 30, 2027. The goal of the plan is to transform SERS into a digital workplace with the aim of reducing the use of paper in business operations wherever practicable. The basic premise is that establishing a more streamlined workflow and providing access to important information across the enterprise through electronic data exchange 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 catastrophic event.

State College Regional Office Relocation

In November, 2023, SERS' State College Regional Office moved to a new, more modern, spacious, and customer-friendly setting. The new location is at 1019 Ghaner Road, Suite 203, Port Matilda, PA, 16870 – just a few miles away from the "old" site. The State College Regional Office serves members who work and retirees who live in Bedford, Blair, Cambria (Eastern), Centre, Clearfield, Franklin, Fulton, Huntingdon, Juniata, and Mifflin counties. We are very excited about the new location and very happy to provide a better workspace for SERS employees in the State College Regional Office.

New Board Chairman and Members

The SERS board also saw a number of changes during 2023, including the appointment of a new board chairman, former Budget Secretary Gregory Thall; Secretary of Banking and Securities Wendy Spicher (ex officio); legislative appointee Rep. Brett R. Miller; as well as new gubernatorial appointees: Secretary of the Budget Uri Monson; J. David Henderson, Executive Director of Council 13 of the AFSCME; and Donald Enders Jr., President and CEO of Enders Insurance Associates, Harrisburg.



Defined Benefit Plan Snapshot

Members

as of Dec 31, 2023

242,164 total
 98,115 active members paying into the system
 Hybrid Plan members 22,701
 Defined Benefit Plan 75,414
 136,972 retirees and beneficiaries receiving benefits
 7,077 inactive members not receiving benefits

Average 2023 Annuity

\$25,544 per year
 \$31,944 per year for those who work to full retirement age

Total Pension Benefits Paid

paid in 2023, unaudited

\$3.9 billion

Member Contribution Rate

PA FY 2023-24

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

Number of Employers

as of Dec 31, 2023

98

Employer Contribution Rate

PA FY 2023-24

35.32% of payroll, composite rate
 8.29% of payroll for benefits earned this year
 27.03% of payroll primarily for the unfunded liability

Projected Employer Contribution Rate

PA FY 2024-25

33.73% of payroll
 8.22% of payroll for benefits earned this year
 25.51% 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, 2023, unaudited

\$421 million member contributions
 \$2.2 billion employer contributions
 \$4.2 billion investment earnings

Investment Returns

as of Dec 31, 2023
 unaudited, annualized, net-of-fees

12.2% 1-year
 6.7% 10-year
 6.6% 25-year
 9.3% inception to date return

Total Fund Assets

as of Dec 31, 2023, unaudited

\$36.4 billion

Cash Flow

2024 projected

\$2.7 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

2022 Actuarial Report adjusted with preliminary 2023 year-end performance data

70.0% with an unfunded liability of \$16.6 billion

Key Assumptions

2022 Actuarial Report

6.875% long-term investment return
 4.6% average total salary/career growth
 2.5% inflation rate



Hybrid Plan Snapshot

as of and the year-ended Dec. 31, 2023, unaudited

Participants

22,701 total
21,863 A-5 Class of Service
838 A-6 Class of Service

Assets

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

Eligible Employers

98



Defined Contribution Plan Snapshot

as of and for the year-ended Dec. 31, 2023, unaudited

Participants 33,868 total accounts
 23,543 participants contributing to the plan
 Hybrid Plan participants 22,701
 Defined Contribution Plan participants 842
 10,325 inactive accounts

Assets \$185.0 million

Eligible Employers 98

Total Participant Mandatory Contributions \$34.8 million

Total Voluntary After-Tax Contributions \$1.8 million

Total Employer Contributions \$23.2 million

Total Rollovers Into the Plan 227 totaling \$6.0 million

Total Rollovers Out of the Plan 252 totaling \$1.8 million

Total Distributions/Withdrawals 1,439 totaling \$4.7 million



Deferred Compensation Plan Snapshot

as of and for the year-ended Dec. 31, 2023, unaudited

Participants 56,000 total accounts
31,486 actively contributing participants

Assets \$4.5 billion

Eligible Employers 76

Total Participant Contributions \$172 million

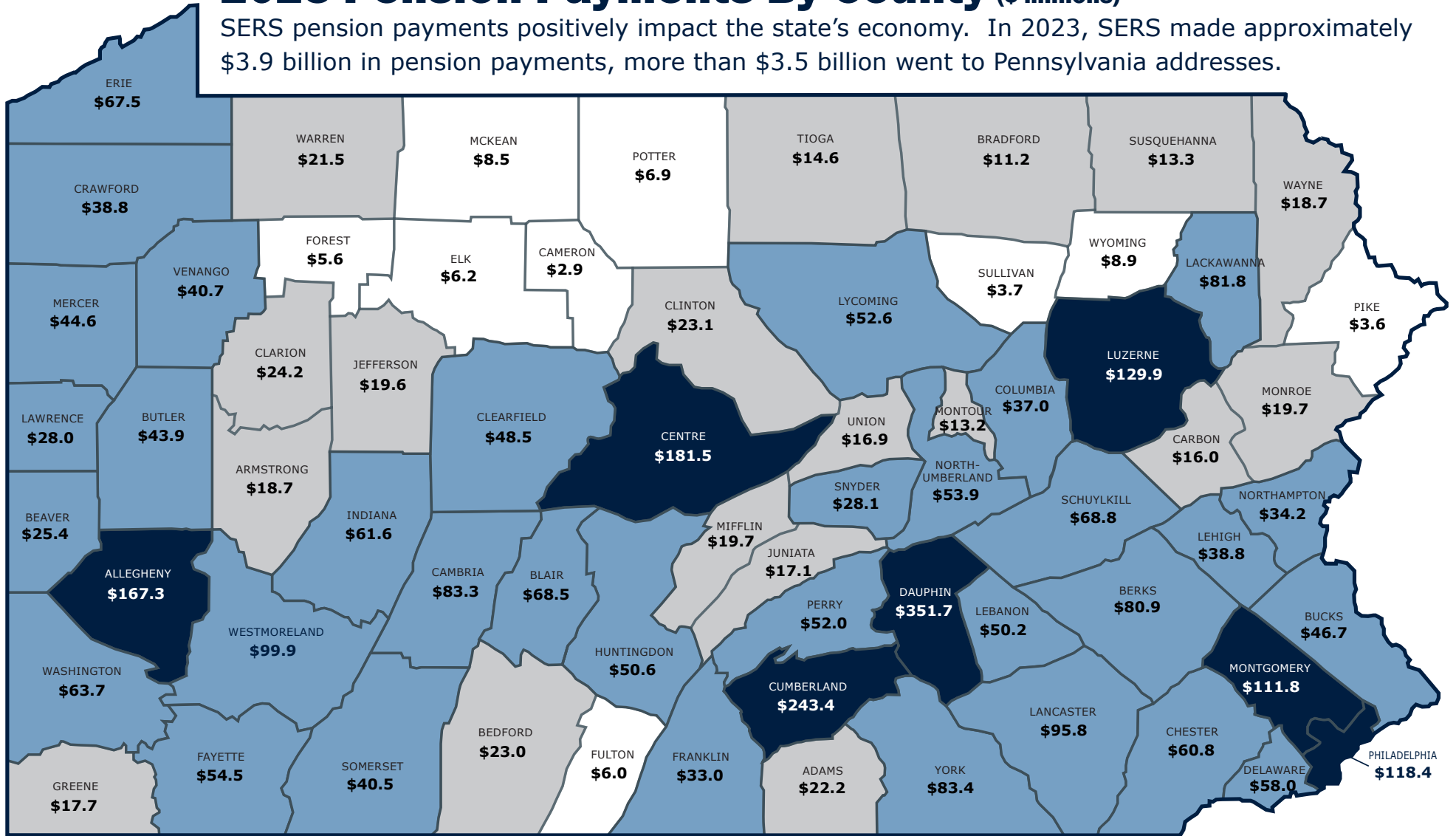
Total Rollovers Into the Plan 639 totaling \$55 million

Total Rollovers Out of the Plan 1,879 totaling \$235 million

Total Distributions/Withdrawals 28,922 totaling \$359 million

2023 Pension Payments By County (\$ millions)

SERS pension payments positively impact the state's economy. In 2023, SERS made approximately \$3.9 billion in pension payments, more than \$3.5 billion went to Pennsylvania addresses.



White box: \$0 - \$9.9 million

Light grey box: \$10 - \$24.9 million

Medium blue box: \$25 - \$99.9 million

Dark blue box: \$100 million +

Domestic Out of State \$377.5 million

Out of Country \$1.5 million