



2025

Annual Comprehensive Financial Report

With Independent Auditors' Report for Fiscal
Years Ended December 31, 2025 and 2024

Commonwealth of Pennsylvania
State Employees' Retirement System

A Component Unit of the
Commonwealth of Pennsylvania





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State Employees' Retirement System

Prepared by the staff of the
Pennsylvania State Employees' Retirement System

Joseph A. Torta

Executive Director

Sara E. McSurdy

Chief Financial Officer

State Employees' Retirement System

30 N 3rd St, Suite 150
Harrisburg, PA 17101-1716
1.800.633.5461
www.SERS.pa.gov

A Component Unit of the
Commonwealth of Pennsylvania

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INTRODUCTORY SECTION

GFOA and PPCC Award Certificates



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Commonwealth of Pennsylvania
State Employees' Retirement System**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morill

Executive Director/CEO

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SERS for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2024. This was the 27th consecutive year that SERS has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe the current Annual Comprehensive Financial Report for December 31, 2025 will meet the Certificate of Achievement Program's requirements, and SERS will be submitting it to GFOA so they may determine SERS' eligibility for receiving another award certificate.

PUBLIC PENSION STANDARDS AWARD

The Public Pension Coordinating Council awarded a Public Pension Standards Award for Funding and Administration to SERS for 2025. This is the 18th consecutive year that SERS has achieved this prestigious award. To be awarded a Public Pension Standards Award, a public pension program must meet professional standards for plan design and administration as set forth in the Public Pension Standards. This award is valid for a period of one year.



Public Pension Coordinating Council

**Public Pension Standards Award
For Funding and Administration
2025**

Presented to

Pennsylvania State Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Robert A. Wylie

Robert A. Wylie
Program Administrator

June 9, 2026

The Honorable Josh Shapiro, Governor, Commonwealth of Pennsylvania

Mr. Gregory C. Thall, Chairman, Pennsylvania State Employees' Retirement System

Members, Pennsylvania General Assembly

Members and Participants, Pennsylvania State Employees' Retirement System

Citizens of the Commonwealth of Pennsylvania

Dear Governor Shapiro, Chairman Thall, Legislators, Members and Participants, and Citizens:

The Pennsylvania State Employees' Retirement System (SERS) is pleased to present you with the 2025 calendar year Annual Comprehensive Financial Report (ACFR). The purpose of this report is to provide the Governor, legislature, system members, participants, and annuitants, as well as the public with a clear accounting of SERS' operations and financial position. We hope you will find this financial, investment, actuarial, and statistical material produced by SERS management to be both interesting and useful.

SERS remains committed to delivering accurate, meaningful information to policymakers and SERS members, as well as to provide context for our independently audited financial statements. Stakeholders can be assured that their retirement system is administered well, and that staff carefully manages the funds entrusted to the board. Please refer to Management's Discussion and Analysis, beginning on page 4, for an overview of SERS' financial statements, as well as significant events and circumstances that impacted the operations and performance of the fund during the past year.

SERS administers four retirement plans for state employees – three plans require mandatory employee and employer contributions and one plan allows only voluntary employee contributions:

- **Hybrid Plan** – is a combination of two Internal Revenue Code-defined plans – a traditional pension or Internal Revenue Code (IRC) section 401(a) defined benefit plan with an IRC section 401(a) defined contribution investment plan. This plan requires mandatory contributions from both the employee and the employer. There are two classes of service within the Hybrid Plan, class A-5 and class A-6.
- **Defined Contribution Plan** – is an IRC section 401(a) investment plan. This plan requires mandatory contributions from both the employee and the employer.
- **Defined Benefit Plan** – is a traditional pension plan defined by IRC section 401(a). This plan requires mandatory contributions from both the employee and the employer.
- **Deferred Compensation Plan** – is a voluntary supplemental plan defined by IRC section 457(b). This plan allows only voluntary employee contributions. (Note: The Deferred Compensation Plan was added to the ACFR starting in 2025. Prior to that, the plan had its own standalone statements).

Most new state employees are automatically enrolled in the Hybrid Plan A-5 class of service, with the right to opt out of that class of service into the Hybrid Plan A-6 class of service or the defined contribution-only plan. The exceptions are hazardous-duty employees and those who contributed to the traditional defined benefit pension plan in the past. In those two cases, the employee is automatically enrolled in the traditional defined benefit pension plan.

During 2025, as mandated by Act 2020-128, SERS underwent a System and Organization Controls (SOC) 1, Type 2 audit. The SOC audit produced an unmodified opinion, the highest possible rating, affirming that SERS' identified controls were suitably designed and effective to meet the control objectives over the testing period.

Additionally in 2025, an actuarial replication audit was conducted. The audit concluded that the 2023 actuarial valuation and 19th Investigation of Actuarial Experience were performed correctly, the assumptions used were reasonable, and the advice given by the retained actuary was determined to be sound.

For 2025, KPMG LLP has conducted an independent audit of SERS financial statements, which are prepared in accordance with U.S. generally accepted accounting principles. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that SERS financial statements are free of any material misstatements and fairly presented. As is our standard practice, independent auditors have full and unrestricted access to you and the board to discuss their findings regarding the adequacy of SERS internal controls and the integrity of SERS financial reporting.

SERS again received an unmodified opinion in 2025.

The Defined Contribution Plan opened for enrollment on January 1, 2019. As of December 31, 2025, there were approximately 47,900 accounts established and the plan had a net position of approximately \$453.6 million. The plan receives participant and employer contributions and the participant can choose to invest their money in several investment options, with most plan participants investing in the default option of a target date fund. A number of important legislative changes made in 2020 helped improve the funding stability of the Defined Contribution Plan. These included establishing the ability for SERS to assess a per-participant charge to all employers to cover the fees, costs, and expenses associated with the plan, as well as allowing for SERS to utilize unvested employer contributions towards paying the administrative costs of the plan.

The Deferred Compensation Plan is a voluntary supplemental investment plan, which began accepting deferrals in 1988. The plan allows participants the flexibility to make traditional before-tax and Roth after-tax contributions. As of December 31, 2025, there were approximately 57,400 accounts established and the plan had a net position of approximately \$5.4 billion. The plan offers a wide range of investment options and participants may direct their deferrals among several different choices. If no active selection is made, deferrals will be defaulted into one of the target date funds.

More information regarding the Defined Contribution Plan and Deferred Compensation Plan can be found throughout this report, while the remainder of the financial information in this letter is for the Defined Benefit Plan only.

As of December 31, 2025, the SERS' Defined Benefit Plan had a net position of approximately \$42.6 billion after paying out approximately \$4.1 billion in retirement benefits to approximately 138,000 retirees and beneficiaries; approximately \$3.6 billion was paid to people living in Pennsylvania, stimulating local economies.

In 2025, SERS served approximately 245,000 total members from 96 agencies/employers.

In mature pension plans such as SERS, newly retired members entering the pension rolls tend to have higher benefits than those who die and are removed from rolls. SERS' experience reflects that trend. In 2025, approximately 5,300 SERS members retired with an average annual benefit of about \$33,100, while approximately 4,800 retirees with an average annual benefit of about \$19,400 were removed from the rolls.

SERS' investment activities are focused on accomplishing our central mission – providing benefit payments to members and participants at the lowest cost to the commonwealth and to fund the program through a carefully planned and executed investment program. These investment activities are guided by a formal *Statement of Investment Policy* that was first adopted in 1979 and periodically revised and updated to reflect and incorporate legislative changes governing investments and amendments to policies guiding investments. The governing policy in place for 2025 was adopted December 4, 2019 (“*SERS’ Defined Benefit Plan Investment Policy Statement*”), with further amendments enacted throughout 2020 - 2025.

For more than a century, SERS board members and staff have worked together – along with our colleagues in the legislature and various administrations – to help ensure the health and stability of the system so that the hundreds of thousands of members and participants we have served over the years could look forward to a financially secure retirement.

During its history, SERS has faced numerous challenges – including the Great Depression, World War II, the energy crisis of the mid-1970s, the savings and loan crisis of the late 1980s, the dot-com bubble of the 1990s, the Great Recession of 2008, the COVID-19 pandemic, the stock market decline of 2022, and most recently, the conflict with Iran. Thankfully, these economic upheavals have been rare anomalies in the history of the system. Nevertheless, we have persevered, and we remain committed to serving the many and varied needs of our members and participants.

During 2025, SERS saw investment gains of approximately 13.7%, net of fees, for our Defined Benefit Plan, which exceeded the fund’s annual assumed rate of return of 6.875% that was in place during the year. As of December 31, 2025, the value of the SERS fund was \$42.6 billion.

In 2026, we look to continue to make progress toward our long-term goal of eliminating our unfunded liability, thanks to an investment policy that allows us to adjust for unusual economic circumstances as we saw over the past few years, ongoing efforts to implement efficiencies across SERS, and continued payment of the full annual actuarially required funding amount by the General Assembly.

Now that SERS employers are paying the full “uncollared” contribution amount, after several years of underfunding, there continues to be a positive trend toward paying down the unfunded liability. This funding is crucial for the overall long-term health of the pension system.

Based on the Governmental Accounting Standards Board Statement No. 67 accounting valuation as of December 31, 2025, the resulting net pension liability was \$15.5 billion. SERS plan fiduciary net position as a percentage of the total pension liability was 73.3%. Based on the actuarial methods used for funding purposes, as of December 31, 2025, the unfunded actuarial accrued liability was \$16.4 billion. SERS funded ratio was 71.7%.

Employer contributions in 2025 represented an increase of \$4 million – or 0.2% – compared to 2024. The growth was due to an increase in gross salaries offset by a small decrease in active membership and a slight decrease in the composite employer rate.

The annual cost of the plan is expected to continue to decrease in future years as the number of members in the newest classes of service, including A-5, A-6, and defined contribution classes that opened January 1, 2019, increases. Hybrid Plan participants comprise approximately 31% of the active member count as of December 31, 2025.

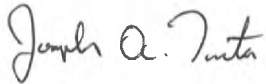
SERS continues major initiatives to improve services to our stakeholders, as well as improving efficiencies in the delivery of benefits and reducing costs in the administration of the system.

Improving customer service to our members remains a top priority for the plan. We continue to enhance our member materials, striving to make the information they provide more understandable and accessible to a range of employees. We increasingly leverage technology to deliver many of these materials electronically, allowing the plan to reduce administrative costs and employ data-driven results to help guide future communication initiatives. As part of our ongoing strategic plan, SERS procured a vendor to complete a major technology assessment of our current systems and tools. That review provided our board with an independent analysis and recommendations as we move forward to procure a pension administration system that we can personalize according to our specific plan provisions in the Retirement Code and plan documents. This work is profoundly impactful to our customer service delivery and will be for years to come.

We are solely responsible for the contents of this report; however, we do wish to acknowledge the significant contributions of many SERS professionals whose work to compile, quality assure, and produce it is essential.

The commitment of the agency's 200+ employees ensures that we maintain effective internal controls to assure that assets are safeguarded, transactions are properly executed, and financial statements conform to U.S. generally accepted accounting principles – all while providing effective, high-quality member services. SERS remains dedicated to providing the highest level of service to commonwealth employers, policymakers, employees, retirees, and the SERS Board. Staff at all levels strive to provide exceptional service to those who have dedicated their careers to the citizens of Pennsylvania and maintain careful stewardship of public dollars.

Respectfully submitted,



Joseph A. Torta
Executive Director



Sara E. McSurdy, CPA
Chief Financial Officer

SERS Mission, Vision, and Organizational Chart

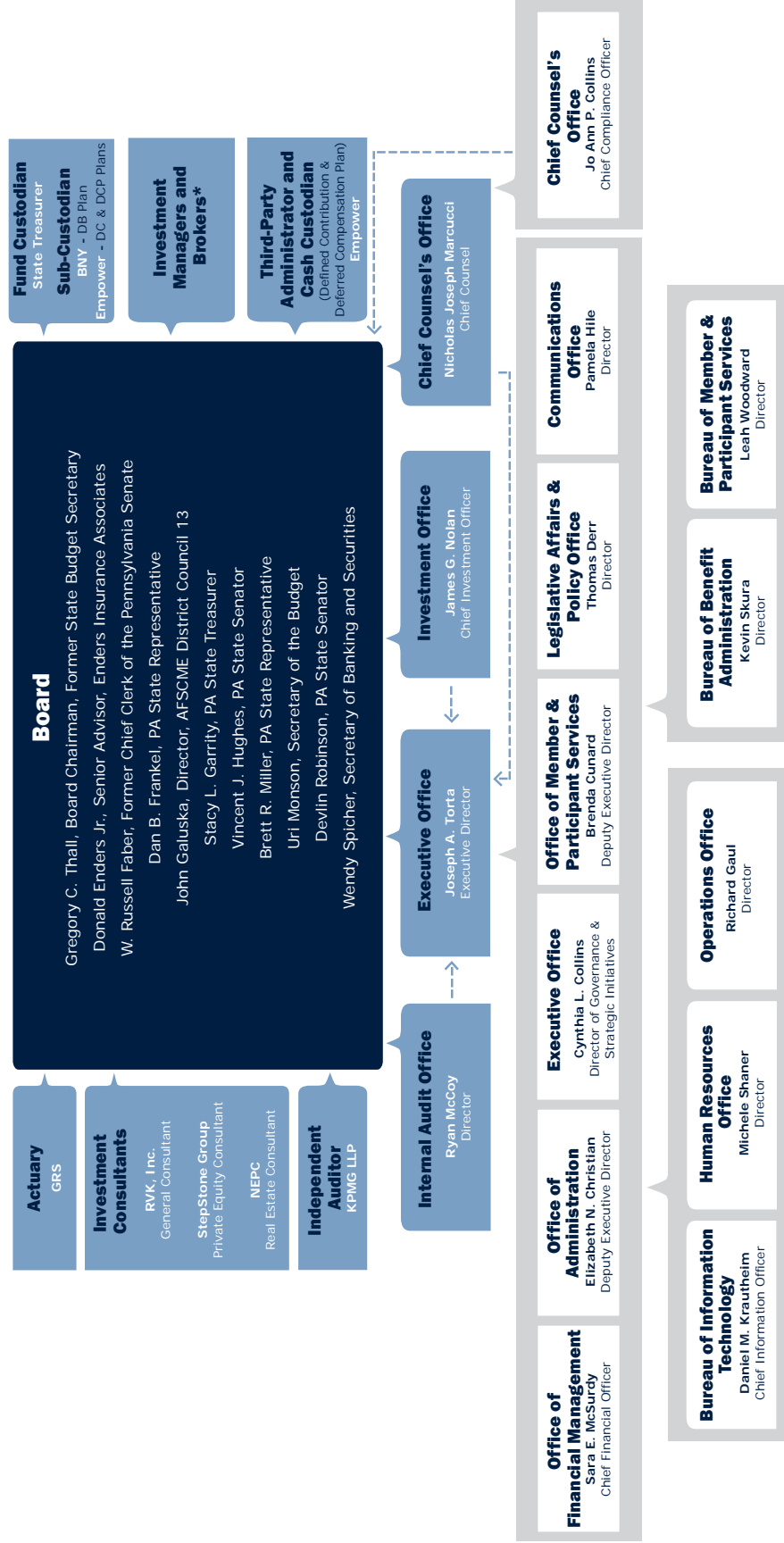
Mission

The mission of SERS is to prepare our members and participants to achieve financial security in retirement.

Vision

SERS' vision is to be an employer of choice and an innovative leader among public pension organizations by providing best-in-class services and products to our members, participants, and stakeholders.

Organizational Chart



*Investment managers are listed through the Investment Section on pages 45 – 77, Manager Fees and Expenses are listed in the schedule on page 54, and brokers are listed in the Schedule of Trading Broker Commissions on page 56 in the Investment Section of this ACFR.

INTRODUCTORY SECTION

SERS Board

December 31, 2025

Mr. Gregory C. Thall
Chairman



Mr. Donald Enders Jr.
Senior Advisor of Enders Insurance Associates



Mr. W. Russell Faber
Former Chief Clerk of the
Pennsylvania Senate



Honorable Dan B. Frankel
State Representative



Mr. John Galuska
Executive Director of AFSCME Council 13



INTRODUCTORY SECTION

SERS Board
December 31, 2025

Honorable Stacy Garrity
State Treasurer



Honorable Vincent J. Hughes
State Senator



Honorable Brett R. Miller
State Representative



Honorable Uri Monson
Secretary of the Budget



Honorable Devlin Robinson
State Senator



Honorable Wendy S. Spicher
Secretary of Banking and Securities



Financial Section



KPMG LLP
Suite 1000
30 North Third Street
Harrisburg, PA 17101

Independent Auditors' Report

The Members of the Board
Commonwealth of Pennsylvania State Employees' Retirement System

Opinion

We have audited the financial statements of the Commonwealth of Pennsylvania State Employees' Retirement System (SERS), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise SERS' basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of SERS as of December 31, 2025 and 2024, and the changes in its fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SERS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SERS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information in schedules 1 through 3 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SERS' basic financial statements. The supplementary information in schedules 4 and 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include



the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is enclosed in a thin black rectangular border.

Harrisburg, Pennsylvania

May 21, 2026, except for the Other Information section of our report, as to which the date is June 8, 2026

FINANCIAL SECTION

Management's Discussion and Analysis

December 31, 2025 and 2024 (unaudited)

This section presents Management's Discussion and Analysis of the Pennsylvania State Employees' Retirement System's (SERS) financial statements, as well as the significant events and conditions that affected the operations and performance of SERS during the years ended December 31, 2025, 2024, and 2023.

In addition to historical information, the Management's Discussion and Analysis includes forward-looking statements, which involve currently known facts and certain risks and uncertainties. Actual results and performance may differ materially from those expressed or implied in the forward-looking statements due to a wide range of factors including but not limited to: changes in securities markets, general economic conditions, interest and inflation rates, legislation, and global conflicts.

Overview of the Financial Statements and Accompanying Information

SERS administers two mandatory-participation retirement plans and one voluntary plan all defined by the Internal Revenue Code: the mandatory Defined Benefit Plan, for which assets are held in the State Employee Retirement Fund (Defined Benefit Plan or pension plan); and the mandatory Defined Contribution Plan and voluntary Deferred Compensation Plan, for which assets are held in separate trusts with ownership attributed to individual participant investment accounts. The financial statements present the financial position and activities for the three plans.

(1) Financial Statements. SERS presents Statements of Fiduciary Net Position as of December 31, 2025 and 2024, as well as Statements of Changes in Fiduciary Net Position for the years then ended. These statements reflect resources available for the payment of benefits as of year end, and the sources and uses of those funds during the year.

(2) Notes to Financial Statements. The notes to financial statements are an integral part of the statements. SERS encourages readers to review them because the additional detail will

provide a more complete understanding of the financial statements. Among other items, the notes provide information about SERS' organization; benefits and contributions; determination of investment values; contingencies and commitments; and actuarial liabilities and the associated methods and assumptions used to calculate them.

(3) Required Supplementary Information.

The Required Supplementary Information (RSI) consists of:

- This Management's Discussion and Analysis (MD&A)
- A schedule of changes in net pension liability and related ratios
- A schedule of employer contributions
- A schedule of investment returns

(4) Other Supplementary Information

Schedules. Other schedules provide details of SERS administrative, investment, and consultant expenses. Supplementary information is considered useful in understanding and evaluating the financial activities of SERS.

Financial Highlights

- The time-weighted rate of return on investments for the pension plan was 13.7% for the year ended December 31, 2025, and 9.8% for the year ended December 31, 2024. These positive returns were mainly driven by a resilient economy, supported by Fed rate cuts, and robust returns in U.S. Equity, which is approximately 38% of the pension plan's assets.
- In June 2024, the SERS Board deliberated and decided to maintain the 6.875% investment return assumption for the December 31, 2024, valuation. In July 2025, the investment return assumption was reaffirmed in conjunction with the five-year actuarial experience study. As a part of the

Management's Discussion and Analysis

December 31, 2025 and 2024 (unaudited)

study, SERS' actuary recommended and the SERS' Board approved several other economic and demographic assumption changes to bring assumptions in line with the plan's actual experience. The revised assumptions from the experience study were used for the December 31, 2025, valuation.

- The Defined Benefit Plan net position increased by approximately \$4.0 billion to \$42.6 billion for the year ended December 31, 2025, compared to an increase of approximately \$2.2 billion for the year ended December 31, 2024. The increase in 2025 was mainly attributable to the combination of positive investment returns and employer contributions exceeding the benefit payments and expenses of the plan.
- The Defined Contribution Plan opened for enrollment on January 1, 2019 and continues to grow. The net position for the Defined Contribution Plan was approximately \$453.6 million as of December 31, 2025, which is an increase of approximately \$158.2 million from the December 31, 2024, net position of \$295.4 million. The increase is attributed to contributions, investment earnings, and funding from employers, exceeding total deductions of the plan.
- The net position for the Deferred Compensation Plan was approximately \$5.4 billion as of December 31, 2025, which is an increase of approximately \$486.6 million from the December 31, 2024, net position of \$4.9 billion. The increase is attributed to positive investment returns and participant contributions exceeding the total deductions of the plan.
- See Condensed Financial Information tables on page 12 for consolidated information for all three plans.
- On January 1, 2025, SERS entered into a new contract with the third-party administrator (TPA) of the Defined

Contribution and Deferred Compensation Plans. As a result of the new operating model introduced under the contract, procedural changes were implemented to streamline cash flows. These changes resulted in notable administrative cost savings across both plans.

- SERS reviewed all new Governmental Accounting Standards Board (GASB) pronouncements and assessed their potential impact on SERS financial reporting. For the years ended December 31, 2025 and 2024, there were no new GASB standards that materially impacted SERS.

The Defined Benefit Plan

The Defined Benefit Plan is a traditional pension plan defined by Internal Revenue Code (IRC) section 401(a). This plan requires mandatory contributions from both the member and employer. SERS invests the contributions to achieve returns to help ensure sufficient funds are available to make required payments to current and future retirees.

Member Contributions

Member contributions were approximately \$467 million, \$452 million, and \$427 million for the years ended December 31, 2025, 2024, and 2023, respectively. The increase in contributions in 2025 and 2024 were primarily due to an increase in gross salaries. The member contribution rate is set by statute and is 6.25% of gross salary for most members, with the majority of newer members contributing less into the plan at 5.09%.

Most members hired since 2011 are subject to shared-risk and shared-gain adjustments to their contributions. In 2025, SERS implemented the first-ever shared-risk adjustment of 0.09% for A-5 and A-6 classes of service, effective July 1, 2025.

Employer Contributions

Employer contributions were approximately \$2.3 billion, \$2.3 billion, and \$2.2 billion for the years ended December 31, 2025, 2024, and 2023, respectively. The 2025 contributions represented

FINANCIAL SECTION

Management’s Discussion and Analysis

December 31, 2025 and 2024 (unaudited)

an increase of \$4 million, compared to 2024. The growth was due to an increase in gross salaries offset by a small decrease in active membership and a slight decrease in the composite employer rate from 33.65% to 32.38% on July 1, 2025. Contributions in 2024 represented an increase of \$118 million, or 5%, compared to 2023. The growth was due to an increase in gross salaries paired with an increase in overall active membership, despite a slight decrease in the composite employer rate from 35.32% to 33.65% on July 1, 2024.

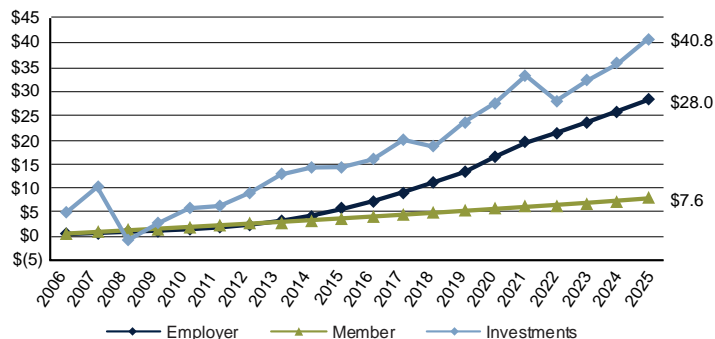
Beginning in 2005, Pennsylvania law statutorily suppressed employer contribution rates, primarily through Acts 2003-40 and 2010-120. Act 2010-120 limited the rate at which employer contributions increased in any given year after fiscal year (FY) 2011-12, up to a maximum of 4.5% each year, until rate collars were no longer needed. Under this schedule, commonwealth FY 2017-18 was the first year since legislatively mandated contribution rates were enacted through Act 2010-120 that collars were no longer needed and employers paid the uncollared rate. Since FY 2017-18, employers continued to show commitment by making contributions to the Defined Benefit Plan at the actuarially required rate. The FY 2026-27 composite employer contribution rate is expected to be 32.38% of payroll.

While the above-noted suppressed employer contributions have provided budgetary relief to commonwealth agencies and the taxpayers of Pennsylvania, they are a factor influencing the pension liability. The short-term benefit of the collars has resulted in the need for employers to contribute more over a 30-year period due to implied financing costs. Such financing costs are incurred because the monies were not available to invest and compound.

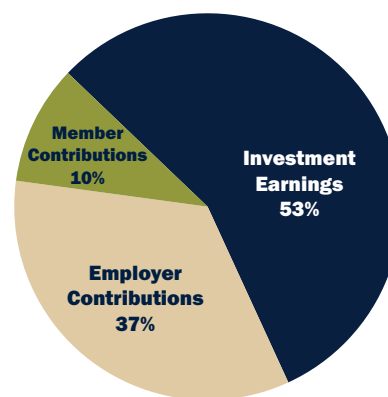
From 2006 through 2025, employer contributions totaled \$28.0 billion, or 37%, of total additions to fiduciary net position, compared to \$7.6 billion, or 10%, of total additions attributed to member contributions, and \$40.8 billion, or 53%, of total additions attributed to investment earnings, as illustrated in the following charts.

20-Year Cumulative Additions to Fiduciary Net Position

(\$ billions)



20-Year Cumulative Additions to Fiduciary Net Position



Net Investment Income

SERS utilizes two methodologies when analyzing Defined Benefit Plan investment returns. The two approaches may vary from each other in any given period based on the underlying methodology used. For GASB 67 accounting valuation purposes, a money-weighted return is used. A money-weighted rate of return calculates the investment performance accounting for all cash flows (contributions and withdrawals) occurring during the performance measurement period. Conversely, for investment performance reporting purposes, SERS and its investment consultants rely on a time-weighted approach. A time-weighted rate of return minimizes the impact of cash flows occurring throughout the measurement period. Defined Benefit Plan investment returns, net of manager fees, on both a money-weighted and time-weighted

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basis, were 13.7%, 9.8%, and 12.2% for the years 2025, 2024, and 2023, respectively.

Positive investment returns contributed approximately \$5.3 billion to net investment income in 2025. A net investment gain of approximately \$3.5 billion occurred in 2024 and a net investment gain of approximately \$4.1 billion occurred in 2023.

SERS has reviewed and modified the Defined Benefit Plan's strategic investment plan, as necessary. In December 2019, the SERS Board adopted the *SERS Defined Benefit Plan Investment Policy Statement*, with the latest amendment occurring in 2025. Its purpose is to outline the investment philosophy and practices of SERS and serve as the governing policy for the management of the system's defined benefit assets. The board approves the asset allocation and targets set forth in the statement, which supports the Defined Benefit Plan's long-term investment rate of return actuarial assumption.

The objective of the strategic investment plan is to provide benefit payments to annuitants and beneficiaries at the lowest cost to the commonwealth and to fund the program through a carefully planned and executed investment program with a focus on liquidity.

SERS assets are managed by external investment managers hired by the SERS Board. SERS strives to engage the highest quality investment managers for the most cost-effective price. Many of these managers are paid a fee based on the amount of assets under management. For private market investments, the industry practice is for the limited partners to pay fees to the general partner based on commitments to the partnership during the investment period.

The Defined Benefit Plan pays the majority of its fees to managers within its Private Equity and Real Estate asset classes due to the complex and time-consuming nature of managing the investments.

Defined Benefit Plan investment expenses, which include fees paid to managers, were \$159 million

and \$166 million for the years ended December 31, 2025 and 2024, respectively.

Benefits, Refunds, and Expenses

Benefit payments to annuitants are the most significant recurring deductions from the fiduciary net position. During 2025 and 2024, the SERS Defined Benefit Plan paid out approximately \$4.1 billion and \$4.0 billion in benefits and refunds, respectively. Approximately 90% of benefit payments are made to annuitants residing in Pennsylvania.

There were approximately 5,300 and 5,500 new retirees added to the annuity payroll with an average annual benefit of \$33,100 and \$34,100 in 2025 and 2024, respectively. There were approximately 4,800 and 4,900 retirees removed from the annuity payroll with an average annual benefit of \$19,400 and \$18,900 in 2025 and 2024, respectively. As is typical in mature pension plans, new retirees in 2025 received a higher annual benefit than those removed from the annuity payroll.

Benefit payments on the Defined Benefit Plan's financial statements consists of two components. A majority of the payments relate to normal monthly annuity payments, with a lesser portion related to supplemental payments. Most of the supplemental payments were paid to retiring members who chose to withdraw their contributions and interest at retirement. Such withdrawals reduce the retirees' annuity payments over their remaining life. Supplemental payments were \$422 million and \$427 million in 2025 and 2024, respectively.

Act 2010-120 lowered the benefits earned by most employees who joined SERS on or after January 1, 2011, through December 31, 2018, by reducing the retirement benefit accrual rate, increasing normal retirement age, extending the vesting period from five years to 10 years, and other provisions. Another important benefit-related aspect of Act 2010-120 was that retirement provisions for legislators elected after December 1, 2010 were reduced and made consistent with those of most rank-and-file employees.

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Act 2017-5 further lowered and fundamentally changed the benefits earned by most employees who joined SERS on or after January 1, 2019, by introducing a hybrid benefit. One portion of the employee’s retirement benefit comes from the Defined Benefit Plan that features guaranteed monthly payments for life based on a calculation. The other portion comes from the Defined Contribution Plan which is based on the employer and employee contributions and the amount of money the employee generates from their investment choices and market performance. Employees have the option to elect to exclusively participate in the Defined Contribution Plan, as opposed to a hybrid benefit. Act 2017-5 further reduced the retirement benefit accrual rate and increased the normal retirement age under the Defined Benefit Plan. The accrual rate is determined by the employee’s class of service.

It will take considerable time to realize savings from Act 2010-120 and Act 2017-5 as detailed above. SERS expects benefit expenses to rise steadily because the number of retirees added to the rolls is projected to outpace the number of retirees removed from the rolls. Additionally, despite the benefit cost reductions for new employees, the monthly annuities for retirees in the near-term are projected to be approximately 71% higher than the annuities of those being removed from the payrolls.

SERS was established in 1923, but did not pay more than \$1 billion in annual benefits until 1997. SERS’ Defined Benefit Plan annual benefit payments reached \$2 billion in 2007, \$3 billion in 2015, and \$4 billion in 2025.

Growth in Annuity Payroll

	December		
	2025	2024	2023
Monthly annuity payroll (\$ millions)	\$306	\$300	\$292
Retirees	138,145	137,620	136,972

SERS’ administrative expenses represented 0.1% of fiduciary net position in 2025 and 2024. All expenses were within budget.

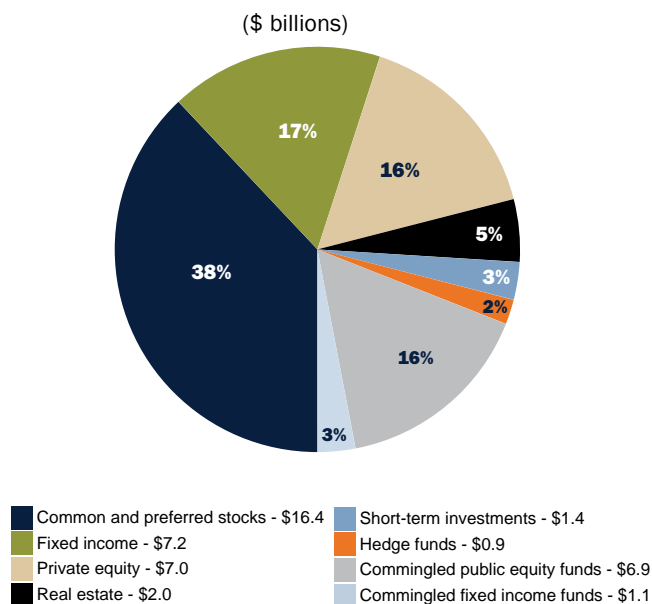
Assets

Investments are the most significant component of SERS’ assets. The total Defined Benefit Plan investment portfolio fair value was \$42.9 billion and \$39.0 billion as of December 31, 2025 and 2024, respectively. The increase in SERS’ total investments is related to the fact that the net investment income and contributions exceeded benefit payments and expenses for the year. SERS reports investments at fair value as discussed in accounting policies note 2(c) to the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The most significant changes to investment values were seen in commingled public equity and fixed income. Commingled public equity values increased to \$6.9 billion in 2025, from \$3.9 billion in 2024, due to favorable performance. Fixed income increased to \$7.2 billion in 2025, from \$6.3 billion in 2024. The increase in fixed income was partially due to a reallocation of funds from short-term investments which decreased to \$1.4 billion in 2025, from \$2.2 billion in 2024.

The total investment portfolio fair value of \$42.9 billion in 2025 was composed as shown by the chart below:

Investments at Fair Value (2025)



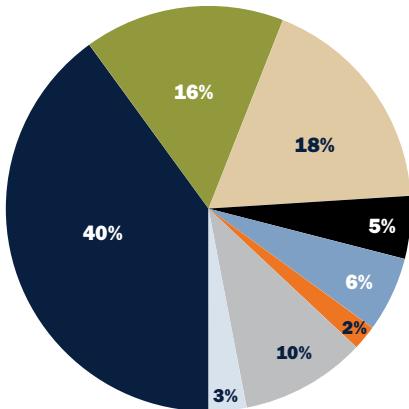
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The total investment portfolio fair value of \$39.0 billion in 2024 was composed as shown by the chart below:

Investments at Fair Value (2024)

(\$ billions)



Common and preferred stocks - \$15.5	Short-term investments - \$2.2
Fixed income - \$6.3	Hedge funds - \$0.8
Private equity - \$7.1	Commingled public equity funds - \$3.9
Real estate - \$2.1	Commingled fixed income funds - \$1.1

SERS earns additional investment income by lending investment securities to brokers. The brokers provide collateral to SERS for borrowed securities generally equal to 102% to 105% of the borrowed securities, and SERS invests the collateral to earn interest. Income, net of expenses, from securities lending is dependent on the volume of lending generated at the custodian bank and the spreads (profits) on loaned securities.

During 2025 and 2024, SERS’ Defined Benefit Plan earned approximately \$1.5 million and \$2.0 million through securities lending, respectively. The program’s guidelines provide for investment of cash collateral in highly liquid, highly-rated securities. As of December 31, 2025 and 2024, the fair value of loaned securities was \$687 million and \$686 million, respectively. The fair value of the associated collateral was \$709 million and \$710 million, respectively, of which \$89 million and \$135 million was cash, respectively.

Derivatives

SERS’ Defined Benefit Plan permits investment managers to use derivatives to hedge risks and provide market exposure to various asset classes within narrowly prescribed policy guidelines. Used properly, such derivatives cost-efficiently provide market exposures in the respective asset classes without disrupting Defined Benefit Plan liquidity needs. SERS’ Defined Benefit Plan investment managers manage counterparty credit risk by entering into contracts with parties with credit ratings of at least investment grade and by establishing collateral requirements. SERS monitors derivative levels and types to ensure that portfolio derivatives are consistent with their intended purpose and at the appropriate level.

Liquidity

SERS’ investment policy utilizes Cash as an asset class that serves as the primary source of short-term liquidity for the Defined Benefit Plan. At December 31, 2025 and 2024, the Defined Benefit Plan held approximately \$1.3 billion and \$2.0 billion in Cash, respectively, which is included in short-term investments on the Statements of Fiduciary Net Position. Specific short-term investments and fixed income holdings also offer liquidity. These investments provide a stable source for meeting the cash flow needs of the plan and protect against the risk that equity or other investments would need to be liquidated at unfavorable values in order to pay member benefits. Having adequate liquidity levels is especially vital for a mature pension plan that has growing benefit payments that exceed contributions into the plan.

Actuarial Valuations

Annually, the SERS Defined Benefit Plan obtains two actuarial valuations, one for financial reporting purposes under 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.

Every five years, the SERS Defined Benefit Plan is required to conduct an actuarial experience study to determine whether the assumptions used in its

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Management’s Discussion and Analysis

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annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions.

The actuary, under oversight of the SERS Board, reviews economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). The 20th Investigation of Actuarial Experience covering the period 2020 - 2024 was released and approved by the SERS Board in July 2025.

The study did not recommend changes to the investment rate of return or the inflation assumptions which are currently 6.875% and 2.50%, respectively. The study did recommend increasing rates of salary growth and several other minor changes. These changes were effective with the December 31, 2025, valuation.

The previous actuarial experience study, the 19th Investigation of Actuarial Experience, conducted for the period of 2015-2019, was released in July 2020 and was in effect for the 2024 valuation. SERS experience studies can be viewed at www.SERS.pa.gov.

The most significant difference in actuarial methods for financial reporting under GASB 67 (accounting valuation) compared to those used for funding purposes (funding valuation) is how investment gains and losses are treated. Under the funding valuation, current investment gains and losses are deferred and smoothed into assets over five years (actuarial value of assets), whereas they are recognized immediately in the fiduciary net position balance (fair value of assets) of each respective year under the accounting valuation.

Key valuation results for the accounting valuation compared to the funding valuation for the years ended December 31, 2025 and 2024, are as shown in the following tables:

As of December 31, 2025

(\$ millions)

GASB 67 - Accounting Valuation		Funding Valuation	
Total Pension Liability (TPL)	\$58,110	Actuarial Accrued Liability (AAL)	\$58,107
Fiduciary Net Position	42,610	Actuarial Value of Assets	41,664
Net Pension Liability (NPL)	\$15,500	Unfunded AAL	\$16,443
Ratio - Fiduciary Net Position/TPL	73.3%	Funded Ratio	71.7%

As of December 31, 2024

(\$ millions)

GASB 67 - Accounting Valuation		Funding Valuation	
Total Pension Liability (TPL)	\$57,085	Actuarial Accrued Liability (AAL)	\$57,081
Fiduciary Net Position	38,658	Actuarial Value of Assets	40,107
Net Pension Liability (NPL)	\$18,427	Unfunded AAL	\$16,974
Ratio - Fiduciary Net Position/TPL	67.7%	Funded Ratio	70.3%

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December 31, 2025 and 2024 (unaudited)

Under the accounting valuation, the net pension liability decreased to \$15.5 billion in 2025 from \$18.4 billion in 2024. This was due to a \$4.0 billion increase in the fiduciary net position mostly due to investment gains offset by benefit payments exceeding contributions. The increase in net position was offset by a \$1.0 billion increase in the total pension liability mostly due to service costs and interest costs, offset by benefit payments and refunds of contributions.

Under the funding valuation, the unfunded actuarial accrued liability decreased to \$16.4 billion in 2025 from \$17.0 billion in 2024. The unfunded actuarial accrued liability is impacted primarily by the same factors as discussed above, with the exception being that current year income is less impactful due to asset smoothing.

The Defined Contribution Plan

On June 12, 2017, Governor Wolf signed Act 2017-5 into law. The law established two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution-only option for all state employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. Additionally, all legacy SERS members had a one-time, irrevocable option to select one of the three new retirement benefit options.

While new employees are automatically enrolled in the hybrid Defined Benefit/Defined Contribution Plan A-5 class of service, they have the option to elect the other hybrid Defined Benefit/Defined Contribution Plan option A-6 class of service, or to join the stand-alone Defined Contribution Plan option. The Defined Contribution Plan, for all options, has three-year vesting for employer contributions and immediate vesting for employee contributions.

The SERS Board selects the investment options offered through the Defined Contribution Plan, and contracts with investment managers and with a TPA for the plan. The TPA maintains participant accounts for the plan. Employee and employer contributions for the Defined Contribution Plan are

deposited into participants' individual investment accounts. Employees may invest their money in several investment options including a range of target date funds, equity funds, fixed income funds, a short-term investment fund, and the self-directed brokerage option. If no active selection is made, contributions will be defaulted into one of the target date funds.

Most participants are invested in the target date funds. The benefit to which a participant is entitled to is their vested account balance at termination. Distribution of benefits can be made in installments, lump sum payments, or through an annuity.

The Defined Contribution Plan continues to grow. There were approximately 47,900 and 42,000 defined contribution accounts as of December 31, 2025 and 2024, respectively. The net position of the Defined Contribution Plan was approximately \$453.6 million as of December 31, 2025, and \$295.4 million as of December 31, 2024. Employee contributions were approximately \$68.9 million for the year ended December 31, 2025, and \$55.3 million for the year ended December 31, 2024. Employer contributions were approximately \$38.7 million for the year ended December 31, 2025, and approximately \$31.8 million for the year ended December 31, 2024. Net investment gain was approximately \$65.6 million for the year ended December 31, 2025, with a gain of \$29.9 million for the year ended December 31, 2024. The plan had distributions of approximately \$11.7 million for the year ended December 31, 2025, and \$7.4 million for the year ended December 31, 2024.

Administrative expenses were approximately \$5.1 million and \$5.9 million for the years ended December 31, 2025 and 2024, respectively. The decrease in 2025 is primarily due to cost savings related to the new TPA contract. The fees, costs, and expenses of administering the Defined Contribution Plan are primarily funded by participating employers through an annual per-participant charge and unvested employer contributions. There is no administrative charge to participants.

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Management's Discussion and Analysis

December 31, 2025 and 2024 (unaudited)

The Deferred Compensation Plan

Established by Act 1987-81, this voluntary supplemental investment plan was established as a trust and is administered in accordance with IRC section 457(b). Most state employees are eligible to participate in the Deferred Compensation Plan, which began accepting deferrals in 1988. The plan allows participants flexibility to make traditional before-tax and Roth after-tax contributions.

The SERS Board selects the investment options offered through the Deferred Compensation Plan, and contracts with investment managers and with a TPA for the plan. The TPA maintains participant accounts for the plan. Investment options include target date funds, equity funds, a fixed income fund, a money market fund, a stable value fund, and a self-directed brokerage option. If no active selection is made, contributions will be defaulted into one of the target date funds. Upon retirement or termination, participants may elect various payout options including lump-sum, equal periodic payments, or elect to defer receipt of funds until some future date.

There were approximately 57,400 and 56,800 participant accounts as of December 31, 2025 and 2024, respectively. The net position of the Deferred Compensation Plan was approximately \$5.4 billion

for the year ended December 31, 2025, and \$4.9 billion for the year ended December 31, 2024. Contributions were approximately \$258.6 million for the year ended December 31, 2025 and \$242.0 million for the year ended December 31, 2024. Net investment gain was \$692.5 million for the year ended December 31, 2025, with a gain of \$592.1 million for the year ended December 31, 2024. The plan had distributions of approximately \$456.8 million for the year ended December 31, 2025, and \$418.0 million for the year ended December 31, 2024.

Administrative expenses were approximately \$7.7 million and \$8.1 million for the years ended December 31, 2025 and 2024, respectively. The decrease in 2025 is primarily due to cost savings related to the new TPA contract. Administrative expenses are primarily based on the number of participants in the plan. A majority of the cost of administering the Deferred Compensation Plan is borne by participants. Participants are subject to various TPA fees, depending on the services provided to support their accounts.

The following tables present the condensed financial information for the three plans as of and for the years ended December 31, 2025, 2024, and 2023:

Condensed Financial Information

(\$ millions)

Fiduciary Net Position

	2025	Increase/ (Decrease)	2024	Increase/ (Decrease)	2023
Total investments	\$48,779	\$4,610	\$44,169	\$2,893	\$41,276
Net other assets and liabilities	(335)	(12)	(323)	(146)	(177)
Net position restricted for pensions and held in trust for defined contribution plan and deferred compensation plan participants	\$48,444	\$4,598	\$43,846	\$2,747	\$41,099

Changes in Fiduciary Net Position

	2025	Increase/ (Decrease)	2024	Increase/ (Decrease)	2023
Contributions	\$3,153	\$56	\$3,097	\$180	\$2,917
Annual employer charge	2	—	2	—	2
Net investment income	6,018	1,891	4,127	(653)	4,780
Net deductions	4,575	96	4,479	170	4,309
Net increase in net position restricted for pensions and held in trust for defined contribution plan and deferred compensation plan participants	\$4,598	\$1,851	\$2,747	(\$643)	\$3,390

Statements of Fiduciary Net Position

Statement of Fiduciary Net Position

December 31, 2025

(\$ thousands)

	Defined Benefit Plan	Defined Contribution Plan	Deferred Compensation Plan	Total
Assets				
Receivables				
Plan members/participants	\$2,031	\$125	\$226	\$2,382
Employers	9,976	84	—	10,060
Investment income	81,456	13	101	81,570
Investment proceeds and other receivables	309,041	—	17	309,058
Miscellaneous	1,037	80	—	1,117
Total receivables	403,541	302	344	404,187
Investments				
Short-term investments	1,421,961	10,904	154,850	1,587,715
Fixed income	7,239,345	—	—	7,239,345
Common and preferred stocks	16,421,667	—	—	16,421,667
Hedge funds	878,767	—	—	878,767
Real estate	1,971,806	—	—	1,971,806
Private equity	7,013,305	—	—	7,013,305
Target date funds	—	389,910	1,008,022	1,397,932
Commingled public equity funds	6,847,383	47,280	2,766,688	9,661,351
Commingled fixed income funds	1,147,258	6,156	283,254	1,436,668
Stable value fund	—	—	940,232	940,232
Self-directed brokerage	—	1,960	227,587	229,547
Other investments	601	—	485	1,086
Total investments	42,942,093	456,210	5,381,118	48,779,421
Securities lending collateral pool	88,503	—	—	88,503
Other assets	18,769	1,443	1,552	21,764
Total assets	43,452,906	457,955	5,383,014	49,293,875
Liabilities				
Accounts payable and accrued expenses	42,384	1,222	1,548	45,154
Investment purchases and other liabilities	672,453	—	—	672,453
Obligations under securities lending	88,503	—	—	88,503
Other liabilities	39,091	3,089	1,971	44,151
Total liabilities	842,431	4,311	3,519	850,261
Net position restricted for pensions and held in trust for defined contribution plan and deferred compensation plan participants	\$42,610,475	\$453,644	\$5,379,495	\$48,443,614

See accompanying notes to basic financial statements.

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Statements of Fiduciary Net Position

Statement of Fiduciary Net Position

December 31, 2024

(\$ thousands)

	Defined Benefit Plan	Defined Contribution Plan	Deferred Compensation Plan	Total
Assets				
Receivables				
Plan members/participants	\$5,166	\$1,015	\$231	\$6,412
Employers	16,042	349	—	16,391
Investment income	75,130	42	668	75,840
Investment proceeds and other receivables	479,438	—	27	479,465
Miscellaneous	438	20	96	554
Total receivables	576,214	1,426	1,022	578,662
Investments				
Short-term investments	2,164,529	9,278	133,094	2,306,901
Fixed income	6,269,534	—	—	6,269,534
Common and preferred stocks	15,540,531	—	—	15,540,531
Hedge funds	817,858	—	—	817,858
Real estate	2,062,601	—	—	2,062,601
Private equity	7,082,094	—	—	7,082,094
Target date funds	—	254,941	908,630	1,163,571
Commingled public equity funds	3,948,052	27,544	2,459,986	6,435,582
Commingled fixed income funds	1,091,584	3,695	243,464	1,338,743
Stable value fund	—	—	953,915	953,915
Self-directed brokerage	—	1,428	195,773	197,201
Other investments	(129)	—	548	419
Total investments	38,976,654	296,886	4,895,410	44,168,950
Securities lending collateral pool	135,433	—	—	135,433
Other assets	21,250	1,851	1,739	24,840
Total assets	39,709,551	300,163	4,898,171	44,907,885
Liabilities				
Accounts payable and accrued expenses	55,728	1,550	3,282	60,560
Investment purchases and other liabilities	817,313	12	50	817,375
Obligations under securities lending	135,433	—	—	135,433
Other liabilities	43,553	3,171	1,949	48,673
Total liabilities	1,052,027	4,733	5,281	1,062,041
Net position restricted for pensions and held in trust for defined contribution plan and deferred compensation plan participants	\$38,657,524	\$295,430	\$4,892,890	\$43,845,844

See accompanying notes to basic financial statements.

Statements of Changes in Fiduciary Net Position

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2025

(\$ thousands)

	Defined Benefit Plan	Defined Contribution Plan	Deferred Compensation Plan	Total
Additions				
Contributions				
Plan members/participants	\$466,956	\$68,903	\$258,638	\$794,497
Employers	2,320,018	38,745	—	2,358,763
Total contributions	2,786,974	107,648	258,638	3,153,260
Annual employer charge	—	1,820	—	1,820
Investment income				
From investing activities				
Net appreciation in fair value of investments	4,924,168	65,408	686,278	5,675,854
Interest	279,445	375	7,688	287,508
Dividends	211,751	—	—	211,751
Miscellaneous income	1,763	—	—	1,763
Total investing activities income	5,417,127	65,783	693,966	6,176,876
Investment expenses	(159,068)	(193)	(1,490)	(160,751)
Net income from investing activities	5,258,059	65,590	692,476	6,016,125
From securities lending activities				
Securities lending income	1,619	—	—	1,619
Securities lending expenses	(162)	—	—	(162)
Net income from securities lending activities	1,457	—	—	1,457
Net investment income	5,259,516	65,590	692,476	6,017,582
Total additions	8,046,490	175,058	951,114	9,172,662
Deductions				
Benefits	4,036,508	—	—	4,036,508
Refunds of contributions	25,142	—	—	25,142
Distributions	—	11,711	456,849	468,560
Administrative expenses	31,889	5,133	7,660	44,682
Total deductions	4,093,539	16,844	464,509	4,574,892
Net increase	3,952,951	158,214	486,605	4,597,770
Net position restricted for pensions and held in trust for defined contribution plan and deferred compensation plan participants				
Balance, beginning of year	38,657,524	295,430	4,892,890	43,845,844
Balance, end of year	\$42,610,475	\$453,644	\$5,379,495	\$48,443,614

See accompanying notes to basic financial statements.

FINANCIAL SECTION

Statements of Changes in Fiduciary Net Position

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2024

(\$ thousands)

	Defined Benefit Plan	Defined Contribution Plan	Deferred Compensation Plan	Total
Additions				
Contributions				
Plan members/participants	\$452,051	\$55,260	\$242,006	\$749,317
Employers	2,316,106	31,820	—	2,347,926
Total contributions	2,768,157	87,080	242,006	3,097,243
Annual employer charge	—	2,309	—	2,309
Investment income				
From investing activities				
Net appreciation in fair value of investments	3,198,908	29,500	584,856	3,813,264
Interest	258,523	497	8,772	267,792
Dividends	205,887	—	—	205,887
Miscellaneous income	5,160	—	—	5,160
Total investing activities income	3,668,478	29,997	593,628	4,292,103
Investment expenses	(165,707)	(138)	(1,482)	(167,327)
Net income from investing activities	3,502,771	29,859	592,146	4,124,776
From securities lending activities				
Securities lending income	2,252	—	—	2,252
Securities lending expenses	(225)	—	—	(225)
Net income from securities lending activities	2,027	—	—	2,027
Net investment income	3,504,798	29,859	592,146	4,126,803
Total additions	6,272,955	119,248	834,152	7,226,355
Deductions				
Benefits	3,980,953	—	—	3,980,953
Refunds of contributions	23,813	—	—	23,813
Distributions	—	7,365	418,016	425,381
Administrative expenses	35,592	5,888	8,147	49,627
Total deductions	4,040,358	13,253	426,163	4,479,774
Net increase	2,232,597	105,995	407,989	2,746,581
Net position restricted for pensions and held in trust for defined contribution plan and deferred compensation plan participants				
Balance, beginning of year	36,424,927	189,435	4,484,901	41,099,263
Balance, end of year	\$38,657,524	\$295,430	\$4,892,890	\$43,845,844

See accompanying notes to basic financial statements.

(1) Organization and Description of Pennsylvania State Employees' Retirement System (SERS)

(a) Organization

SERS was established as of June 27, 1923, under the provisions of Public Law 858, No. 331. SERS was developed as an independent administrative agency of the board, which exercises control and management of SERS, including the investment of its assets. The SERS Board has 11 members including the State Treasurer (ex officio), the Secretary of Banking and Securities (ex officio), two Senators, two members of the House of Representatives, and five members appointed by the Governor, one of whom is an annuitant of SERS. At least five board members must be active members of SERS and at least two must have 10 or more years of credited service.

SERS is the administrator of the State Employees' Retirement Fund (Defined Benefit Plan or pension plan), which is a cost-sharing multiple employer defined benefit pension plan. SERS is also the administrator of the Defined Contribution Plan and Deferred Compensation Plan. The State Employees' Defined Contribution Plan was established as part of Act 2017-5 and opened for enrollment on January 1, 2019. The supplemental Deferred Compensation Plan was established by the Commonwealth of Pennsylvania General Assembly on November 6, 1987. The Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan were established by the Commonwealth of Pennsylvania (commonwealth) to provide retirement benefits for employees of state government and certain independent agencies. The Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan operate under separate trusts and as of December 31, 2025, and 2024, each of these plans are reported within these basic financial statements.

In prior years, the Deferred Compensation Plan financial statements were produced on a standalone basis separate from the two other plans.

SERS is a component unit of the commonwealth, and the Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan are included in the commonwealth's financial report as pension trust funds.

Membership in the Defined Benefit Plan and Defined Contribution Plan is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required but are given the option to participate.

Participation in the Defined Benefit Plan includes 34 employers with the commonwealth being classified as its largest employer. The commonwealth comprises 63 agencies and when everything is evaluated separately, the Defined Benefit Plan has a total of 96 participating employers/agencies as of December 31, 2025. As of December 31, 2024, participation in the Defined Benefit Plan included 35 employers. The commonwealth comprised 63 agencies and when everything was evaluated separately, the Defined Benefit Plan had a total of 97 participating employers/agencies.

Employers participating in the Defined Benefit Plan are required to participate in the Defined Contribution Plan if they have active employees in specified membership classes. Participation in the Deferred Compensation Plan is determined by statute and contingent upon eligible active employees electing to defer into the plan.

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At December 31, 2025 and 2024, SERS' membership consisted of the following:

SERS Membership^{1/}

	2025	2024
Defined Benefit Plan		
Active plan members	99,993	100,131
Inactive plan members or beneficiaries currently receiving benefits	138,145	137,620
Inactive plan members entitled to but not yet receiving benefits	6,763	6,995
Total members	244,901	244,746
Defined Contribution Plan		
Active participants	32,222	28,763
Inactive participants entitled to a distribution	15,714	13,270
Total participants	47,936	42,033
Deferred Compensation Plan		
Active participants	36,064	35,439
Inactive participants entitled to a distribution	21,292	21,392
Total participants	57,356	56,831

^{1/}Employees may be included in multiple plan figures.

(b) Defined Benefit Plan Benefits

The SERS Defined Benefit Plan provides retirement, death, and disability benefits. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly. Article II of the Commonwealth of Pennsylvania's Constitution assigns the authority to establish and amend the benefit provisions of the pension plan to the General Assembly. Member retirement benefits are determined by taking years of credited service multiplied by the final average salary multiplied by the annual accrual rate.

Most employees who entered SERS membership prior to January 1, 2011, and who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty

positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for members but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. Act 2010-120 created a class of service in which members earn a benefit that accrues at 2% of the member's final average salary instead of 2.5% each year and vests in 10 years instead of five. The full retirement age is 65 for most employees who entered SERS membership after January 1, 2011, and age 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 changed the benefit structure for most new employees effective January 1, 2019, which created two hybrid plan options as well as a defined contribution-only plan option. The two hybrid plan options contain a Defined Benefit Plan component with a full retirement age of 67 that accrues at 1.25% or 1% of the member's final average salary.

Most members of SERS, and all state employees hired after June 30, 2001, and prior to January 1, 2011 (except state police officers and certain members of the judiciary and legislators), are Class AA members. Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. The multiplier for Class AA is 1.25, which translates into an annual benefit of 2.5% of the member's highest three-year average salary multiplied by years of service and became effective for members July 1, 2001. The general annual benefit for Class A members is 2% of the member's highest three-year average salary multiplied by years of service.

State police are entitled to a benefit equal to a percentage of their highest annual salary, excluding their year of retirement. The benefit is 75% of salary for 25 or more years of service and 50% of salary for 20-24.99 years of service. Judges are entitled to a benefit of 4% of final average salary for each of the first 10 years of service and 3% for subsequent years. Magisterial District Judges are entitled to a benefit of 3% of final average salary for each year of service.

Legislators taking office before December 1, 2010, are Class D-4. The multiplier for Class D-4 is 1.5, which translates into an annual benefit of 3% of the final average salary for each year of service.

Act 2010-120 created an A-3 class of service and an optional A-4 class for most employees who enter SERS membership for the first time on or after January 1, 2011, and December 1, 2010, for legislators newly elected in November 2010, through December 31, 2018. On or after January 1, 2019, class A-3 is only offered to hazardous duty employees. Employees who enter SERS membership under Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary multiplied by years of service, while the Class A-4 benefit accrual rate is 2.5%.

Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees), who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of an average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight Defined Contribution Plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

According to the State Employees' Retirement Code (retirement code), all obligations of SERS will be assumed by the commonwealth, should SERS terminate.

(c) Defined Benefit Plan Contributions

SERS' retirement code (71 Pa. C.S.) requires that all SERS participating employers make

contributions to the pension plan on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS Defined Benefit Plan funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The Defined Benefit Plan funding policy also provides for periodic employer contributions at actuarially determined rates based on the Defined Benefit Plan funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. In FY 2017-18, the commonwealth paid the full actuarially required rate after it was collared in several of the previous years due to Act 2010-120. At December 31, 2025 and 2024, the composite actuarially determined rate was 32.38% and 33.65%, respectively. Employers may pay individual rates higher or lower than the composite rate based on an employees' class of service. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS' benefit changes flow back into the Defined Benefit Plan through the employer contribution rate rather than to other non-pension obligations.

Employer rates are computed based on SERS' fiscal year end of December 31 and applied to employers using the commonwealth's fiscal year beginning the following July 1. Therefore, the employer contribution rates in effect for SERS' full year ended December 31, reflect a blended average of calculated rates. As of December 31, 2025 and 2024, the blended contribution rates were 33.02% and 34.49%, respectively.

The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively.

The general membership contribution rate under Act 2017-5 for A-5 and A-6 members was 5% and 4% of salary, respectively, through June 30, 2025

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and increased to 5.09% and 4.09% of salary, respectively, effective July 1, 2025. The contribution rate for Class D-4 Members of the General Assembly is 7.5%. Certain Judges and Magisterial District Judges have the option of electing special membership classes requiring a contribution of 10% and 7.5%, respectively. All Defined Benefit Plan employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits or elects to waive their benefits.

(d) Defined Contribution Plan

The SERS retirement code requires that all SERS participating employers make contributions to the Defined Contribution Plan on behalf of all active participants. SERS' funding policy, as set by the SERS Board, provides for periodic employer and active participant contributions at statutory rates.

Participants in the A-5 class, A-6 class, and defined contribution-only plan option contribute 3.25%, 3.5%, and 7.5% to the plan, respectively. Participants may also make additional voluntary contributions to the plan. Employers contribute 2.25%, 2%, and 3.5% for participants in the A-5 class, A-6 class, and defined contribution-only plan option, respectively. Employers do not match participant voluntary contributions to the plan. Participants are also permitted to transfer or roll over monies into the plan from other qualified plans.

While participant contributions are immediately vested, the employer contributions are not vested until a participant earns three eligibility points. Eligibility points are generally credited based on hours worked in a calendar year.

If a participant terminates employment before earning three eligibility points, any unvested employer contributions are returned to the Defined Contribution Plan to be used to offset future

administrative costs to the plan. These monies are kept in a forfeiture account with the third-party administrator (TPA). There were \$4.5 million and \$3.2 million in forfeitures available to pay for administrative costs as of December 31, 2025 and 2024, respectively.

Each participant in the Defined Contribution Plan holds an individual account with the plan's TPA. The TPA is paid a fee for administering the plan. This TPA fee, and other administrative fees, costs, and expenses are incurred to operate the plan. These fees, costs, and expenses are primarily funded through a per-participant assessment charged to employers and unvested employer contributions.

Participant accounts are credited with the participant's contributions as well as their employer's contributions and are adjusted for the investment earnings and investment management expenses associated with the investment options chosen by the participant. Participants can choose to invest their money in any of several investment options including a range of target date funds, equity funds, fixed income funds, a short-term investment fund, and a self-directed brokerage option.

The benefit to which a participant is entitled to is their vested account balance at termination. Distribution of benefits can be made in installments, lump sum payments, or through an annuity. Participants are also permitted to transfer or roll over monies out of the plan into other qualified plans.

(e) Deferred Compensation Plan

Under the Deferred Compensation Plan provisions, eligible employees may contribute to the Deferred Compensation Plan through payroll deductions. In accordance with Section 457(b) of the IRC, the amount of an individual's annual contributions cannot exceed the lesser of the annual IRS contribution limit or 100% of the individual's gross compensation. Contributions can be made to the Deferred Compensation Plan using either the before-tax method in which amounts are deferred

for federal income tax purposes, or the Roth option in which contributions are made on an after-tax basis. Participants are also permitted to transfer or roll over monies into the plan from other qualified plans.

Participants may withdraw the current market value of funds contributed to the Deferred Compensation Plan upon termination of employment, death, disability, retirement, or approved unforeseeable emergencies within Deferred Compensation Plan guidelines. Minimum distributions as required by Internal Revenue Service guidelines must commence no later than age 73, including the Roth option. Rollovers to other qualified retirement plans or IRAs are permitted. All investments are for the exclusive benefit of participants and their beneficiaries.

Participant accounts are credited with the participant's contributions and are adjusted for the investment earnings and investment management expenses associated with the investment options chosen by the participant. Participants can choose to invest their money in any of several investment options including a range of target date funds, equity funds, a fixed income fund, a short-term investment fund, a stable value fund, and a self-directed brokerage option.

Each participant in the Deferred Compensation Plan holds an individual account with the plan's TPA. The TPA is paid a fee for administering the plan. This TPA fee, and other administrative fees, costs, and expenses are incurred to operate the plan. A majority of the cost of administering the Deferred Compensation Plan is borne by participants.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

SERS' financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits,

disbursements, and refunds are recognized when due and payable in accordance with the terms of the plans. Investment purchases and sales are recorded on a trade-date basis.

(b) Use of Estimates

Management of SERS has made certain estimates and assumptions relating to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(c) Valuation of Investments

SERS investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Defined Benefit Plan common and preferred stocks and foreign exchange contracts are generally valued based on published market prices and quotations at the close of business from national security exchanges and securities pricing services. U.S. government securities and corporate and foreign bonds and notes are valued based on matrix pricing. Real estate separate accounts are valued using unobservable estimates and appraisals. For the Defined Contribution and Deferred Compensation Plans, target date funds, self-directed brokerage accounts, commingled public equity funds, and commingled fixed income funds are reported at fair value, since these securities are considered actively traded as participants are able to actively buy and sell their interest.

Defined Benefit Plan private equity, certain real estate, hedge funds, commingled public equity funds, and commingled fixed income funds are reported at fair value as estimated and reported by general partners and investment managers, based upon the underlying net asset value (NAV) of the fund or partnership as a practical expedient of fair value. Adjustments are required when SERS expects to sell the investment at a value other than NAV.

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The Deferred Compensation Plan Stable Value Fund, which contains fixed income securities with insurance wrap providers, is valued at NAV. NAV for the Stable Value Fund represents the consolidated values of the multiple managers that were hired by the fund manager.

The Deferred Compensation Plan group annuity contract, which is no longer offered to participants as an investment option, is valued at contract value. Contract value for the group annuity contract represents contributions made under the contract, plus earnings, less payments made to retirees and terminated participants.

The investments in short-term investment funds, including those managed by the treasurer of the commonwealth, are reported at cost and amortized cost. The securities lending collateral pool, which is operated by the securities lending agent, is also accounted for at amortized cost.

Unsettled investment sales are reported as investment proceeds receivable and unsettled investment purchases are reported as investment purchases payable. Investment expenses consist of investment managers' expenses and fees, as well as those expenses directly related to SERS investment operations.

(d) Other Assets and Other Liabilities on the Statement of Fiduciary Net Position

Other assets consist of leases capitalized under Governmental Accounting Standards Board (GASB) Statement No. 87, and deferred outflows related to other post-employment benefits (OPEB) for employees of SERS recorded under GASB Statement No. 75.

SERS' employees are eligible to participate in the Retired Employees Health Program (REHP) if they meet certain criteria upon retirement. The REHP is a single employer defined benefit OPEB plan that includes commonwealth agencies and some component units. More detail regarding this at the REHP plan level can be found in the commonwealth's ACFR, which is an audited financial statement and is available at www.budget.pa.gov.

Intangible capital assets are amortized over the useful life of the asset once they are placed into service.

Other liabilities represent the liabilities associated with any capitalized leases and the liabilities and deferred inflows related to OPEB.

Interest and amortization expenses related to capitalized leases are reported within the real estate line on the Schedule of Administrative Expenses.

(e) Commitments

As of December 31, 2025 and 2024, SERS' Defined Benefit Plan had contractual commitments totaling approximately \$2.8 billion and \$2.9 billion, respectively, to fund future private equity and real estate investments over the next several years.

(f) Federal Income Taxes

The Internal Revenue Service (IRS) issued a favorable tax determination letter on May 19, 2017, confirming its prior determination that the Defined Benefit Plan is a qualified Governmental Plan under the Internal Revenue Code (IRC) § 401(a). Member contributions to SERS for current service are federal income tax deferred under IRC § 414(h). The IRS also issued a favorable tax determination letter on September 29, 2000, confirming the Deferred Compensation Plan is an eligible state deferred compensation plan defined in IRC § 457(b).

(g) Risk Management

SERS is exposed to various liabilities and risks of loss related to theft or destruction of assets, injuries to employees, and court challenges to fiduciary decisions. SERS is accorded sovereign immunity as an administrative agency of the commonwealth. SERS participates in certain commonwealth pooled insurance programs and requires asset managers to carry certain insurance coverage. SERS is self-insured for fiduciary, director, and officer liability. During the past three fiscal years, SERS insurance settlements did not exceed insurance coverage.

(h) Interfund Transactions

Interfund transfers of assets take place on a regular basis between the Defined Benefit Plan, Defined Contribution Plan, and the Deferred Compensation Plan. Interfund activity is used to properly align expenses with each plan.

(3) Legally Required Reserves

The retirement code requires the maintenance of the following reserve accounts representing the net position held for future and current benefit payments.

The **Members' Savings Account** accumulates contributions and interest earnings of active employees. Member balances are transferred to the Annuity Reserve Accounts as members retire.

The **State Accumulation Account** accumulates contributions of the employer and the net earnings of the pension plan. Funds are transferred to the Annuity Reserve Accounts as members retire. The amount transferred is actuarially determined. Negative balances represent the amounts transferred to other reserve account balances in excess of accumulated employer contributions and net earnings.

The **Directed Commissions Reserve Account** accumulates the income from the commission recapture program less any investment related administrative expenses. SERS utilizes brokers to rebate a percentage of trade commissions directly to SERS. During the years ended December 31, 2025 and 2024, SERS earned approximately \$23,000 and \$49,000 of income resulting from the commission recapture program, respectively. During 2025 and 2024, no investment related administrative expenditures were made from the program. These commission reserves can be used to pay for future administrative expenditures.

The **Annuity Reserve Accounts** are the accounts from which all death and retirement benefits and supplemental annuities are paid. The balances in these accounts are actuarially determined.

The **Interest Reserve Account** accumulates all income earned by the pension plan. In addition, all administrative and investment expenses incurred

by the pension plan and the board necessary for the operation of SERS are paid from this account. Any balance in this reserve is transferred to the State Accumulation Account at year end.

The **Benefits Completion Plan (BCP) Reserve Account** accumulates all BCP employer contributions and net earnings of the pension plan less any benefits paid out of the pension plan. Act 2002-234 amended the retirement code that directs the SERS Board to establish and serve as trustee of a retirement benefit plan that is in conformity with IRC Section 415(m), the BCP. The BCP is a separate trust fund established to provide benefits to all annuitants of SERS' Defined Benefit Plan and their survivor annuitants and beneficiaries whose retirement benefit exceeds the IRC Section 415(b) limits. A monthly annuity or death benefit is paid under the BCP only if a corresponding monthly annuity or death benefit is paid from the Defined Benefit Plan to the extent permitted by IRC Section 415(b) and the retirement code.

There were 22 and 23 individuals receiving benefits from the BCP at December 31, 2025 and 2024, respectively.

Account balances at December 31, 2025 and 2024, are as follows:

Account Balances

(\$ thousands)

	2025	2024
Members' savings account	\$5,932,839	\$5,744,448
State accumulation and interest reserve accounts	1,069,398	(2,587,010)
Directed commissions reserve account	3,873	3,850
Annuity reserve accounts		
Annuitants and beneficiaries	31,599,353	31,513,129
State police	3,940,993	3,918,415
Enforcement officers	51,403	53,160
Benefits completion plan reserve account	12,616	11,532
Total	\$42,610,475	\$38,657,524

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The **State Employees' Defined Contribution Trust** accumulates Defined Contribution Plan participant and employer contributions, investment earnings, and plan expenses. The trust is comprised of individual participant investment accounts and administrative income received to cover plan costs. The assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries and may be used for the payment of the fees, costs, and expenses related to the administration of the plan. These fees, costs, and expenses are primarily funded through a per-participant assessment charged to employers and unvested employer contributions.

The **State Employees' Deferred Compensation Trust** accumulates Deferred Compensation Plan participant contributions, investment earnings, and plan expenses. The trust is comprised of individual participant investment accounts and administrative income received to cover plan costs. The assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries and may be used for the payment of the fees, costs, and expenses related to the administration of the plan. A majority of the cost of administering the Deferred Compensation Plan is borne by participants.

(4) Investments

As provided by statute, the SERS Board has exclusive control and management responsibility of the Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan with full power to invest or select investment options for the respective plans. In exercising its fiduciary responsibility to SERS' collective membership, the SERS Board is governed by the prudent expert rule in establishing investment policy. The prudent expert rule requires the exercise of that degree of judgment, skill, and care under the circumstances then prevailing, which investors of prudence, discretion, and intelligence, who are familiar with such matters, exercise in the management of their own affairs, not in regard to speculation, but in regard to permanent disposition of the funds, considering the probable income to be derived there from, as well as the probable safety of their capital. The SERS Board has adopted *SERS'*

Defined Benefit Plan Investment Policy Statement, the 401(a) Defined Contribution Plan Investment Policy Statement, and the 457(b) Deferred Compensation Plan Investment Policy Statement to formally document investment objectives and responsibilities. These policies, as well as applicable state law, establish guidelines for permissible investments of SERS.

Fair Value Hierarchy

SERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The guidelines use a fair value hierarchy that is broken down into three levels based on inputs that market participants would use in valuing assets and liabilities derived from market data as follows:

- **Level 1 inputs:** are quoted prices in active markets for identical assets or liabilities.
- **Level 2 inputs:** are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- **Level 3 inputs:** are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

Most common and preferred stocks, foreign exchange contracts, and the Defined Contribution Plan's and Deferred Compensation Plan's target date funds, commingled public equity funds, commingled fixed income funds, and self-directed brokerage accounts are valued using prices quoted in active markets for those securities and are categorized as Level 1. They are marked-to-market daily with changes in fair value recognized as part of investments and investment income.

Most fixed income securities are valued using a matrix pricing technique and are categorized as Level 2. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices and recently printed security specific trading levels.

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Value add/opportunistic separately managed accounts (SMA) in real estate, certain fixed income securities, and other securities classified in Level 3 reflect prices which may use several unobservable inputs, using assumptions based on market methodologies to determine the fair value of investments. A majority of the Level 3 investments are real estate investments where the fair value is determined based on appraisals using discounted cash flows, recent comparable sales, and current market conditions. All SMA investments are to be independently appraised not less than once every three years by appraisers who meet specific professional qualifications. The valuation process

involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Certain derivative instruments in the Defined Benefit Plan, such as foreign exchange contracts, interest rate swaps, credit default swaps, and futures, are included in other investments in the fair value tables.

At December 31, 2025 and 2024, the Defined Benefit Plan's investments measured at fair value are shown in the following tables:

Defined Benefit Plan Investments Measured at Fair Value (2025)

(\$ thousands)

	Fair Value	Level 1	Level 2	Level 3
Fixed income				
Government	\$5,322,591	\$—	\$5,322,591	\$—
Corporates	1,355,156	—	1,350,262	4,894
Asset- and mortgage-backed securities	386,000	—	385,997	3
Sovereign debt	78,927	—	78,927	—
Private placements	72,865	—	72,445	420
Agencies	23,806	—	23,806	—
Total fixed income	7,239,345	—	7,234,028	5,317
Equity				
Domestic common and preferred stocks	15,782,833	15,780,621	2,212	—
Foreign common and preferred stocks	638,834	638,834	—	—
Total equity	16,421,667	16,419,455	2,212	—
Real estate				
Value add/opportunistic SMA	121,358	—	—	121,358
Other investments				
Other investments	601	—	601	—
Total	\$23,782,971	\$16,419,455	\$7,236,841	\$126,675

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Defined Benefit Plan Investments Measured at Fair Value (2024)

(\$ thousands)

	Fair Value	Level 1	Level 2	Level 3
Fixed income				
Government	\$4,457,291	\$—	\$4,457,291	\$—
Corporates	1,266,287	—	1,259,510	6,777
Asset- and mortgage-backed securities	372,768	—	372,610	158
Private Placements	80,105	—	79,000	1,105
Sovereign debt	65,496	—	65,496	—
Agencies	27,587	—	27,587	—
Total fixed income	6,269,534	—	6,261,494	8,040
Equity				
Domestic common and preferred stocks	14,710,030	14,706,198	3,832	—
Foreign common and preferred stocks	830,501	830,501	—	—
Total equity	15,540,531	15,536,699	3,832	—
Real estate				
Value add/opportunistic SMA	245,904	—	—	245,904
Other investments				
Other investments	(129)	—	(129)	—
Total	\$22,055,840	\$15,536,699	\$6,265,197	\$253,944

At December 31, 2025 and 2024, the Defined Contribution Plan's investments measured at fair value are shown in the following tables:

Defined Contribution Plan Investments Measured at Fair Value (2025)

(\$ thousands)

	Fair Value	Level 1	Level 2	Level 3
Target date funds				
Target date funds	\$389,910	\$389,910	\$—	\$—
Commingled public equity funds				
Commingled public equity funds	47,280	47,280	—	—
Commingled fixed income funds				
Commingled fixed income funds	6,156	6,156	—	—
Self-directed brokerage				
Self-directed brokerage	1,960	1,960	—	—
Total	\$445,306	\$445,306	\$—	\$—

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Defined Contribution Plan Investments Measured at Fair Value (2024)

(\$ thousands)

	Fair Value	Level 1	Level 2	Level 3
Target date funds				
Target date funds	\$254,941	\$254,941	\$—	\$—
Commingled public equity funds				
Commingled public equity funds	27,544	27,544	—	—
Commingled fixed income funds				
Commingled fixed income funds	3,695	3,695	—	—
Self-directed brokerage				
Self-directed brokerage	1,428	1,428	—	—
Total	\$287,608	\$287,608	\$—	\$—

At December 31, 2025 and 2024, the Deferred Compensation Plan's investments measured at fair value are shown in the following tables:

Deferred Compensation Plan Investments Measured at Fair Value (2025)

(\$ thousands)

	Fair Value	Level 1	Level 2	Level 3
Target date funds				
Target date funds	\$1,008,022	\$1,008,022	\$—	\$—
Commingled public equity funds				
Commingled public equity funds	2,766,688	2,766,688	—	—
Commingled fixed income funds				
Commingled fixed income funds	283,254	283,254	—	—
Self-directed brokerage				
Self-directed brokerage	227,587	227,587	—	—
Total	\$4,285,551	\$4,285,551	\$—	\$—

Deferred Compensation Plan Investments Measured at Fair Value (2024)

(\$ thousands)

	Fair Value	Level 1	Level 2	Level 3
Target date funds				
Target date funds	\$908,630	\$908,630	\$—	\$—
Commingled public equity funds				
Commingled public equity funds	2,459,986	2,459,986	—	—
Commingled fixed income funds				
Commingled fixed income funds	243,464	243,464	—	—
Self-directed brokerage				
Self-directed brokerage	195,773	195,773	—	—
Total	\$3,807,853	\$3,807,853	\$—	\$—

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In certain circumstances, NAV can be used as a practical expedient of fair value to establish the fair value of an investment that does not have a readily determinable fair value.

Private equity limited partnerships are valued at the NAV of SERS' ownership interest in partnership's capital, which approximates fair value. NAV is determined by the general partners. Private equity limited partnerships produce quarterly capital account statements and are audited at least annually. Since private equity investments in such partnerships are generally illiquid with holding periods lasting three to 10 years, the value realized by SERS upon disposition may differ from estimated values reflected in the financial statements. SERS' private equity investments on the Statement of Fiduciary Net Position are categorized into the following strategies in the Defined Benefit Plan Investments Measured at NAV tables:

- **Buyouts** are investments in established businesses that are undergoing a fundamental change in operations or strategy.
- **Special Situations** are investments in funds that acquire distressed companies or companies in need of restructuring, funds from the secondary market, and funds providing mezzanine financing.
- **Growth Equity** consists of private equity investments in late-stage ventures, minority growth equity, and small buyout strategies.
- **Legacy Private Equity** consists of a consolidation of private equity funds from various sub-asset classes (Buyouts, Special Situations, and Growth Equity) that were not considered part of SERS core investment strategy. These assets are currently being managed by a third-party administrator which provides day-to-day oversight of operations.

- **Legacy Private Credit Funds** are closed-end (drawdown) limited partnership structures, often with a significant contractual cash flow component, with liquidity events in five to 10 years. SERS no longer has an asset allocation targeting this strategy as a stand-alone asset class.

Real estate limited partnerships are valued at the NAV of SERS' ownership percentage in partnership's capital. Real estate limited partnerships produce quarterly capital account statements and are audited at least annually. The investment managers use third-party appraisals based on discounted cash flows, recent comparable sales, and current market conditions to arrive at NAV. The appraisal process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Because the investments in such partnerships are generally illiquid with holding periods lasting seven to 10 years, the value realized by SERS upon disposition may differ materially from estimated values reflected in the financial statements. The following portions of SERS' real estate investments are valued at NAV:

- **Core/Core Plus** are long-term investments in high-quality real estate that generate returns primarily from stable income producing properties. These are open-ended funds.
- **Value Add/Opportunistic Funds** utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demanding higher returns. Returns are primarily generated from capital appreciation from opportunistic investments. Strategies for this category of investing can include niche opportunities that are typically not available in core-style investing. These are closed-end funds.

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Hedge funds are valued by general partners based on information provided by underlying hedge fund investments, third-party administrators, and brokers. Hedge fund investments are valued using NAV of units held at the end of the period based on the fair value of underlying investments. Hedge funds are valued on a monthly basis and are audited at least annually.

Most of the hedge fund investments are being scaled down since they are not part of the current investment strategy. Hedge funds are categorized into the following specific strategies:

- **Opportunistic Fixed Income** are investments that include directional and relative value investments through various structures, excluding closed-end funds, that may include debt securities, credit

derivatives and related instruments, and/or multi-sector fixed income funds.

- **Legacy Hedge Funds** includes hedge funds that SERS is no longer actively investing in. The assets are to be sold in an orderly fashion as market conditions dictate.

The Defined Benefit Plan's commingled public equity funds and commingled fixed income funds are pooled investments in multiple securities, with each fund being valued at NAV on a monthly basis. The NAV is calculated using the closing price of the underlying investments, with the total value of the fund being apportioned to SERS based on units of ownership.

At December 31, 2025 and 2024, the Defined Benefit Plan's investments measured at NAV are shown in the following tables:

Defined Benefit Plan Investments Measured at NAV (2025)

(\$ thousands)

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity				
Buyouts	\$3,780,918	\$1,120,551	NA	NA
Special Situations	1,659,994	903,786	NA	NA
Growth Equity	1,116,234	192,507	NA	NA
Legacy private credit	332,862	150,837	NA	NA
Legacy private equity	123,297	22,141	NA	NA
Total private equity	7,013,305	2,389,822		
Real estate				
Core/core plus	1,050,721	14,443	Quarterly	60 - 90 days
Value add/opportunistic	799,727	356,816	NA	NA
Total real estate	1,850,448	371,259		
Hedge funds				
Opportunistic fixed income	866,604	—	Quarterly	95 days
Legacy hedge funds	12,163	—	See note ^{1/}	See note ^{1/}
Total hedge funds	878,767	—		
Commingled public equity funds				
Commingled public equity funds	6,847,383	—	Daily	30 days
Commingled fixed income funds				
Commingled fixed income funds	1,147,258	—	Quarterly	1 day
Total	\$17,737,161	\$2,761,081		

^{1/}The assets are to be sold in an orderly fashion as market conditions dictate.

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Defined Benefit Plan Investments Measured at NAV (2024)

(\$ thousands)

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity				
Buyouts	\$3,646,280	\$1,246,664	NA	NA
Special Situations	1,788,829	852,031	NA	NA
Growth Equity	1,145,273	233,431	NA	NA
Legacy private credit	348,529	175,263	NA	NA
Legacy private equity	153,183	29,199	NA	NA
Total private equity	7,082,094	2,536,588		
Real estate				
Core/core plus	1,056,863	13,016	Quarterly	60 - 90 days
Value add/opportunistic	759,834	337,836	NA	NA
Total real estate	1,816,697	350,852		
Hedge funds				
Opportunistic fixed income	803,843	—	Quarterly	95 days
Legacy hedge funds	14,015	—	See note ^{1/}	See note ^{1/}
Total hedge funds	817,858	—		
Commingled public equity funds				
Commingled public equity funds	3,948,052	—	Daily	30 days
Commingled fixed income funds				
Commingled fixed income funds	1,091,584	—	Daily	1 day
Total	\$14,756,285	\$2,887,440		

^{1/}The assets are to be sold in an orderly fashion as market conditions dictate.

SERS Deferred Compensation Plan's Stable Value Fund is valued at NAV. At December 31, 2025 and 2024, the Stable Value Fund totaled \$940.2 million and \$953.9 million, respectively.

The Deferred Compensation Plan's group annuity contract is valued at contract value. At December 31, 2025 and 2024, the group annuity contract totaled \$485,000 and \$548,000, respectively.

SERS also has short-term investments that are not valued using fair value or NAV. SERS owns a portion of the commonwealth Treasury Department's short-term investment fund (STIF), which is valued at amortized cost. Additionally, there are other short-term investments valued at cost. At December 31, 2025 and 2024, the Defined

Benefit Plan's short-term investments totaled \$1.4 billion and \$2.2 billion, respectively, the Defined Contribution Plan's short-term investments totaled \$10.9 million and \$9.3 million, respectively, and the Deferred Compensation Plan's short-term investments totaled \$154.9 million and \$133.1 million, respectively.

SERS' Investment Office, in consultation with the board and its investment consultants, updates the investment policy statements for the three plans as necessary.

In June 2018, the board adopted the *SERS 401(a) Defined Contribution Plan Investment Policy Statement* and in July 2019 the board adopted the *SERS 457(b) Deferred Compensation Plan*

Investment Policy Statement. Both of these statements were most recently amended in 2025. The policies define the purpose of the 401(a) and 457(b) plans, define the roles of those responsible for managing the plans, define the investment options for the plans and establish investment funds performance standards and the objectives, standards and processes for monitoring and evaluating investment options.

In December 2019, the board adopted the *SERS Defined Benefit Plan Investment Policy Statement* and a 10-year asset allocation strategy designed to further mitigate risk, reduce external management fees, and increase fund liquidity. The target asset allocation is used to support the Defined Benefit Plan's long-term return assumption. The policy has been amended most recently in 2025.

The following table shows the Defined Benefit Plan's long-term 10-year strategic target asset allocation in place at December 31, 2025 and 2024:

Defined Benefit Plan Target Asset Allocation

Asset Class	2024-2025
Private Equity	16%
Real Estate	7
U.S. Equity	37
International Developed Markets Equity	14
Emerging Markets Equity	2
Fixed Income	19
Inflation Protection (TIPS)	3
Cash	2
Total	100%

For the years ended December 31, 2025 and 2024, the money-weighted rate of return for SERS' Defined Benefit Plan, net of manager fees, was 13.7% and 9.8% respectively. A money-weighted rate of return expresses investment performance, net of manager fees, adjusted for the changing amounts actually invested.

In June 2022, with the desire to provide an opportunity to reduce risk while maintaining the

potential for achieving a reasonable long-term assumed investment rate of return, the board reduced the actuarial investment return assumption from 7.0% to 6.875%. This change became effective with the December 31, 2022, actuarial valuation, and the 6.875% return assumption remains in effect for all subsequent actuarial valuations through December 31, 2025. The investment return assumption is reviewed annually and as a part of the normal five-year experience study cycle.

SERS' investments are subject to various risks. Among these risks are concentration of credit risk, custodial credit risk, credit risk, interest rate risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of December 31, 2025 and 2024, SERS had no single issuer that exceeded 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments were excluded.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SERS would be unable to recover the value of investment or collateral securities that are in the possession of an outside party. Pursuant to the retirement code (71 Pa. C.S. §5931(c)), the State Treasurer serves as custodian of the Defined Benefit Plan. In accordance with a contractual relationship between the commonwealth's Treasury Department and its custodial agent, substantially all investments where securities are used as evidence of the investment, are held by the custodian in book-entry form in SERS' name.

Those investments are defined as insured or registered investments for which the securities are held by SERS or its agent and, therefore, have a very minimal level of custodial credit risk losses. All remaining investments do not have securities that are used as evidence of the investments, which are primarily in commingled funds, hedge funds, and

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limited partnerships, including real estate and private equity.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Services

(Moody's), Standard and Poor's (S&P), and Fitch Ratings (Fitch).

For Defined Benefit Plan fixed income and short-term investment holdings exposed to credit risk, the following tables disclose aggregate fair value, by the least favorable credit rating issued using Moody's, S&P, and Fitch credit ratings at December 31, 2025 and 2024, by debt sector.

Defined Benefit Plan Debt Securities Exposed to Credit Risk (2025)

(\$ thousands)

	AAA	AA	A	BAA	BA and below	NA ^{1/}	Short-Term Investments ^{2/}	Total Exposed to Credit Risk ^{3/}
Short-term investments ^{2/}	\$—	\$—	\$—	\$—	\$—	\$—	\$1,421,961	\$1,421,961
Corporates	65,291	55,898	512,720	678,041	38,312	4,894	—	1,355,156
Commingled	—	—	—	—	—	1,147,258	—	1,147,258
Asset- and mortgage-backed securities	3,903	367,700	1,493	1,200	11,349	355	—	386,000
Sovereign debt	12,756	14,819	11,716	35,603	4,033	—	—	78,927
Private placements ^{4/}	13,182	1,508	15,616	34,273	6,904	1,382	—	72,865
Government Agencies	1,453	17,190	11,182	335	—	—	—	30,160
	—	23,806	—	—	—	—	—	23,806
Total	\$96,585	\$480,921	\$552,727	\$749,452	\$60,598	\$1,153,889	\$1,421,961	\$4,516,133

^{1/}Represents other securities that were either not rated or had a withdrawn rating.

^{2/}Represents short-term investments mostly in the commonwealth Treasury Department's STIF, which is not rated. This category comprises short-term, investment grade securities, which are mainly U.S. treasuries, agencies, or repurchase agreements.

^{3/}Debt securities exposed to credit risk and U.S. government guaranteed securities, as noted in the subsequent paragraph, comprised short-term investments, commingled fixed income funds, and fixed income from the Statements of Fiduciary Net Position.

^{4/}Private placements raise capital via offerings directly to qualified investors rather than through public offerings. Private placements do not have to register with the Securities and Exchange Commission if the securities are purchased for investment as opposed to resale. These private placements have exposure to various fixed income securities.

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Defined Benefit Plan Debt Securities Exposed to Credit Risk (2024)

(\$ thousands)

	AAA	AA	A	BAA	BA and below	NA ^{1/}	Short-Term Investments ^{2/}	Total Exposed to Credit Risk ^{3/}
Short-term investments ^{2/}	\$—	\$—	\$—	\$—	\$—	\$—	\$2,164,529	\$2,164,529
Corporates	60,062	49,689	467,428	645,467	40,241	3,400	—	1,266,287
Commingled	—	—	—	—	—	1,091,584	—	1,091,584
Asset- and mortgage-backed securities	8,400	344,929	4,275	30	14,426	708	—	372,768
Private placements ^{4/}	17,803	1,449	6,626	35,137	15,072	4,018	—	80,105
Sovereign Debt	10,303	14,952	8,769	27,621	3,851	—	—	65,496
Government	1,426	17,877	11,282	386	—	—	—	30,971
Agencies	—	27,587	—	—	—	—	—	27,587
Total	\$97,994	\$456,483	\$498,380	\$708,641	\$73,590	\$1,099,710	\$2,164,529	\$5,099,327

^{1/}Represents other securities that were either not rated or had a withdrawn rating.

^{2/}Represents short-term investments mostly in the commonwealth Treasury Department's STIF, which is not rated. This category comprises short-term, investment grade securities, which are mainly U.S. treasuries, agencies, or repurchase agreements.

^{3/}Debt securities exposed to credit risk and U.S. government guaranteed securities, as noted in the subsequent paragraph, comprised short-term investments, commingled fixed income funds, and fixed income from the Statements of Fiduciary Net Position.

^{4/}Private placements raise capital via offerings directly to qualified investors rather than through public offerings. Private placements do not have to register with the Securities and Exchange Commission if the securities are purchased for investment as opposed to resale. These private placements have exposure to various fixed income securities.

U.S. government guaranteed securities with a fair value of \$5.3 billion and \$4.4 billion as of December 31, 2025 and 2024, respectively, are not included in the previous tables because they are not subject to credit risk.

The following tables disclose the aggregate credit risk exposure for these plans at December 31, 2025 and 2024:

Defined Contribution Plan Credit Risk

(\$ thousands)

	2025	2024
Target date funds	\$389,910	\$254,941
Short-term investments ^{1/}	10,904	9,278
Commingled fixed income funds	6,156	3,695
Total	\$406,970	\$267,914

^{1/}Represents short-term investments mostly in the commonwealth Treasury Department's STIF, which is not rated. This category comprises cash, and short-term investment grade securities, which are mainly U.S. treasuries, agencies, or repurchase agreements.

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Deferred Compensation Plan Credit Risk

(\$ thousands)

	2025	2024
Target date funds	\$1,008,022	\$908,630
Commingled fixed income funds	283,254	243,464
Short-term investments ^{1/}	154,850	133,094
Total	\$1,446,126	\$1,285,188

^{1/}Represents short-term investments mostly in the commonwealth Treasury Department's STIF, which is not rated. This category comprises cash and short-term investment grade securities, which are mainly U.S. treasuries, agencies, or repurchase agreements.

Interest rate risk is the risk that interest rate changes will adversely affect the fair value of an investment. As a means for limiting SERS' exposure

to fair value losses arising from rising interest rates, SERS' Defined Benefit Plan long-term asset allocation policy diversifies its fixed income core segment between intermediate duration and longer duration strategies based on the Bloomberg U.S. Aggregate Bond Index.

Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. SERS measures interest rate risk using option adjusted duration, which considers the effect of a security's embedded options on cash flows.

At December 31, 2025 and 2024, SERS had the following option-adjusted durations by debt sector:

Defined Benefit Plan Debt Option-Adjusted Durations

(\$ thousands)

	2025		2024	
	Fair Value	Option-Adjusted Duration	Fair Value	Option-Adjusted Duration
Sovereign Debt	\$78,927	6.3	\$65,496	6.2
Corporates	1,355,156	6.1	1,266,287	6.3
Government	5,322,591	5.8	4,457,291	5.9
Commingled investment funds	1,147,258	5.8	1,091,584	5.6
Asset- and mortgage-backed securities	386,000	4.8	372,768	5.2
Private placements ^{1/}	72,865	3.9	80,105	3.6
Agencies	23,806	3.6	27,587	3.7
Short-term investments	1,421,961	0.1	2,164,529	0.1
Total^{2/}	\$9,808,564		\$9,525,647	

^{1/}Private placements raise capital via offerings directly to qualified investors rather than through public offerings. Private placements do not have to register with the Securities and Exchange Commission if the securities are purchased for investment as opposed to resale. These private placements have exposure to various fixed income securities.

^{2/}Total fair values exposed to interest rate risk comprised short-term investments, commingled fixed income funds, and fixed income from the Statements of Fiduciary Net Position.

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Defined Contribution Plan Debt Option-Adjusted Durations

(\$ thousands)

	2025		2024	
	Fair Value	Option-Adjusted Duration	Fair Value	Option-Adjusted Duration
Commingled fixed income funds	\$6,156	5.0	\$3,695	5.1
Short-term investments	10,904	0.1	9,278	0.1
Total	\$17,060		\$12,973	

Deferred Compensation Plan Debt Option-Adjusted Durations

(\$ thousands)

	2025		2024	
	Fair Value	Option-Adjusted Duration	Fair Value	Option-Adjusted Duration
Commingled fixed income funds	\$283,254	5.8	\$243,464	5.9
Short-term investments	154,850	0.1	133,094	0.1
Total	\$438,104		\$376,558	

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment. As part of SERS' program to manage risk and enhance returns, SERS invests in global markets.

At December 31, 2025 and 2024, the SERS Defined Benefit Plan had the following currency exposures:

Defined Benefit Plan Foreign Currency Exposures (2025)

(\$ thousands)

Currency	Short-Term Investments ^{1/}	Common and Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European Euro	\$6,214	\$69,623	(\$95)	\$303,066	\$656,340	\$1,035,148
Swedish Krona	9	11,241	—	—	75,708	86,958
British Pound Sterling	(56)	20,610	56	—	—	20,610
Japanese Yen	(65)	16,735	65	—	—	16,735
Swiss Franc	1,622	11,548	—	—	—	13,170
Norwegian Krone	80	9,372	56	—	—	9,508
South Korean Won	—	8,655	—	—	—	8,655
Mexican Peso	—	6,482	—	—	—	6,482
Australian Dollar	—	6,366	—	—	—	6,366
Danish Krone	437	4,334	(95)	—	—	4,676
Hong Kong Dollar	—	3,604	—	—	—	3,604
Indonesian Rupiah	—	1,854	—	—	—	1,854
Philippine Peso	—	1,745	—	—	—	1,745
Chilean Peso	—	1,644	—	—	—	1,644
Canadian Dollar	—	1,086	—	—	—	1,086
Israeli Shekel	76	1,005	(76)	—	—	1,005
Other Currencies	3	—	—	—	—	3
Total	\$8,320	\$175,904	(\$89)	\$303,066	\$732,048	\$1,219,249

^{1/}Includes investment related receivables and payables as of December 31.

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Defined Benefit Plan Foreign Currency Exposures (2024)

(\$ thousands)

Currency	Short-Term Investments ^{1/}	Common and Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European Euro	\$5,095	\$116,076	\$73	\$268,435	\$643,831	\$1,033,510
Swedish Krona	(35)	10,393	462	—	77,982	88,802
British Pound Sterling	43	51,454	—	—	—	51,497
Japanese Yen	50	45,141	—	—	—	45,191
Canadian Dollar	—	31,375	—	—	—	31,375
Swiss Franc	1,205	28,773	(38)	—	—	29,940
Danish Krone	489	27,418	(75)	—	—	27,832
Hong Kong Dollar	—	20,643	—	—	—	20,643
Australian Dollar	—	17,743	—	—	—	17,743
South Korean Won	—	7,147	—	—	—	7,147
Norwegian Krone	2	4,627	—	—	—	4,629
Mexican Peso	—	4,166	—	—	—	4,166
Chilean Peso	—	1,733	—	—	—	1,733
Indonesian Rupiah	—	1,415	—	—	—	1,415
Israeli Shekel	—	1,234	—	—	—	1,234
Other Currencies	3	—	—	—	—	3
Total	\$6,852	\$369,338	\$422	\$268,435	\$721,813	\$1,366,860

^{1/}Includes investment related receivables and payables as of December 31.

The Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan have indirect foreign currency exposure through their holdings in commingled public equity funds and commingled fixed income funds.

The Defined Contribution Plan and Deferred Compensation Plan also have indirect foreign currency exposure through their holdings in target date funds.

(5) Securities Lending

In accordance with a contract between the commonwealth's treasurer and its custodian, the SERS Defined Benefit Plan participates in a securities lending program.

The custodian, acting as lending agent, lends the plan's equity, debt, and money market securities for cash, securities, or letter of credit collateral. Collateral is required at 102% of the fair value of the securities loaned except for the equity

securities of non-U.S. corporations, for which collateral of 105% is generally required. For foreign securities denominated and payable in U.S. dollars, the 102% collateral requirement is applicable. Collateral is marked-to-market daily. If the collateral falls below guidelines for the fair value of the securities loaned, additional collateral is obtained. Cash collateral is invested by the lending agent in accordance with investment guidelines approved by the board. The lending agent cannot pledge or sell securities collateral unless the borrower defaults. Accordingly, neither securities collateral received from borrowers nor the related obligation to borrowers are reported on the Statement of Fiduciary Net Position.

As of December 31, 2025 and 2024, the Defined Benefit Plan's credit exposure to individual borrowers was limited because the amounts owed to the borrowers exceeded the amounts the borrowers owed the plan. The treasurer's contract

with the lending agent requires the agent to indemnify the plan if the borrowers fail to return the underlying securities and the collateral is inadequate to replace the loaned securities or if the borrowers fail to pay income distributions on the loaned securities.

All loaned securities at December 31, 2025 and 2024, could be terminated on demand by either the lending agent or the borrower. Cash collateral is invested in a short-term collective investment pool, which is accounted for at amortized cost. The duration of the investments in the pool at December 31, 2025 and 2024, was two days. Interest rate risk may be posed by mismatched maturities and could be affected by other program features, such as the lending agent's ability to reallocate loaned securities among all of its lending customers.

As of December 31, 2025 and 2024, for the Defined Benefit Plan, the fair value of loaned securities was \$687 million and \$686 million, respectively; the fair value of the associated collateral was \$709 million and \$710 million, of which \$89 million and \$135 million was cash, respectively. As of December 31, 2025 and 2024, securities collateral of \$620 million and \$575 million, respectively, was invested in U.S. government guaranteed securities, which are not subject to credit risk.

(6) Derivative and Structured Financial Instruments and Restricted Assets

SERS mitigates its legal risk on investment holdings including derivatives by ensuring that legal requirements, including indemnification, sovereign immunity, jurisdiction, etc., are acknowledged and agreed to in the derivatives agreements to which they are subject.

Within narrowly prescribed guidelines, the SERS Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan permit investment managers to directly enter into certain derivative and structured financial instruments primarily to hedge risk and reduce the volatility of its portfolio. Typically, investment managers enter

into foreign exchange contracts to make payment for international investments and to hedge currency risk, futures contracts to manage interest rate risk, forward settling mortgage instruments for liquidity as well as to gain mortgage exposure, and swaps to more efficiently gain investment exposure in the equity and credit markets.

SERS indirectly holds derivatives and financial instruments through commingled fund structures in the Defined Benefit Plan, Defined Contribution Plan, and Deferred Compensation Plan. At a fund level, these managers hold foreign exchange contracts, futures contracts, and certain swap contracts. These funds invest in instruments directly and indirectly to gain foreign exchange exposure and to manage interest rate risk by altering the average life of the portfolio. Derivatives are viewed within the context of the fund's total portfolio and are consistent with the funds' overall strategy.

SERS is exposed to counterparty credit risk on some open derivative positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract.

SERS invests in mortgage-backed securities (MBS) in the form of specified pools to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The system also uses MBS forwards, which are forward-settling mortgage instruments that are used for liquidity as well as a low-cost, efficient way to gain mortgage exposure. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. For the Defined Benefit Plan, the fair value of MBS forwards was \$338 million and \$322 million as of December 31, 2025 and 2024, respectively. These investments are included in fixed income in the Statement of Fiduciary Net Position.

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The investment manager uses these contracts primarily for its

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international investments to settle pending trades. The contracts are used by the investment manager for the purpose of eliminating foreign exchange risk. As a matter of policy, the investment managers enter into these contracts at their full discretion to protect currency fluctuations. To reduce the risk of counterparty nonperformance, the investment managers generally enter into these contracts with institutions regarded as meeting

high standards of creditworthiness. The unrealized gain/loss on contracts is included in the net position and represents the fair value of the contracts on December 31.

At December 31, 2025 and 2024, the Defined Benefit Plan directly-owned contracts to purchase and sell by foreign currencies are shown in the following tables:

Defined Benefit Plan Foreign Exchange Contracts (2025)

(\$ thousands)

Currency	Purchases	Unrealized Gain/(Loss)	Sales	Unrealized Gain/(Loss)
Japanese Yen	\$65	\$—	\$—	\$—
British Pound Sterling	56	—	—	—
Norwegian Krone	56	—	—	—
Danish Krone	—	—	96	—
European Euro	—	—	95	—
Israeli Shekel	—	—	76	—
Total	\$177	\$—	\$267	\$—

Defined Benefit Plan Foreign Exchange Contracts (2024)

(\$ thousands)

Currency	Purchases	Unrealized Gain/(Loss)	Sales	Unrealized Gain/(Loss)
Swedish Krona	\$462	\$—	\$—	\$—
European Euro	73	—	—	—
Danish Krone	—	—	75	—
Swiss Franc	—	—	38	—
Total	\$535	\$—	\$113	\$—

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and credit worthiness. SERS' managers use contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. SERS' managers use credit default swaps to either increase or decrease credit exposure to certain credit markets. Interest rate swaps are over-the-counter contracts that allow counterparties to exchange a fixed rate liability for

a floating rate liability or vice versa. SERS' managers use interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market. SERS' direct exposure to swap agreements was not significant at December 31, 2025 and 2024.

Futures are standardized contracts traded on an exchange. Contract details include the price and quantity of a specific asset to be transacted by either the buyer or the seller on a set date.

Notes to Basic Financial Statements

December 31, 2025 and 2024

Futures are subject to certain risks which include liquidity, interest rate, market, and credit risks. Futures are used by SERS' managers to gain desired exposures or hedge certain risks within the portfolio. SERS' managers do not use futures for the purpose of speculation. SERS did not have exposure to futures at December 31, 2025, or December 31, 2024.

(7) Litigation and Contingencies

SERS is involved in various individual lawsuits, generally related to benefit payments, which, in the event of an adverse result, could increase estimated actuarial liabilities by approximately \$1 billion. Some of the cases involve legal issues that, if extended to the entire membership, may result in significant costs to SERS. If such an event were to occur, the additional costs would be recovered by SERS through adjustments to the employer contribution rate. SERS makes every effort to defend its position in these proceedings.

(8) Net Pension Liability

The components of the net pension liability of participating employers at December 31, 2025 and 2024, were as follows:

Net Pension Liability

(\$ thousands)

	2025	2024
Total pension liability	\$58,110,848	\$57,084,414
Plan fiduciary net position	42,610,475	38,657,524
Net pension liability	\$15,500,373	\$18,426,890
Plan fiduciary net position as a percentage of the total pension liability	73.3%	67.7%

The total pension liability was determined by an actuarial valuation for financial reporting purposes as of December 31, 2025 and 2024, using some of the following actuarial methods and assumptions:

- Actuarial cost method: entry age
- Investment rate of return (discount rate): 6.875% including inflation for 2025 and 2024

- Projected salary increases: average of 5.43% with a range of 3.70% to 7.55% including inflation for 2025 and average of 4.58% with a range of 3.30% to 6.95% including inflation for 2024
- Asset valuation method: fair value
- Inflation: 2.50% for 2025 and 2024
- Mortality rate: projected PubG-2016 Mortality Tables for 2025 and projected PubG-2010 and PubNS-2010 Mortality Tables for 2024, both adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members

The assumptions mentioned here, unless otherwise approved by the board, are based on the *20th Investigation of Actuarial Experience* study covering the periods 2020 - 2024, which was released in July 2025. Some of the 2024 assumptions were based on the prior study, which was released in July 2020.

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation in note 4 as of December 31, 2025 and 2024, (see the discussion of the pension plan's investment policy) are summarized in the following table.

FINANCIAL SECTION

Notes to Basic Financial Statements

December 31, 2025 and 2024

Long-Term Expected Real Rate of Return

Asset Class	2025	2024
Private Equity	5.11%	6.25%
Real Estate	3.84	5.15
U.S. Equity	2.34	5.15
International Developed Markets Equity	5.04	5.00
Emerging Markets Equity	5.53	5.20
Fixed Income	1.98	2.85
Inflation Protection (TIPS)	1.35	2.55
Cash	0.23	0.50

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at actuarially determined rates as set by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 6.875% for 2025 and 2024, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Sensitivity of the Net Pension Liability to Change in the Discount Rate (2025)

(\$ thousands)

	1% Decrease to 5.875%	Current Discount Rate of 6.875%	1% Increase to 7.875%
Net pension liability	\$21,885,017	\$15,500,373	\$10,107,602

Sensitivity of the Net Pension Liability to Change in the Discount Rate (2024)

(\$ thousands)

	1% Decrease to 5.875%	Current Discount Rate of 6.875%	1% Increase to 7.875%
Net pension liability	\$24,624,951	\$18,426,890	\$13,193,980

Schedule 1: Defined Benefit Plan Schedule of Changes in Net Pension Liability and Related Ratios

(\$ millions)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$965	\$942	\$929	\$901	\$924	\$1,003	\$982	\$965	\$961	\$953
Interest	3,854	3,764	3,687	3,635	3,594	3,458	3,409	3,334	3,262	3,271
Differences between expected and actual experience	46	604	453	363	(105)	35	66	167	130	(534)
Changes of assumptions	222	—	—	672	—	2,041	562	—	—	947
Benefit payments, including refunds of member contributions	(4,062)	(4,005)	(3,911)	(3,885)	(3,731)	(3,557)	(3,513)	(3,395)	(3,304)	(3,228)
Net change in total pension liability	1,025	1,305	1,158	1,686	682	2,980	1,506	1,071	1,049	1,409
Total pension liability - beginning	57,085	55,780	54,622	52,936	52,254	49,274	47,768	46,697	45,648	44,239
Total pension liability - ending (a)	\$58,110	\$57,085	\$55,780	\$54,622	\$52,936	\$52,254	\$49,274	\$47,768	\$46,697	\$45,648
Plan fiduciary net position										
Contributions - employer ^{1/}	2,320	2,316	2,198	2,075	2,871	3,186	2,115	2,049	1,898	1,622
Contributions - member	467	452	427	419	405	410	405	394	383	375
Net investment income/(loss)	5,259	3,506	4,128	(5,214)	5,682	3,920	5,175	(1,442)	4,066	1,587
Benefit payments, including refunds of member contributions	(4,062)	(4,005)	(3,911)	(3,885)	(3,731)	(3,557)	(3,513)	(3,395)	(3,304)	(3,228)
Administrative expense	(32)	(36)	(24)	(19)	(24)	(27)	(23)	(26)	(26)	(23)
Net change in plan fiduciary net position	3,952	2,233	2,818	(6,624)	5,203	3,932	4,159	(2,420)	3,017	333
Plan fiduciary net position - beginning	38,658	36,425	33,607	40,231	35,028	31,096	26,937	29,405	26,388	26,055
Cumulative effect of change in accounting principle	NA	NA	NA	NA	NA	NA	NA	(48)	NA	NA
Beginning balance restated	NA	NA	NA	NA	NA	NA	NA	29,357	NA	NA
Plan fiduciary net position - ending (b)	42,610	38,658	36,425	33,607	40,231	35,028	31,096	26,937	29,405	26,388
Net pension liability - ending (a) - (b)	\$15,500	\$18,427	\$19,355	\$21,015	\$12,705	\$17,226	\$18,178	\$20,831	\$17,292	\$19,260
Plan fiduciary net position as a percentage of the total pension liability	73.3%	67.7%	65.3%	61.5%	76.0%	67.0%	63.1%	56.4%	63.0%	57.8%
Covered payroll	\$7,511	\$7,272	\$6,855	\$6,548	\$6,384	\$6,442	\$6,329	\$6,179	\$5,984	\$5,912
Net pension liability as percentage of covered payroll	206.4%	253.4%	282.3%	321.0%	199.0%	267.4%	287.2%	337.1%	288.9%	325.8%

^{1/}Contributions - employer include one-time lump sum payment received pursuant to Act 2019-105; \$825 million from the Pennsylvania State System of Higher Education (PASSHE) in 2021 and \$1.06 billion from Penn State University in 2020. See accompanying independent auditors' report.

FINANCIAL SECTION

Required Supplementary Information

December 31, 2025 (unaudited)

Schedule 2: Defined Benefit Plan Schedule of Employer Contributions

(\$ millions)

Year ^{1/}	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025 ^{2/}	\$2,310	\$2,310	\$—	\$7,511	30.76%
2024 ^{2/}	2,304	2,304	—	7,272	31.69
2023 ^{2/}	2,188	2,188	—	6,855	31.92
2022 ^{2/}	2,066	2,066	—	6,548	31.55
2021 ^{2/}	2,079	2,858 ^{4/}	(779)	6,384	44.77
2020 ^{2/}	2,164	3,175 ^{5/}	(1,011)	6,442	49.29
2019 ^{2/}	2,106	2,106	—	6,329	33.28
2018 ^{2/}	2,040	2,040	—	6,179	33.02
2017 ^{2/,3/}	1,884	1,884	—	5,984	31.47
2016 ^{3/}	1,614	1,614	—	5,912	27.30

^{1/}The rates used in developing the ADC in the above schedule of contributions are calculated as of December 31, two years prior to the first half, January 1 – June 30, of the year in which contributions are reported and one year prior to the second half, July 1 – December 31, of the year in which contributions are reported. The following funding valuation actuarial methods and assumptions were used to determine contribution rates reported in this schedule as of the December 31 annual funding valuations:

- Actuarial cost method: variation of entry-age cost method for valuation years 2016 - 2020 and traditional entry-age for valuation years 2021 - 2025
- Asset valuation method: five-year smoothing (all years)
- Inflation: 2.6% for valuation years 2016 - 2019, and 2.5% for valuation years 2020 - 2025
- Projected average salary increases: 5.6% for valuation years 2016 - 2019, 4.6% for valuation years 2020 - 2021, 4.55% for valuation years 2022 - 2023, 4.58% for valuation year 2024, and 5.43% for valuation year 2025
- Assumed investment rate of return (net of manager fees including inflation): 7.25% for valuation years 2016 - 2018, 7.125% for valuation year 2019, 7.0% for valuation years 2020 - 2021, and 6.875% for valuation years 2022 - 2025

^{2/}ADC excludes multiple service transfers made to SERS. These transfers are included as contributions on the Statements of Changes in Fiduciary Net Position.

^{3/}The ADC disclosed above is based on minimum floor rates or suppressed rates resulting from collars that were required based on statutory law. These rates were determined by SERS actuary during the annual funding valuation and include an adjustment to the “preliminary employer contribution rate” calculated before the minimum floor or collars were applied. These “final employer contribution rates” fell within the realm of an appropriate ADC calculation under actuarial standards of practice and temporarily deferred a portion of the payments that work towards fully funding the plan.

^{4/}Contributions include the \$825 million one-time lump sum payment received from the Pennsylvania State System of Higher Education (PASSHE) pursuant to Act 2019-105, less credits utilized during the year.

^{5/}Contributions include the \$1.06 billion one-time lump sum payment received from Penn State University pursuant to Act 2019-105, less credits utilized during the year.

Schedule 3: Defined Benefit Plan Schedule of Investment Returns

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	13.7%	9.8%	12.2%	-12.2%	17.2%	11.3%	18.8%	-4.5%	15.1%	6.4%

See accompanying independent auditors' report.

Schedule 4: Schedule of Administrative Expenses

(\$ thousands)

	Defined Benefit Plan	Defined Contribution Plan	Deferred Compensation Plan	Total
Personnel services				
Salaries	\$12,971	\$1,552	\$837	\$15,360
Benefits	9,080	1,302	660	11,042
Temporary personnel wages and overtime	417	34	10	461
Total personnel services	22,468	2,888	1,507	26,863
Operational				
Travel	40	—	—	40
Training	130	—	—	130
Communication services	363	4	—	367
Consultants	544	75	84	703
Legal services/fees	17	—	—	17
Specialized services	1,082	1,730	5,831	8,643
Advertising	1	—	—	1
IT consulting	2,175	23	23	2,221
Contracted maintenance non-IT	232	—	—	232
Hardware/software and maintenance	1,798	16	—	1,814
Real estate	2,262	44	—	2,306
Vehicles	42	—	—	42
Office equipment	149	—	—	149
Other rentals/leases	27	—	—	27
Office supplies	65	—	—	65
Motorized equipment maintenance	2	—	—	2
Postage	349	21	—	370
Freight	3	—	—	3
Printing	211	3	5	219
Subscriptions and licensing	355	—	—	355
Membership dues	33	—	—	33
Conference	29	—	—	29
Insurance, surety, and fidelity bonds	5	—	—	5
Other operational	1,488	3	1	1,492
Total operational	11,402	1,919	5,944	19,265
Total administrative expenses before OPEB	33,870	4,807	7,451	46,128
(OPEB benefit)/OPEB expense	(1,981)	326	209	(1,446)
Total administrative expenses	\$31,889	\$5,133	\$7,660	\$44,682

See accompanying independent auditors' report.

FINANCIAL SECTION

Supplementary Information

Year Ended December 31, 2025

Schedule 5: Summary of Investment and Consultant Expenses

(\$ thousands)

Investment Expenses

Expense Category	Expenses
Defined Benefit Plan manager investment expenses	
Private Equity	\$83,179
Real Estate	35,721
U.S. Equity	2,685
International Developed Markets Equity	7,135
Emerging Markets Equity	775
Fixed Income	10,566
Inflation Protection (TIPS)	898
Legacy Private Credit	6,708
Total Defined Benefit Plan manager investment expenses	147,667
Investment professional personnel	6,818
Investment consultants	2,932
Custodian	980
Subscriptions and memberships	498
Operational	173
Total Defined Benefit Plan investment expenses	159,068
Defined Contribution Plan investment expenses	193
Deferred Compensation Plan investment expenses	1,490
Total investment expenses	\$160,751

Consultant Expenses

Firm	Service Type	Expenses
Defined Benefit Plan investment consultant expenses		
StepStone Group	Private equity investments	\$1,773
NEPC	Real estate investments	426
R V Kuhns and Associates Inc	General investments	332
Fairview Capital Partners	Investment portfolio management	225
Other	Other	176
Total Defined Benefit Plan investment consultant expenses		2,932
Defined Benefit Plan administrative consultant expenses		
GRS Consulting	Actuary	135
Global Governance Advisors	Governance advisory services	131
Korn Ferry	Actuary	128
Linea Solutions	Management consultant	101
Other	Multiple	49
Total Defined Benefit Plan administrative consultant expenses		544
Defined Contribution Plan consultant expenses	Multiple	75
Deferred Compensation Plan consultant expenses	Multiple	84
Total consultant expenses		\$3,635

See accompanying independent auditors' report.

Investment Section

May 21, 2026

State Employees' Retirement Board and Executive Director
State Employees' Retirement System
30 North Third Street, Suite 150
Harrisburg, Pennsylvania 17101

On behalf of the Pennsylvania State Employees' Retirement System's (SERS) Investment Office, I am pleased to present the investment section of SERS Annual Comprehensive Financial Report for calendar year 2025. The SERS Board administers a Defined Benefit Plan with approximately \$42.6 billion in net position, a Defined Contribution Plan with approximately \$453.6 million in net position, and a voluntary Deferred Compensation Plan offered to members and participants with approximately \$5.4 billion in net position.

The SERS Defined Benefit Plan investment portfolio performance for the calendar year ended December 31, 2025, was 13.7% (net of fees). The end of 2025 marks 3-, 5-, 10-, 15-, 20-, and 25-year periods of annualized net-of-fee returns of 11.9%, 7.6%, 8.3%, 7.9%, 6.8%, and 6.6%, respectively. Performance is calculated using the Modified Dietz return methodology.

The estimated funded status for SERS was approximately 71.7% (actuarial value), as of December 31, 2025. The SERS Board considers its funded status in selecting its risk tolerance, and as such prioritizes an asset allocation to meet the long-term actuarial assumed rate of return, while also addressing shorter-term liquidity needs to pay benefits and other expenses.

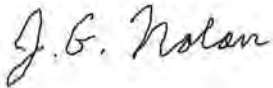
A number of key accomplishments were achieved in 2025 pertaining primarily to the Defined Benefit Plan, several of which are documented below:

- Maintained low annual investment manager fees and expenses paid to external firms of approximately 36.6 basis points (or 0.37%) of total plan assets
- Completed the search for Active Core Fixed Income strategies, resulting in the commitment of \$1.5 billion across three managers
- Committed \$365 million to three best-in-class Private Equity managers
- Allocated \$48 million to the SERS current co-investment program to further enhance returns and reduce Private Equity fees
- Committed \$100 million to one best-in-class Real Estate manager

- Continued to restructure the Real Estate portfolio to enhance projected returns. Six partial redemption requests from Core/Core Plus and REITs managers totaling \$705 million have been executed to this point, with \$182 million of proceeds received to date
- Staff began liquidating securities received as in-kind distributions from Private Equity funds, resulting in approximately \$139,000 in fee savings year-to-date when compared to the previous externally-managed liquidation process
- Successfully transitioned General Investment Consultant duties to RVK, Inc.

The investment section of this report provides further information regarding the investment program. The Investment Office continues to operate efficiently and effectively. I remain confident that with a focus on the SERS mission, thoughtful leadership from the Board, and a disciplined investment process aligned with the investment objectives, SERS and its members will continue on the path of financial security.

Sincerely,



James G. Nolan
Chief Investment Officer

Investment Policy

The SERS Board originally adopted a formal *Statement of Investment Policy* in 1979. It has been revised periodically to reflect and incorporate legislative changes governing investments and amendments to policies and procedures guiding the investment of the defined benefit portfolio. On December 9, 2025, the SERS Board adopted the amended *SERS' Defined Benefit Plan Investment Policy Statement (IPS)*.

The purpose of the IPS is to formalize the board's investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process.

The major elements of the IPS are:

- The assets of the SERS Fund will be managed with the primary objectives of the payment of benefit obligations to participants in the plans as well as to maximize return with acceptable risk considerations and sufficient liquidity so that employer contributions can be minimized.
- The SERS Fund's overall investment objective is to provide a total rate of return, over full economic cycles, which achieves SERS' long-term actuarially assumed rate of return consistent with the board's tolerance for risk.
- The board's investment authority is governed by the prudent expert standard as set forth in Title 71, Pennsylvania Consolidated Statutes, Section 5931(a).
- The members of the board, employees of SERS, and agents thereof shall stand in a fiduciary relationship to the members of the system regarding the investments and disbursements of any of the moneys of the fund and shall not profit either directly or indirectly with respect thereto.
- The board employs an investment staff which is responsible to the board to review and analyze the current investment climate, and to recommend adjustments with respect to the policy that are appropriate to take optimum advantage of new conditions and strategies as they arise in the market place. The staff also reviews and analyzes the philosophies, policies, and strategies employed by the investment managers, evaluating the appropriateness of their decision-making processes and their investment styles in relation to present and projected investment horizons.
- The board continually seeks to employ investment managers that possess superior capabilities in the management of assets of public retirement systems. Each manager has full discretion to carry out its investment mandate subject to the investment strategy statement contained in the investment management agreement and will be expected to conduct business on behalf of SERS in accordance with the mandate for which they were retained.
- SERS will employ investment consultants, who act as fiduciaries to the fund, and who will provide investment consulting services in their respective areas of expertise.
- Where investment characteristics are equivalent, the policy will favor investments that will have a positive impact on the economy of the Commonwealth of Pennsylvania.
- A 10-year asset allocation strategy is designed to achieve or exceed the expected return, maintain exposure to less liquid non-traditional strategies, and continue the plan's commitment to liquidity through the allocation to capital preservation assets.

INVESTMENT SECTION

Investment Policy and Objectives

December 31, 2025 (unaudited)

Investment Objectives

As indicated in SERS' IPS, the objectives of the SERS Fund are to provide benefit payments to participants and beneficiaries at the lowest cost to the commonwealth and to fund the program through a carefully planned and executed investment program.

Consistent with achieving these objectives, the board has established the following goals relative to investment performance:

- Achieve SERS' actuarial assumed rate of return over the long-term, net of fees.
- Achieve SERS' total fund policy benchmark return over 10-year periods, net of fees. The fund policy benchmark index will be based on the asset allocation set forth in the IPS approved by the board.

SERS' investment process requires a thorough analysis of the plan liabilities, liquidity requirements, and market opportunities. The board, in collaboration with the Chief Investment Officer, actuarial consultant, and investment consultants, establishes the actuarial assumed rate of return. Achieving, or exceeding this actuarial assumed rate of return is the primary investment performance objective of SERS' Investment Office to help meet the desired funded status.

Investment Returns

December 31, 2025 (unaudited)

Calendar Year, Net-of-Fees Returns^{1/}

For the period ending December 31, 2025

Asset Class	1-Year Total Return	3-Year Total Return	5-Year Total Return	10-Year Total Return
Private Equity ^{2/,5/}	5.9%	6.3%	11.7%	11.8%
<i>Burgiss All Private Equity Custom Index^{3/,5/}</i>	10.1	7.5	12.9	13.1
<i>Global Equity +3%^{4/,5/}</i>	19.9	26.7	18.2	17.3
Real Estate ^{5/}	0.8	-8.0	-0.5	1.3
<i>Real Estate Custom Benchmark^{5/,6/}</i>	3.1	-6.4	2.5	4.0
<i>Consumer Price Index +3%^{5/}</i>	6.1	6.1	7.7	6.3
U.S. Equity	17.7	22.2	13.0	13.7
<i>Russell 3000 Index</i>	17.2	22.3	13.2	14.3
<i>S&P 1500 Index</i>	17.0	22.1	14.0	14.5
International Developed Markets Equity	28.9	17.2	9.4	9.1
<i>MSCI World ex U.S.</i>	31.9	17.2	8.9	8.4
Emerging Markets Equity	32.8	17.1	4.3	9.4
<i>MSCI Emerging Markets</i>	33.6	17.0	5.1	8.6
Fixed Income	7.0	5.0	0.2	2.5
<i>Bloomberg U.S. Aggregate Bond Index</i>	7.3	4.7	-0.4	2.0
Inflation Protection (TIPS)	7.0	4.2	0.7	2.9
<i>Bloomberg U.S. TIPS Index</i>	7.0	4.2	1.1	3.1
Cash	4.4	5.0	3.3	2.4
<i>ICE BofAML U.S. 3-Month Treasury Bill Index</i>	4.2	4.8	3.2	2.2
Legacy Private Credit ^{5/,8/}	7.7	9.7	11.5	NA
<i>S&P/LSTA Leveraged Loan Index +1%^{5/}</i>	8.2	10.8	8.0	6.5
Total Fund^{7/}	13.7%	11.9%	7.6%	8.3%
Total Fund Custom Benchmark	14.4%	12.3%	8.0%	8.8%
Total Fund Custom Public Market Equivalent Benchmark	16.9%	16.4%	9.1%	9.8%
Total Fund 60/40 Index	16.1%	13.7%	6.3%	7.8%

^{1/}Returns for periods greater than one year are annualized. Performance was calculated using the Modified Dietz return methodology, which is considered a close approximation of a time-weighted rate of return.

^{2/}Historical Private Equity performance includes Buyouts, Special Situations, and Growth Equity.

^{3/}Intended to compare the program's performance to its peers.

^{4/}Long-term benchmark by which SERS measures its private market performance. Shorter term variances (1-year and 3-year) can be pronounced due to the nature of private assets and are not as relevant for benchmark purposes.

^{5/}Private Equity, Legacy Private Credit, Real Estate and the corresponding benchmarks are reported on a quarter-lagged basis.

^{6/}Calculated monthly using beginning of the month asset class weights applied to each corresponding primary benchmark return. The real estate custom benchmark consists of 100% NCREIF NFI-ODCE (Qtr lag).

^{7/}Legacy Hedge Funds are in liquidation, values and performance are no longer reported. However, all performance activity continues to be reflected in SERS' Total Fund return.

^{8/}Legacy Private Credit performance is included in the total fund starting at the composite's true inception date, July 1, 2022. The history is calculated and shown for informational purposes.

INVESTMENT SECTION

Investment Returns

December 31, 2025 (unaudited)

Commonwealth Fiscal Year, Net-of-Fees Returns^{1/}

For the period ending June 30, 2025

Asset Class	1-Year Total Return	3-Year Total Return	5-Year Total Return	10-Year Total Return
Private Equity ^{2/,5/}	5.0%	2.8%	16.1%	11.7%
<i>Burgiss All Private Equity Custom Index^{3/,5/}</i>	6.6	2.9	15.6	12.7
<i>Global Equity +3%^{4/,5/}</i>	9.5	11.0	20.1	14.4
Real Estate ^{5/}	-1.5	-7.7	0.6	1.9
<i>Real Estate Custom Benchmark^{5/,6/}</i>	0.8	-5.2	2.3	4.4
<i>Consumer Price Index +3%^{5/}</i>	5.5	6.7	7.5	6.2
U.S. Equity	15.7	18.9	16.0	12.2
<i>Russell 3000 Index</i>	15.3	19.1	16.0	13.0
<i>S&P 1500 Index</i>	14.5	19.0	16.4	13.2
International Developed Markets Equity	17.4	15.8	12.0	7.2
<i>MSCI World ex U.S.</i>	18.7	15.2	11.2	6.6
Emerging Markets Equity	14.6	11.0	7.3	6.0
<i>MSCI Emerging Markets</i>	15.3	10.6	7.8	5.0
Fixed Income	6.3	3.0	0.3	1.9
<i>Bloomberg U.S. Aggregate Bond Index</i>	6.1	2.6	-0.7	1.8
Inflation Protection (TIPS)	6.1	2.2	1.2	2.5
<i>Bloomberg U.S. TIPS Index</i>	5.8	2.3	1.6	2.7
Cash	4.9	4.8	2.9	2.2
<i>ICE BofAML U.S. 3-Month Treasury Bill Index</i>	4.7	4.6	2.8	2.0
Legacy Private Credit ^{5/,8/}	8.5	8.9	12.1	NA
<i>S&P/LSTA Leveraged Loan Index +1%^{5/}</i>	8.1	8.2	10.0	6.0
Total Fund^{7/}	11.0%	9.2%	9.5%	7.4%
Total Fund Custom Benchmark	11.2%	9.8%	9.6%	8.0%
Total Fund Custom Public Market Equivalent Benchmark	12.2%	12.1%	10.3%	8.4%
Total Fund 60/40 Index	12.0%	11.0%	7.7%	6.7%

^{1/}Returns for periods greater than one year are annualized. Performance was calculated using the Modified Dietz return methodology, which is considered a close approximation of a time-weighted rate of return.

^{2/}Historical Private Equity performance includes Buyouts, Special Situations, and Growth Equity.

^{3/}Intended to compare the program's performance to its peers.

^{4/}Long-term benchmark by which SERS measures its private market performance. Shorter term variances (1-year and 3-year) can be pronounced due to the nature of private assets and are not as relevant for benchmark purposes.

^{5/}Private Equity, Legacy Private Credit, Real Estate and the corresponding benchmarks are reported on a quarter-lagged basis.

^{6/}Calculated monthly using beginning of the month asset class weights applied to each corresponding primary benchmark return. The real estate custom benchmark consists of 100% NCREIF NFI-ODCE (Qtr lag).

^{7/}Legacy Hedge Funds are in liquidation, values and performance are no longer reported. However, all performance activity continues to be reflected in SERS' Total Fund return.

^{8/}Legacy Private Credit performance is included in the total fund starting at the composite's true inception date, July 1, 2022. The history is calculated and shown for informational purposes.

Pension Fund Values and Annual Returns

December 31, 2025 (unaudited)

Defined Benefit Plan Values and Annual Returns

(\$ millions)

Year Ended	Pension Fund Fair Value	Annual Total Pension Fund Rate of Return ^{1/}
1996	\$18,492	15.4%
1997	21,312	18.5
1998	24,123	16.3
1999	28,093	19.9
2000	27,880	2.2
2001	24,706	-7.9
2002	20,880	-10.9
2003	24,536	24.3
2004	26,641	15.1
2005	28,752	14.5
2006	32,053	16.4
2007	35,516	17.2
2008	22,796	-28.7
2009	24,662	9.1
2010	25,886	11.9
2011	24,377	2.7
2012	25,389	12.0
2013	27,394	13.6
2014	27,338	6.4
2015	26,055	0.4
2016	26,388	6.5
2017	29,405	15.1
2018	26,937	-4.6
2019	31,096	18.8
2020	35,028	11.1
2021	40,231	17.2
2022	33,607	-12.2
2023	36,425	12.2
2024	38,658	9.8
2025	42,610	13.7

^{1/}Returns were calculated using the Modified Dietz return methodology, which is considered a close approximation of a time-weighted rate of return.

INVESTMENT SECTION

Largest Assets Held

December 31, 2025 (unaudited)

U.S. Equity

Holding	Fair Value
NVIDIA Corp	\$1,050,609,331
Apple Inc	953,795,527
Microsoft Corp	863,727,426
Amazon.Com Inc	532,934,066
Alphabet Inc Class A	438,416,909
Broadcom Inc	384,710,224
Alphabet Inc Class C	356,939,341
Meta Platforms Inc	346,856,832
Tesla Inc	305,470,061
Berkshire Hathaway Inc	223,319,855

Non-U.S. Equity

Holding	Fair Value
Linde PLC	\$48,421,701
Accenture PLC	40,565,350
Eaton Corp PLC	30,255,265
Medtronic PLC	29,428,749
Chubb Ltd	27,294,582
Spotify Technology SA	21,335,866
Trane Technologies PLC	20,716,338
CRH PLC	20,226,336
Johnson Controls International	18,884,934
Aon PLC	17,697,638

Non-U.S. Fixed Income

Holding	Fair Value
International Bank For Reconstruction and Development, 0.875%, May 14, 2030	\$3,985,965
Sumitomo Mitsui Financial Group, 2.130%, July 8, 2030	3,556,644
Mexico Government International, 8.300%, August 15, 2031	3,110,625
Israel Government International, 5.625%, February 19, 2035	3,028,441
International Bank For Reconstruction and Development, 3.875%, October 16, 2029	3,023,370
NatWest Group PLC, Variable Rate, May 18, 2029	2,847,908
Deutsche Bank AG/New York NY, Variable Rate, September 18, 2031	2,573,640
Inter-American Development Bank, 4.375%, July 17, 2034	2,543,025
Santander UK Group Holdings PLC, Variable Rate, November 3, 2028	2,483,625
Lloyds Banking Group PLC, Variable Rate, August 11, 2033	2,392,582

Note: A detailed list of SERS investment holdings at December 31, 2025 may be viewed at www.SERS.pa.gov.

U.S. Government and Government Related Fixed Income

Holding	Fair Value
U.S. Treasury Inflation Index Note, 1.125%, January 15, 2033	\$105,881,078
U.S. Treasury Inflation Index Note, 2.125%, April 15, 2029	87,702,205
U.S. Treasury Inflation Index Note, 1.375%, July 15, 2033	82,217,512
U.S. Treasury Inflation Index Note, 1.625%, April 15, 2030	75,284,442
U.S. Treasury Inflation Index Note, 1.875%, July 15, 2034	72,181,529
U.S. Treasury Note, 3.750%, August 31, 2026	70,476,032
U.S. Treasury Inflation Index Note, 0.125%, January 15, 2032	52,569,734
U.S. Treasury Inflation Index Note, 0.125%, April 15, 2027	46,905,854
U.S. Treasury Note, 2.250%, August 15, 2027	46,378,896
U.S. Treasury Note, 4.250%, August 15, 2035	39,219,460

U.S. Corporate Fixed Income

Holding	Fair Value
Beignet Investor LLC 144A, 6.581%, May 30, 2049	\$6,579,743
Bank Of America Corp, Variable Rate, December 20, 2028	4,829,409
AT&T Inc, 2.550%, December 1, 2033	4,561,372
JP Morgan Chase & Co, Variable Rate, February 1, 2028	4,490,190
Bank Of America Corp, Variable Rate, April 22, 2032	4,133,610
Goldman Sachs Group Inc, Variable Rate, March 15, 2028	4,077,737
Morgan Stanley, Variable Rate, February 1, 2029	3,675,672
JP Morgan Chase & Co, Variable Rate, July 23, 2029	3,460,730
Broadstone Mezzanine A-3, Variable Rate, January 1, 2059	3,400,000
Goldman Sachs Group Inc, Variable Rate, April 25, 2030	3,240,678

Note: A detailed list of SERS investment holdings at December 31, 2025, may be viewed at www.SERS.pa.gov.

INVESTMENT SECTION

Manager Fees & Expenses

December 31, 2025 (unaudited)

SERS pays manager fees and expenses to external investment managers hired by the SERS Board to manage SERS' assets. The manager fees cover the basic costs of running and administering a fund. Many of the investment managers are paid fees based on the amount of assets under management. For private market investments, the industry practice is for the limited partners to pay fees to the general partner based on commitments to the partnership during the investment period. Manager fees are inclusive of any incentive fees paid to a manager for exceeding certain performance thresholds. Manager expenses

include, but are not limited to, operating and other recurring expenses such as legal expenses, office expenses, audit fees, accounting fees, custodial fees, and third-party vendor fees.

The managers of the SERS investment portfolio are paid from investment earnings. Their fees and expenses are treated as a reduction of the investment income of the SERS Fund, rather than as a direct administrative expense. Thus, when investment performance is reported, numbers are reported net-of-fees - that is, performance after all investment manager fees have been incurred.

Manager Fees and Expenses

for the year ended December 31, 2025

(\$ thousands)

Asset Class	Fees/Expenses	Fees/Expenses ^{1/} (in basis points)
Private Equity	\$83,179	124.6
Real Estate	35,721	162.6
U.S. Equity	2,685	1.8
International Developed Markets Equity	7,135	12.9
Emerging Markets Equity	775	10.7
Fixed Income	10,566	14.6
Inflation Protection (TIPS)	898	9.1
Legacy Private Credit	6,708	198.8
Total Manager Fees and Expenses	\$147,667	36.6

^{1/}The fees/expenses were divided by SERS total fund and asset class quarterly average values during calendar year 2025 to arrive at the basis point calculations.

History of Manager Fees and Expenses

Calendar Year	Fees/Expenses	Fees/Expenses (in basis points)
2021	163,242,575	43.6
2022	147,696,760	41.2
2023	169,731,607	48.6
2024	154,758,618	40.9
2025	147,667,263	36.6

Manager Fees & Expenses

December 31, 2025 (unaudited)

Annual Investment Manager Fees and Expenses Report

The Public Pension Management and Asset Investment Review Commission (PPMAIRC) was created as part of Act 2017-5. The PPMAIRC issued a report in December 2018, which outlined over 100 recommendations designed to achieve cost savings, streamline operations, and increase transparency at SERS. One recommendation was to publish investment management fees, costs and

expenses by manager and aggregated by asset class. Because SERS has an ongoing commitment to demonstrate transparency, while working within its legal and fiduciary framework, the SERS Board adopted this recommendation. The inaugural annual report was prepared for the period ending December 31, 2019. Each report is presented to the SERS Board and is posted for all stakeholders to see on the SERS website.

INVESTMENT SECTION

Schedule of Trading Broker Commissions

December 31, 2025 (unaudited)

Broker commissions on equity and fixed income investment transactions for the year ended December 31, 2025, were approximately \$900,000.

Below is a list of brokers receiving commissions in excess of \$20,000 during the year.

Broker Name	Commissions Paid	Shares (in thousands)	Average Cents Per Share
Morgan Stanley Smith Barney	\$154,607	9,906	1.6
Goldman Sachs	113,778	11,663	1.0
Jefferies Group LLC	89,727	7,032	1.3
Royal Bank of Canada	81,273	4,200	1.9
Bank of America	71,073	2,736	2.6
TP ICAP	54,556	8,298	0.7
JP Morgan Chase	38,032	4,002	1.0
Macquarie Group	33,239	4,864	0.7
Apex Fintech Solutions	26,049	868	3.0
Bank of New York Mellon	24,310	1,416	1.7
Piper Sandler Companies	21,620	3,320	0.7

Investment Summary December 31, 2025 (unaudited)

The assets of SERS are administered by the board. The board adopted an investment policy that incorporates the provisions of the Retirement Code, which governs the investment of SERS' assets. SERS' investment plan is reviewed and updated regularly for strategic asset allocation purposes, as well as for diversification needs within each asset class.

Investments on the Statements of Fiduciary Net Position for financial reporting purposes are not based on the below asset allocation. The asset allocation is for investment reporting purposes only. As such, there may be differences between the Financial Section and the Investment Section.

Asset Allocation

as of December 31, 2025
(\$ millions)

Asset Class	Fair Value	% of Total Fund	Long-Term 10-Year Strategic Target
Private Equity	\$6,680.4	15.7%	16.0%
Real Estate	2,121.5	5.0	7.0
U.S. Equity	16,122.5	37.8	37.0
International Developed Markets Equity	6,166.3	14.4	14.0
Emerging Markets Equity	881.5	2.1	2.0
Fixed Income	7,977.2	18.7	19.0
Inflation Protection (TIPS)	1,015.6	2.4	3.0
Cash	1,335.5	3.1	2.0
Legacy Private Credit	332.9	0.8	*
Legacy Hedge Funds	12.4	0.0	**
Total Fund	\$42,645.8	100.0%	100.0%

*SERS no longer has an asset allocation targeting this strategy as a stand-alone asset class.

**Legacy Hedge Funds asset class is in liquidation.

Number of Investment Managers and Portfolios

Asset Class	Investment Managers	Investment Portfolios
Private Equity	66	177
Real Estate	24	43
U.S. Equity	2	4
International Developed Markets Equity	9	9
Emerging Markets Equity	2	2
Fixed Income	4	5
Inflation Protection (TIPS)	2	2
Cash	1	1
Legacy Private Credit	6	7
Legacy Hedge Funds	2	2
Total	118	252

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

Objective

The objective of Private Equity is to achieve a return in excess of its public equity benchmark (75% Russell 3000 Index / 25% MSCI World ex U.S. Index plus a 300 basis point premium) over 10-year periods (annualized, net of fees).

Structure

Private Equity investments are non-traditional investments made in the form of closed-end limited partnership structures organized to make domestic and international private investments such as buyouts, special situations, and growth equity.

Private Equity

as of December 31, 2025

(\$ millions)

	Unfunded Commitments	Fair Value	% of Total Fund
Core Sub-Asset Classes			
Buyouts	\$1,120.6	\$3,780.9	8.9%
Special Situations	903.8	1,660.0	3.9
Growth Equity	192.5	1,116.2	2.6
Total Core Sub-Asset Classes	2,216.9	6,557.1	15.4
Non-Core Holdings			
Keystone Legacy Fund ^{1/}	22.1	123.3	0.3
Total Private Equity	\$2,239.0	\$6,680.4	15.7%

^{1/}A total of 24 legacy holdings from the Private Equity core sub-asset classes (Buyouts, Special Situations, and Growth Equity) make up the Keystone Legacy Fund, a special purpose vehicle which is managed by a third-party.

Investment Summary - Private Equity

December 31, 2025 (unaudited)

Portfolio Exposure

The Private Equity program is well diversified by sub-sector, geography, and industry focus.

As of September 30, 2025, based on fair value, the program's exposure was:

By Fund Sub-Sector		By Geography ^{2/}		By Industry ^{2/}	
U.S. Buyout	38.2%	United States	64.3%	Information Technology	38.9%
Non-U.S. ^{1/}	24.1	United Kingdom	7.8	Health Care	12.6
U.S. Distressed/ Opportunistic	18.7	Germany	5.0	Consumer Discretionary	12.4
U.S. Growth Equity	16.9	France	2.2	Industrials	12.1
Pennsylvania-Related	2.1	China	1.9	Financials	9.6
		South Korea	1.8	Telecommunication Services	4.7
		India	1.2	Energy	4.4
		Rest of World	15.8	Consumer Staples	2.3
				Materials	1.4
				Real Estate	1.2
				Utilities	0.4

^{1/}Some managers with a domestic investment focus may invest globally. Thus, non-U.S. exposure measured on a portfolio company basis will be greater.

^{2/}Geography and industry are determined by the portfolio company.

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

The Capital Committed column represents total dollars allocated from SERS to each limited partnership. Accumulated Capital Drawn is the portion of SERS' capital commitments drawn by the general partner to be invested with underlying

portfolio companies along with any reinvested capital. The Accumulated Distributions column shows the value of capital and profits returned to SERS.

Buyouts Committed, Drawn, and Distributed

Active Buyout Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
ABRY Partners VII	Middle	8/10/2011	\$30,000,000	\$38,893,982	\$55,561,088
ABRY Partners VIII	Middle	5/5/2015	25,000,000	30,388,315	39,513,305
Advent Latin American Private Equity Fund IV	Small	8/2/2007	30,000,000	30,797,073	43,955,921
Advent International GPE VI-A	Middle	7/7/2008	35,000,000	35,146,325	70,431,146
Advent Latin American Private Equity Fund V	Small	7/5/2011	15,000,000	14,430,000	13,199,998
Advent International GPE VII-B	Global	12/6/2012	40,000,000	38,400,000	66,625,466
Advent Latin American Private Equity Fund VI	Small	8/13/2015	25,000,000	23,250,000	24,222,440
Advent International GPE VIII-B	Global	9/26/2016	50,000,000	50,000,000	74,432,668
Altaris Health Partners V	Middle	4/22/2021	50,000,000	47,334,266	887,379
Apollo Investment Fund IV	Large	9/30/1998	75,000,000	74,838,620	124,814,033
Apollo Investment Fund VI	Global	7/19/2006	40,000,000	38,911,805	64,467,407
Apollo Investment Fund IX	Global	3/15/2019	85,400,000	89,040,725	54,552,558
Arcline Capital Partners IV	Middle	*	130,000,000	—	—
Arcline Capital Partners IV Sidecar	Middle	*	20,000,000	—	—
Asia Alternatives Capital Partners	Fund of Funds	6/26/2007	25,000,000	25,218,098	45,051,919
Asia Alternatives Capital Partners II	Fund of Funds	3/7/2008	29,949,500	29,168,320	73,010,407
Asia Alternatives Korea Buyout Investors (Hahn & Co)	Fund of Funds	7/22/2011	7,000,000	8,997,745	12,677,843
Asia Alternatives Capital Partners III	Fund of Funds	8/3/2012	50,000,000	55,870,578	80,996,285
Penn Asia Investors	Fund of Funds	9/28/2012	133,000,000	129,436,239	127,487,710
Asia Alternatives Capital Partners V	Fund of Funds	10/5/2017	50,000,000	56,912,286	19,980,191
Audax Private Equity Fund	Small	5/25/2000	35,000,000	36,839,098	56,057,910
Audax Private Equity Fund III	Small	11/7/2007	37,000,000	42,430,498	82,790,970
Audax Private Equity Fund V	Small	1/25/2016	50,000,000	46,368,950	77,436,810
Audax Private Equity Fund VI	Small	8/29/2019	75,000,000	77,381,515	57,658,099
Berkshire Fund VI	Middle	7/11/2002	20,000,000	18,819,615	59,339,435
Berkshire Fund VII	Middle	11/15/2006	32,000,000	32,613,937	69,029,052
Blackstone Capital Partners V	Global	5/30/2006	150,000,000	150,139,020	250,502,831
Blackstone Capital Partners VII	Global	10/21/2016	50,000,000	55,977,980	55,465,957
Blackstone Capital Partners VIII	Global	2/22/2021	70,000,000	70,076,666	18,382,680
BV Investment Partners XII	Middle	*	65,000,000	—	—
Capvis Equity IV	Small	1/30/2014	42,752,003	47,998,302	41,736,092
Horizon Strategic Fund - Carlyle Group	Global	1/23/2014	100,000,000	108,570,220	168,161,722
CVC Capital Partners VII	Global	12/3/2018	91,015,977	97,789,383	110,916,442

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

Buyouts Committed, Drawn, and Distributed (continued)

Active Buyout Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
CVC Capital Partners VIII	Global	12/13/2021	\$53,787,562	\$52,835,548	\$2,450,968
Eureka II	Small	1/30/2006	20,000,000	21,906,935	24,443,442
Eureka Growth Capital III	Small	10/21/2013	20,000,000	17,210,666	47,650,454
Francisco Partners III	Global	10/17/2011	20,000,000	20,514,684	61,633,976
Francisco Partners IV	Global	4/15/2015	25,000,000	24,656,280	59,742,034
Francisco Partners VII PA Co-Invest	Co-Investment	11/6/2023	50,000,000	28,518,039	—
Francisco Partners VII	Global	7/10/2024	100,000,000	46,700,000	—
Francisco Partners Agility III	Middle	3/5/2025	30,000,000	5,715,000	—
FSN Capital IV	Small	12/19/2013	37,907,193	39,153,455	82,841,907
FSN Capital V	Small	1/4/2017	79,286,987	89,876,434	49,636,796
Great Hill Equity Partners IV	Middle	9/8/2008	25,000,000	25,125,662	72,240,642
GTCR Fund XI	Middle	9/2/2014	25,000,000	24,936,059	70,593,836
GTCR Fund XII	Middle	5/4/2018	32,500,000	34,238,045	42,269,569
H.I.G. Growth Buyouts & Equity Fund II	Small	7/20/2011	15,000,000	17,344,520	28,809,077
H.I.G. Europe Capital Partners II	Middle	1/10/2014	24,560,158	24,544,871	22,816,284
H.I.G. Brazil and Latin America Partners	Middle	8/12/2015	50,000,000	55,950,865	30,288,128
Hahn & Company II	Small	5/29/2015	50,000,000	58,564,254	61,802,817
Hahn & Company III	Middle	12/20/2018	56,250,000	65,190,753	26,902,365
Hahn & Company III - Supplemental Fund	Middle	12/20/2018	18,750,000	19,311,735	5,346,735
Horizon Impact Fund	Fund of Funds	10/24/2014	50,000,000	42,649,604	83,011,224
Horizon Impact Fund B	Fund of Funds	5/31/2017	100,000,000	89,750,000	59,895,000
HarbourVest PA Co-Investment Fund	Co-Investment	5/14/2020	200,000,000	180,675,000	16,021,500
HarbourVest PA Co-Investment Fund II	Co-Investment	1/16/2025	200,000,000	55,250,000	—
Hellman & Friedman Capital Partners VIII	Global	9/1/2016	50,000,000	52,045,595	42,662,094
Hellman & Friedman Capital Partners IX	Global	4/7/2020	90,000,000	97,317,044	21,534,058
Hellman & Friedman Capital Partners X	Global	11/24/2021	100,000,000	99,766,753	12,718,159
Hellman & Friedman Capital Partners XI	Global	*	100,000,000	—	—
Incline Equity Partners III	Small	1/14/2013	15,000,000	16,025,410	42,017,594
Kelso VII	Global	10/18/2004	40,000,000	41,169,937	65,821,118
Kelso VIII	Global	11/29/2007	150,000,000	147,077,801	212,472,060
LLR Equity Partners III	Small	7/24/2008	30,000,000	29,108,722	65,340,347
LLR Equity Partners IV	Small	3/14/2014	50,000,000	45,485,764	111,344,637
LLR Equity Partners V	Small	3/21/2018	75,000,000	73,590,002	54,634,177
LLR Equity Partners VI	Small	5/13/2021	50,000,000	47,083,127	9,583,333
LLR Equity Partners VII	Small	3/3/2025	75,000,000	16,359,375	283,690
Neuberger Berman PA Co-Investment Fund	Co-Investment	1/6/2021	200,000,000	194,540,195	23,096,600
NGP XII	Middle	11/14/2018	75,000,000	72,988,261	77,140,152
Oaktree Power Opportunities Fund III	Large	10/18/2010	25,000,000	19,267,532	29,286,578
Permira European Fund III	Large	1/12/2004	127,062,518	127,340,454	218,410,198
Permira VI	Global	1/10/2017	56,822,793	52,584,949	61,286,598

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

Buyouts Committed, Drawn, and Distributed (continued)

Active Buyout Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
Permira VII	Global	2/4/2020	\$75,954,174	\$75,504,766	\$13,056,993
Permira Susquehanna Opportunities - Buyout	Co-Investment	1/26/2021	40,000,000	20,875,338	99,900
Primavera Capital Fund II	Global	11/17/2015	50,000,000	60,695,403	36,357,120
Primavera Capital Fund III	Global	4/12/2019	75,000,000	83,966,677	22,945,730
Providence Equity Partners VI	Large	3/16/2007	49,976,748	54,539,006	78,268,236
Ridgemont Equity Partners II	Small	11/30/2015	50,000,000	57,864,584	87,415,909
Sentinel Capital Partners V	Middle	7/15/2014	10,000,000	9,987,204	19,928,281
Sentinel Capital Partners VII	Large	7/14/2023	100,000,000	43,726,543	2,610,839
Silver Lake Partners V	Global	6/12/2018	78,000,000	79,947,166	58,466,829
Sterling Group Partners IV	Small	6/15/2016	20,000,000	20,927,409	43,454,123
TDR Capital IV	Middle	11/16/2018	87,338,770	84,699,794	27,467,046
Thoma Bravo Fund XIII	Global	2/14/2019	75,000,000	92,181,980	93,084,285
Thoma Bravo Fund XIV	Global	4/15/2021	50,000,000	59,695,004	19,212,271
Thoma Bravo Discover Fund III	Middle	6/11/2021	20,000,000	20,136,476	1,245,095
Thoma Bravo Fund XV	Global	6/10/2022	100,000,000	94,563,076	8,793,052
Thoma Bravo Discover Fund IV	Middle	12/8/2022	50,000,000	48,109,034	9,110,094
Thoma Bravo Co-Invest Opportunities XV-5	Co-Investment	2/27/2023	50,000,000	25,474,405	14,380,581
TPG Partners IV	Global	12/29/2003	27,907,484	27,981,463	58,314,713
TPG Asia V	Global	2/19/2008	22,500,000	21,964,311	30,504,180
TPG Partners VI	Global	5/22/2008	44,294,641	50,576,261	74,455,578
TSG8	Large	1/3/2020	100,000,000	98,836,946	4,295,264
TSG9	Large	1/24/2023	100,000,000	56,256,137	3,016,652
Veritas Capital Fund VIII	Global	12/5/2022	100,000,000	85,963,837	26,715
Keystone Co-Investors Veritas VIII	Co-Investment	4/25/2024	25,000,000	8,732,545	—
Vista Equity Partners Fund VI	Global	12/29/2016	150,000,000	192,769,773	244,873,972
Vista Equity Partners Fund VII	Global	2/13/2019	75,000,000	74,784,366	9,168,511
Total Active Buyouts			\$5,981,016,508	\$5,325,168,395	\$4,895,925,880

*Not funded as of December 31, 2025.

^{1/}Distributions include stock distributions. Distributions may include fees that are recorded as negative distributions to be offset against future distributions of the underlying limited partnership investment.

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

The Capital Committed column represents total dollars allocated from SERS to each limited partnership. Accumulated Capital Drawn is the portion of SERS' capital commitments drawn by the general partner to be invested with underlying

portfolio companies along with any reinvested capital. The Accumulated Distributions column shows the value of capital and profits returned to SERS.

Special Situations Committed, Drawn, and Distributed

Active Special Situations Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
ADV Opportunities Fund I	Distressed/ Turnaround	10/5/2015	\$50,000,000	\$65,410,007	\$67,015,145
ASF VII B	Secondaries	2/19/2016	100,000,000	79,226,995	91,942,543
ASF VII PA Co-Invest	Secondaries	5/18/2016	50,000,000	36,903,205	41,484,033
ASF VIII B	Secondaries	6/13/2019	100,000,000	80,053,128	39,060,325
ASF VIII PA Co-Invest	Secondaries	3/12/2020	50,000,000	28,213,583	5,050,259
ASF IX B	Secondaries	10/13/2022	100,000,000	43,005,163	4,433,102
ASF IX PA Co-Invest	Secondaries	4/20/2023	50,000,000	28,148,715	—
Ares PA Opportunities Fund - Distressed Debt	Distressed/ Turnaround	12/20/2019	200,000,000	189,163,483	107,923,981
Ares PA Opportunities Fund - Diversified Credit	Distressed/ Turnaround	12/15/2020	70,000,000	60,461,601	24,677,261
Ares PA Opportunities Fund - Special Situations	Distressed/ Turnaround	2/22/2021	130,000,000	146,474,007	35,291,941
Avenue Special Situations Fund VI	Distressed/ Turnaround	11/2/2010	20,000,000	20,068,464	21,075,410
Centerbridge Capital Partners III	Distressed/ Turnaround	5/21/2015	30,000,000	41,806,024	48,700,170
Clearlake Capital Partners IV	Distressed/ Turnaround	9/1/2015	15,000,000	23,671,859	39,330,972
Clearlake Capital Partners V	Distressed/ Turnaround	2/1/2018	55,000,000	84,249,530	117,735,818
Clearlake Opportunities Partners II	Distressed/ Turnaround	8/30/2019	75,000,000	68,539,511	32,617,311
Clearlake Capital Partners VI	Distressed/ Turnaround	5/22/2020	60,000,000	66,487,488	16,538,076
Clearlake Capital Partners VII	Distressed/ Turnaround	4/26/2022	100,000,000	71,735,191	268,947
Clearlake Opportunities Partners III	Distressed/ Turnaround	12/28/2022	75,000,000	17,245,610	284,018
Clearlake Capital Partners VIII PA Co-Invest	Distressed/ Turnaround	6/12/2024	20,000,000	9,661,937	—
Clearlake Capital Partners VIII	Distressed/ Turnaround	12/5/2024	100,000,000	6,999,132	10,579
Glendon Opportunities Fund II	Distressed/ Turnaround	10/18/2019	150,000,000	135,007,955	159,995,139
H.I.G. Bayside Debt & LBO Fund II	Distressed/ Turnaround	6/17/2008	30,000,000	31,448,253	52,195,700
H.I.G. Bayside Loan Opp. Fund III	Distressed/ Turnaround	6/12/2013	50,000,000	42,696,553	49,904,323
H.I.G. Bayside Loan Opp. Fund IV	Distressed/ Turnaround	1/16/2015	25,000,000	22,626,299	20,452,258

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

Special Situations Committed, Drawn, and Distributed (continued)

Active Special Situations Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
Dover Street VII	Secondaries	7/2/2008	\$30,000,000	\$28,696,128	\$41,139,248
HarbourVest Dover Street XII	Secondaries	*	100,000,000	—	—
HarbourVest Secondary Overflow VI	Secondaries	*	50,000,000	—	—
HPS Mezzanine Partners 2019	Mezzanine	11/16/2020	75,000,000	81,111,432	54,710,260
ICG Europe Fund VII	Mezzanine	8/24/2018	90,304,264	88,844,331	109,977,298
ICG Europe Mid-Market Fund	Mezzanine	4/8/2020	74,066,821	67,719,315	52,295,455
KPS Special Situations Fund IV	Distressed/ Turnaround	5/8/2014	25,000,000	23,947,923	37,525,394
KPS Special Situations Mid-Cap Fund	Distressed/ Turnaround	11/25/2019	25,000,000	21,728,471	9,400,944
KPS Special Situations Fund V	Distressed/ Turnaround	7/13/2020	75,000,000	66,793,469	28,851,382
KPS Special Situations Fund VI	Distressed/ Turnaround	9/20/2024	75,000,000	9,997,239	8,266
KPS Special Situations Mid-Cap Fund II	Distressed/ Turnaround	*	25,000,000	—	—
LBC Credit Partners III	Mezzanine	3/4/2013	50,000,000	46,696,243	55,440,577
Lexington Capital Partners V	Secondaries	1/17/2002	75,000,000	74,623,418	125,170,164
Lexington Capital Partners VI	Secondaries	10/21/2005	50,000,000	53,066,325	73,905,823
OCM Opportunities Fund VIII	Distressed/ Turnaround	9/20/2010	12,500,000	12,583,425	18,236,499
OCM Opportunities Fund VIII b	Distressed/ Turnaround	8/22/2011	12,500,000	12,500,000	21,045,867
Oaktree Opportunities Fund IX	Distressed/ Turnaround	3/26/2013	50,000,000	50,000,000	62,565,038
Platinum Equity Capital Partners III	Distressed/ Turnaround	8/5/2013	50,000,000	46,903,725	95,582,535
RRJ Capital Master Fund III	Mezzanine	12/10/2015	50,000,000	51,360,548	49,036,910
Sentinel Junior Capital II	Middle	8/9/2023	25,000,000	7,029,833	871,168
Sixth Street TAO 4.0 (B)	Distressed/ Turnaround	11/9/2017	100,000,000	127,414,825	83,710,789
Sixth Street Opportunities Partners IV (A)	Distressed/ Turnaround	1/25/2019	50,000,000	41,494,391	32,450,843
Sixth Street TAO Contingent (D)	Distressed/ Turnaround	4/16/2020	150,000,000	92,708,695	79,799,726
Sixth Street Opportunities Partners V	Distressed/ Turnaround	6/7/2022	50,000,000	42,565,210	5,976,927
Total Active Special Situations			\$3,074,371,085	\$2,447,088,639	\$2,013,688,424

*Not funded as of December 31, 2025.

^{1/}Distributions include stock distributions. Distributions may include fees that are recorded as negative distributions to be offset against future distributions of the underlying limited partnership investment.

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

The Capital Committed column represents total dollars allocated from SERS to each limited partnership. Accumulated Capital Drawn is the portion of SERS' capital commitments drawn by the general partner to be invested with underlying

portfolio companies along with any reinvested capital. The Accumulated Distributions column shows the value of capital and profits returned to SERS.

Growth Equity Committed, Drawn, and Distributed

Active Growth Equity Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
Battery Ventures VIII	Venture Capital	8/13/2007	\$25,000,000	\$25,050,751	\$63,675,201
Battery Ventures VIII Side Car Fund	Venture Capital	8/29/2008	6,768,000	6,803,790	18,828,496
HarbourVest Partners VII	Fund of Funds	3/24/2003	75,000,000	73,687,500	118,621,464
HarbourVest Partners VIII	Fund of Funds	10/5/2006	100,000,000	98,000,000	197,373,555
Insight Venture Partners VII	Large	4/27/2011	20,000,000	22,129,992	54,891,374
Insight Venture Partners VIII	Large	7/10/2013	50,000,000	54,916,419	127,451,247
Insight Venture Partners IX	Large	3/24/2015	50,000,000	52,784,788	142,650,964
Insight Venture Partners X	Large	4/17/2018	100,000,000	104,723,487	123,537,643
Insight Partners XI	Large	3/25/2020	75,000,000	72,975,000	12,779,626
Insight Partners XII	Large	8/27/2021	50,000,000	47,914,234	13,065
JMI Equity Fund VIII	Medium	10/1/2015	25,000,000	27,840,904	54,344,343
Lightspeed Venture Partners VII	Venture Capital	2/27/2006	18,000,000	18,000,000	55,294,800
Lightspeed Venture Partners VIII	Venture Capital	6/27/2008	15,000,000	15,000,000	40,231,617
Lightspeed India Partners I	Venture Capital	8/14/2015	15,000,000	14,572,500	11,595,092
Meritech Capital Partners IV	Venture Capital	2/10/2011	20,000,000	20,000,000	48,821,270
Meritech Capital Partners V	Venture Capital	9/3/2014	23,000,000	22,540,000	163,156,044
New Enterprise Associates X	Venture Capital	12/11/2000	35,000,000	35,028,000	39,412,034
New Enterprise Associates 11	Venture Capital	3/1/2004	25,000,000	25,000,000	64,236,799
New Enterprise Associates 12	Venture Capital	6/26/2006	35,000,000	35,631,130	48,996,151
Providence Strategic Growth II	Small	12/7/2016	60,000,000	80,208,173	139,282,595
Providence Strategic Growth III	Small	7/26/2018	75,000,000	95,354,002	90,441,662
Providence Strategic Growth IV	Small	3/27/2020	75,000,000	97,184,420	77,117,039
Providence Strategic Growth Europe	Small	5/7/2021	71,097,574	85,926,437	61,413,391
PSG V	Small	12/23/2021	50,000,000	53,972,766	8,829,769
PSG Europe II	Small	12/12/2023	73,889,144	45,979,685	14,257,627
PSG VI	Small	5/21/2025	75,000,000	19,263,069	1,859,230
SERS In-Kind Distributions ^{2/}	Various	1/3/2005	—	1,464,462,123	1,600,193,038
TCV X	Large	5/17/2019	75,000,000	56,289,972	42,243,644
Weathergage Venture Capital	Fund of Funds	6/26/2007	25,000,000	22,875,000	49,373,994
Weathergage Venture Capital II	Fund of Funds	6/29/2010	25,000,000	23,250,000	66,865,683
Total Active Growth Equity			\$1,367,754,718	\$2,817,364,142	\$3,537,788,457

^{1/}Distributions include stock distributions. Distributions may include fees that are recorded as negative distributions to be offset against future distributions of the underlying limited partnership investment.

^{2/}SERS In-Kind Distributions acts as a stock liquidation account. All cash and stock distributions are reflected in the corresponding distributions.

INVESTMENT SECTION

Investment Summary - Private Equity

December 31, 2025 (unaudited)

The Capital Committed column represents total dollars allocated from SERS to each limited partnership. Accumulated Capital Drawn is the portion of SERS' capital commitments drawn by the general partner to be invested with underlying

portfolio companies along with any reinvested capital. The Accumulated Distributions column shows the value of capital and profits returned to SERS.

Legacy Private Equity Committed, Drawn, and Distributed

Legacy Private Equity Funds Limited Partnership	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
Keystone Legacy Non-Core Fund ^{2/}	Various	7/1/2018	\$796,104,800	\$807,883,401	\$1,056,764,037
Total Legacy Private Equity			\$796,104,800	\$807,883,401	\$1,056,764,037

^{1/}Distributions include stock distributions. Distributions may include fees that are recorded as negative distributions to be offset against future distributions of the underlying limited partnership investment.

^{2/}A total of 24 legacy holdings from the Private Equity core sub-asset classes (Buyouts, Special Situations, and Growth Equity) make up the Keystone Legacy Fund, a special purpose vehicle which is managed by a third-party.

INVESTMENT SECTION

Investment Summary - Real Estate

December 31, 2025 (unaudited)

Objective

The objective of Real Estate is to generate returns through capital appreciation and current income to achieve a return in excess of its benchmark (NCREIF Fund Index – Open End Diversified Core Equity (“NFI-ODCE”)) over five-year periods (annualized, net of fees). Real Estate investments may also lower overall fund volatility and provide a moderate hedge against inflation.

Structure

Real Estate investments are non-traditional investments made in the form of individually managed accounts and pooled investment vehicles organized to invest in private market equity and debt investments in real estate and real estate related companies and public market investments in real estate investment trusts (REITs) and real estate operating companies.

Real Estate

as of December 31, 2025

(\$ millions)

Sub-Asset Class	Unfunded Commitments	Fair Value	% of Total Fund
Core/Core Plus	\$14.5	\$1,050.7	2.5%
Value Add/Oppportunistic Funds	356.8	799.7	1.9
Value Add/Oppportunistic SMA	NA	121.4	0.3
Real Estate Securities	NA	149.7	0.3
Total Real Estate	\$371.3	\$2,121.5	5.0%

INVESTMENT SECTION

Investment Summary - Real Estate

December 31, 2025 (unaudited)

The Capital Committed column represents total dollars allocated from SERS to each fund/manager. Accumulated Capital Drawn is the portion of SERS' capital commitments drawn by the fund/manager to be invested. This amount may also include

recycled capital (capital that was distributed and later recalled by the manager to be reinvested) as well as manager fees paid outside of the fund. The Accumulated Distributions column shows the value of capital and profits returned to SERS.

Real Estate

Active Fund / Manager	Asset Type	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions
Core/Core Plus Real Estate					
Blackstone Property Partners	Diversified	1/23/2018	\$300,000,000	\$321,598,146	\$49,360,839
Blue Owl Real Estate Net Lease Property Fund	Diversified	2/8/2019	300,000,000	321,175,543	128,526,309
Heitman America Real Estate Trust	Diversified	3/29/2007	122,326,626	159,586,075	175,695,555
Henderson Park Enhanced Income Fund	Diversified	6/12/2019	311,050,708	319,407,430	78,502,003
UBS Trumbull Property Fund	Diversified	1/1/1988	33,016,908	33,016,908	137,133,074
Total Core/Core Plus Real Estate			1,066,394,242	1,154,784,102	569,217,780

Value Add/Opportunistic Funds

Activum SG Fund VI	Diversified	12/10/2019	55,996,967	71,198,066	26,417,378
Activum SG Fund VI Pennsylvania Side-Car	Diversified	6/17/2021	57,616,455	35,468,436	915,709
Ares PA Opportunities Fund - Opportunistic Real Estate	Diversified	10/23/2024	100,000,000	28,187,991	356,715
Berwind Investment Partnership VII	Diversified	9/12/2005	25,000,000	25,549,693	18,834,244
Blackstone Real Estate Partners V	Diversified	1/24/2006	50,000,000	59,268,769	111,680,331
Blackstone Real Estate Partners VI	Diversified	3/28/2007	75,000,000	84,137,677	167,334,078
Blackstone Real Estate Partners VII	Diversified	12/12/2011	75,000,000	100,736,634	153,538,675
Blackstone Real Estate Partners X	Diversified	3/24/2023	75,000,000	34,147,056	4,217,530
Blue Moon Senior Housing II	Senior Housing	1/27/2020	50,000,000	50,355,581	7,549,248
Blue Moon Senior Housing II Sidecar	Senior Housing	5/19/2020	50,000,000	48,021,589	8,484,178
Blue Owl Real Estate Fund IV	Diversified	11/20/2017	100,000,000	103,260,289	127,773,828
Blue Owl Real Estate Fund V	Diversified	11/16/2020	50,000,000	50,000,000	22,673,257
Blue Owl Real Estate Fund VI	Diversified	1/31/2023	75,000,000	67,743,007	23,277,086
Blue Owl Real Estate Fund VII	Diversified	12/17/2025	100,000,000	13,887,057	88,822
C-III Recovery Fund III	Diversified	9/24/2018	100,000,000	97,139,053	11,916,286
Hawkeye Scout Fund II	Diversified	9/28/2016	30,000,000	30,000,000	15,154,480
LEM Multifamily Fund VI	Multifamily	9/16/2022	75,000,000	55,545,652	—
Lubert Adler Fund VII	Diversified	7/15/2014	25,000,000	24,375,000	15,311,744
Mesirow Financial Real Estate Value Fund III	Multifamily	5/18/2018	25,000,000	26,887,305	19,300,202
Prudential Senior Housing Fund V	Senior Housing	5/15/2015	45,727,881	41,332,672	18,321,734
Prudential Senior Housing Fund VI	Senior Housing	8/6/2019	100,000,000	90,235,343	4,421,102
Rockpoint Real Estate Fund III	Diversified	12/21/2007	50,000,000	48,568,034	66,044,031

INVESTMENT SECTION

Investment Summary - Real Estate

December 31, 2025 (unaudited)

Real Estate (continued)

Active Fund / Manager	Asset Type	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions
Rockpoint Real Estate Fund V	Diversified	1/11/2016	\$50,000,000	\$52,401,912	\$29,884,678
Rubicon First Ascent	Office	6/28/2021	30,000,000	24,892,387	155,294
Rubicon First Ascent Sidecar	Office	4/4/2022	20,000,000	16,144,555	—
SRE Opportunity Fund III	Diversified	6/20/2018	50,000,000	55,902,325	26,050,000
SRE Opportunity Fund III Select	Diversified	7/25/2019	50,000,000	30,148,315	28,032,188
Starwood Fund VII	Diversified	1/10/2006	35,000,000	35,000,000	27,427,647
Starwood Fund VIII	Diversified	10/14/2009	50,000,000	45,356,281	74,276,373
ValStone Opportunity Fund V	Diversified	8/27/2014	14,663,402	18,446,426	13,947,482
Westbrook Fund VI	Diversified	5/10/2006	35,000,000	43,409,843	43,591,504
Westbrook Fund VII	Diversified	12/3/2007	50,000,000	56,430,638	59,025,099
Westbrook Fund VIII	Diversified	6/2/2010	50,000,000	59,840,886	69,789,669
Total Value Add/Oppportunistic Funds			1,824,004,705	1,624,018,472	1,195,790,592
Value Add/Oppportunistic SMA^{1/}					
Heitman I.M.A.	Diversified	1/1/1988	NA	951,842,254	1,360,984,010
hotelAVE I.M.A.	Hotel	9/30/2018	NA	96,318,281	69,436,891
LaSalle I.M.A.	Diversified	1/1/1994	NA	1,083,159,750	1,389,742,101
LaSalle Takeover I.M.A.	Diversified	9/30/2018	NA	338,377,155	189,461,692
Total Value Add/Oppportunistic SMA			NA	2,469,697,440	3,009,624,694
Real Estate Securities^{1/}					
CenterSquare Real Estate Securities	Diversified	5/14/2002	NA	191,678,947	210,000,000
Total Real Estate Securities			NA	191,678,947	210,000,000
Total Active Real Estate			\$2,890,398,947	\$5,440,178,961	\$4,984,633,066

^{1/}Due to the nature of the investments, there are no capital commitments for value add/opportunistic SMA and real estate securities managers.

INVESTMENT SECTION

Investment Summary - U.S. Equity

December 31, 2025 (unaudited)

Objective

The objective of U.S. Equity is to generate returns through capital appreciation, income from dividend payments and to generate returns comparable to its public equity benchmark (Russell 3000 Index) over a full market cycle (annualized, net of fees).

Structure

U.S. Equity investments are equity investments made in the form of separate accounts and commingled funds. U.S. Equity contributes to a higher expected long-term return to the fund and is also a material contributor to volatility.

U.S. Equity

as of December 31, 2025

(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
U.S. Large/Mid Cap		
Mellon Investments Corporation Russell 1000	U.S. Large Cap Equity	\$15,111.0
Total U.S. Large/Mid Cap		15,111.0
U.S. Small Cap		
Emerald Asset Management	U.S. Small Cap Growth Equity	532.3
Mellon Investments Corporation Russell 2000 Core	U.S. Small Cap Equity	114.4
Mellon Investments Corporation Russell 2000 Value	U.S. Small Cap Value Equity	364.8
Total U.S. Small Cap		1,011.5
Total U.S. Equity		\$16,122.5

^{1/}Includes securities and cash, which the manager had available for investment.

Investment Summary - International Developed Markets Equity

December 31, 2025 (unaudited)

Objective

The objective of International Developed Markets Equity is to generate returns through capital appreciation and income from dividend payments that meet or exceed the MSCI World ex U.S. Index over a full market cycle (annualized, net of fees).

Structure

International Developed Markets Equity investments are traditional equity investments made in the form of separate accounts and commingled funds. International Developed Markets Equity contributes to a higher expected long-term return to the fund and is also a material contributor to volatility.

International Developed Markets Equity

as of December 31, 2025

(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
Artisan Partners - Global ex U.S.	Global ex-U.S. growth	\$0.4
BlackRock MSCI World ex U.S. Index	World ex-U.S. Equity	5,662.7
Harris Associates	World ex-U.S. Small Cap Equity	192.8
Mellon Investments Corporation MSCI World ex U.S. Index	MSCI World ex-U.S. Index	2.0
Morgan Stanley Investment Management Limited-developed ex U.S.	EAFE value	0.3
Northern Trust - Equity	Transition	1.1
Templeton Investment Counsel - Global ex U.S.	Global ex-U.S. value	0.6
Walter Scott & Partners Limited	Global Equity	3.1
Xponance	International Small Cap Equity	303.3
Total International Developed Markets Equity		\$6,166.3

^{1/}Includes securities and cash, which the manager had available for investment.

INVESTMENT SECTION

Investment Summary - Emerging Markets Equity

December 31, 2025 (unaudited)

Objective

The objective of Emerging Markets Equity is to generate returns through capital appreciation and income from dividend payments that exceed the MSCI Emerging Markets Index over a full market cycle (annualized, net of fees).

Structure

Emerging Markets Equity investments are traditional equity investments generally made in the form of commingled funds since there are legal challenges for SERS to use separate accounts to open sub-custodial trading accounts in certain emerging market countries. Emerging Markets Equity contributes to a higher expected long-term return to the fund and is also a material contributor to volatility.

Emerging markets are generally regarded as less efficient than developed markets and historically have been more volatile than developed markets. Returns have been influenced by capital flows into and out of these markets; however, longer term, emerging markets can be attractive to those investors seeking to access the financial returns derived from rapidly expanding economies. Due to the high return volatility associated with emerging markets, the SERS Fund takes a diversified approach using a variety of investment strategies. The SERS Fund employs a structure diversified by investment advisor, style, and type.

Emerging Markets Equity

as of December 31, 2025

(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
BlackRock MSCI Emerging Markets Index	Emerging Markets Equity	\$881.4
Leading Edge Investment Advisors	Emerging Markets Equity	0.1
Total Emerging Markets Equity		\$881.5

^{1/}Includes securities and cash, which the manager had available for investment.

Investment Summary - Fixed Income

December 31, 2025 (unaudited)

Objective

The objective of the Fixed Income allocation is to provide liquidity to minimize capital impairment risk, diversify investment risk, and enhance return to meet the fund's obligations. It is expected that the returns from the Fixed Income allocation will meet or exceed its benchmark (Bloomberg U.S. Aggregate Bond Index) performance over a full market cycle (annualized, net of fees).

Structure

Fixed Income investments are traditional investments made in the form of separate accounts and commingled funds. They include investments in publicly-traded debt obligations of sovereign, quasi-sovereign and corporate entities and securitized assets.

Fixed Income

as of December 31, 2025

(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
Core Fixed Income		
Mellon Investments Corporation Bond Index	U.S. Aggregate Bond	\$4,395.1
PIMCO Core	U.S. Aggregate Bond	611.9
Total Core Fixed Income		5,007.0
Nominal US Treasuries		
Mellon Investments Corporation U.S. Treasury Index	U.S. Treasuries	2,085.7
Total Nominal US Treasuries		2,085.7
Opportunistic Fixed Income		
Blackstone Keystone	Fund-of-Funds	866.6
Total Opportunistic Fixed Income		866.6
Legacy Fixed Income		
Fidelity Institutional Asset Management	Commercial Mortgage-Backed Securities	17.9
Total Legacy Fixed Income		17.9
Total Fixed Income		\$7,977.2

^{1/}Includes securities and cash, which the manager had available for investment.

INVESTMENT SECTION

Investment Summary - Inflation Protection (TIPS)

December 31, 2025 (unaudited)

Objective

The objective of Inflation Protection is to protect against both expected and unexpected higher inflation, provide liquidity to minimize capital impairment risk, reduce volatility of the total fund, and contribute total return to the fund that meet or exceed its benchmark (Bloomberg U.S. TIPS Index) over a full market cycle (annualized, net of fees).

Structure

Treasury Inflation-Protected Securities (TIPS) are traditional investments made in the form of separate accounts and commingled funds. The primary advantage of TIPS is that their return

offers protection against both expected and unexpected higher inflation, as the securities' coupon payments are directly tied to the rate of inflation. TIPS, therefore, maintain the purchasing power of the investor. The coupon payments of TIPS have two components: a real coupon rate that is established at the issuance of the bond, and an accrual equal to the rate of inflation which adds to the principal balance of the security. TIPS are also useful for hedging liabilities which are affected by inflation and for hedging a cash flow stream against the need to liquidate equities and conventional bonds at depressed prices, in order to meet pension obligations during periods of unexpected inflation.

Inflation Protection (TIPS)

as of December 31, 2025

(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
Brown Brothers Harriman	U.S. TIPS	\$519.3
NISA Investment Advisors	U.S. TIPS	496.3
Total Inflation Protection (TIPS)		\$1,015.6

^{1/}Includes securities and cash, which the manager had available for investment.

Investment Summary - Cash

December 31, 2025 (unaudited)

Objective

The objective of Cash is to serve as the primary source of liquidity and generate returns that meet or exceed its benchmark (ICE BofAML U.S. 3-Month Treasury Bill Index) over a three-year period.

Structure

Cash investments emphasize the use of higher credit quality debt instruments that are liquid and have short maturities and durations, or have floating rates and have historically been invested in the Pennsylvania Treasury Group Investment Fund, a short-term investment fund.

Cash

as of December 31, 2025
(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
PA State Treasury (STIF)	Cash	\$1,335.5
Total Cash		\$1,335.5

^{1/}Includes securities and cash, which the manager had available for investment.

INVESTMENT SECTION

Investment Summary - Legacy Private Credit

December 31, 2025 (unaudited)

Objective

SERS will continue to work with existing Legacy Private Credit managers to actively achieve a return in excess of the S&P/LSTA Leveraged Loan Index plus 100 basis points for the duration of the investments.

Structure

Private Credit investments are non-traditional investments made in the form of closed-end limited

partnership structures. The current structure of this portfolio consists of legacy investments that will continue to decrease over time as investments are realized, liquidated, and redeemed.

Status

SERS no longer has an asset allocation targeting this strategy as a stand-alone asset class.

Legacy Private Credit

as of December 31, 2025

(\$ millions)

Sub-Asset Class	Unfunded Commitments	Fair Value	% of Total Fund
Total Legacy Private Credit	\$150.8	\$332.9	0.8%

The Capital Committed column represents total dollars allocated from SERS to each limited partnership. Accumulated Capital Drawn is the portion of SERS' capital commitments drawn by the general partner to be invested with underlying

portfolio companies along with any reinvested capital. The Accumulated Distributions column shows the value of capital and profits returned to SERS.

Legacy Private Credit Committed, Drawn, and Distributed

Active Legacy Private Credit Funds	Strategy/ Stage	SERS Initial Funding	Capital Committed	Accumulated Capital Drawn	Accumulated Distributions ^{1/}
Apollo Hybrid Value Fund	Diversified Credit	12/24/2018	\$100,000,000	\$137,159,403	\$145,777,678
Ares PA Opportunities Fund - Direct Lending	Direct Lending	10/12/2021	100,000,000	84,961,958	23,960,801
Audax Direct Lending Solutions Fund-A	Direct Lending	10/26/2018	100,000,000	135,455,468	105,679,749
Brightwood Capital Fund IV	Direct Lending	4/24/2018	100,000,000	100,000,000	83,364,464
ICG North American Private Debt Fund II	Direct Lending	2/27/2019	50,000,000	48,216,134	46,754,463
Permira Credit Solutions IV Master (Feeder) SCSp	Direct Lending	9/26/2019	75,000,000	62,933,547	40,416,276
Permira Susquehanna Opportunities - Credit	Direct Lending	4/7/2021	60,000,000	12,287,712	11,786,987
Total Active Legacy Private Credit Funds			\$585,000,000	\$581,014,222	\$457,740,418

^{1/}Distributions include stock distributions. Distributions may include fees that are recorded as negative distributions to be offset against future distributions of the underlying limited partnership investment.

Investment Summary - Legacy Hedge Funds

December 31, 2025 (unaudited)

Objective

SERS will continue to work with existing legacy managers as well as explore options to work with strategic partners to expedite the redemption process in a thoughtful and cost-effective way.

Structure

The current structure of this portfolio consists of legacy investments that will continue to decrease over time as investments are realized, liquidated, and redeemed.

Status

SERS is no longer actively investing in this strategy; legacy hedge fund portfolios are currently in liquidation. The remaining balance has continued to decrease as SERS has successfully redeemed assets from legacy managers.

Legacy Hedge Funds

as of December 31, 2025

(\$ millions)

Manager	Investment Style	Fair Value ^{1/}
Legacy Hedge Funds	Fund-of-Funds	\$10.3
Luxor Capital Partners	Direct Hedge Fund	2.1
Total Legacy Hedge Funds		\$12.4

^{1/}Includes securities and cash, which the manager had available for investment.

INVESTMENT SECTION

Defined Contribution Plan Investment Options

December 31, 2025 (unaudited)

Investment Policy

The SERS Board originally adopted the *401(a) Defined Contribution Plan* (Defined Contribution Plan) *Investment Policy Statement* (DC IPS) on June 13, 2018, and most recently amended the policy on December 9, 2025.

The purpose of the DC IPS is to formalize the board's investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process.

The purpose of the Defined Contribution Plan is to provide eligible employees (employees) with a source of retirement income from accumulated employee contributions, employer contributions, and investment returns. The objective of the Defined Contribution Plan is to allow employees to defer a portion of their salary into the plan, promote and maximize capital accumulation, and enable employees to meet their personal retirement investment goals. It is the board's intent to make available an array of low-cost investment options that satisfy the following criteria:

- Each investment option is diversified within itself;
- Each investment option has different risk and return and/or style characteristics; and
- Each investment option, in combination with the other available investment options, contributes to the diversification opportunities of a participant's portfolio.

The board has delegated certain responsibilities related to the effective management of the Defined Contribution Plan. Various responsibilities are allocated among the board, agency staff, investment managers, investment consultant, custodian/sub-custodian, and the third-party administrator. All persons who act as agents of the board are expected to adhere to the highest standards of professional integrity and honesty. The responsibilities of the Defined Contribution Plan's service providers are governed by the applicable service agreements, as well as the DC IPS.

The board employs an investment staff and investment consultant, which are responsible to the board to review and analyze the current investment climate, and to recommend adjustments with respect to the policy that are appropriate to take optimum advantage of new conditions and strategies as they arise in the market place.

Investment Options

It is the board's intent to offer a broad range of investment options with materially different risk and return characteristics to allow participants, by choosing among such investment options, the opportunity to diversify their balances and construct portfolios consistent with their unique circumstances, goals, time horizons, and tolerance for risk. It is the objective of the board to offer investment options at a reasonable cost in terms of management, custody, other costs, and have investment characteristics that can be successfully communicated to participants. Further, it is the intent of the board to designate names for the investment options that are easily understood by participants. The Defined Contribution Plan is required to offer a minimum of ten investment options that are professionally managed by at least three investment managers. The board offers three tiers of investment options to meet various participant investment objectives. Described below are the various types of investment options. The board selects available investment options and investment managers and adds or removes such options or investment managers at any time in its discretion. The screening process for the initial selection of any investment option or manager will consider attributes relevant to the specific asset class and search objective, as developed by the board with the assistance of SERS-Investment Office staff and in consultation with its external investment consultant, where applicable.

Target Date Fund Investment Options

Target date funds provide a series of asset allocation funds that allow participants to choose a single fund that is based on their expected target retirement date. Each target date fund includes a professionally managed portfolio of underlying investments that may include fixed income, equity

Defined Contribution Plan Investment Options

December 31, 2025 (unaudited)

and alternative asset classes. BlackRock, the investment manager, adjusts and rebalances the allocation of assets over time to reduce the expected risk as each fund progresses toward its target date. The board recognizes that some participants may fail to make investment choices for their plan account. Therefore, the board believes it is appropriate to designate a target date fund based on the participant's age as the default investment option for any participant who fails to make an investment choice for his or her contributions.

Asset Class Investment Options

Additional investment options that match participants' unique investment goals, investor profile, and risk tolerance are also available. The additional investment options provide a broad

exposure to major asset classes including stocks, bonds, and capital preservation investments. The Short-Term Investment Fund is managed by the Commonwealth of Pennsylvania Treasury Department. The other funds are managed by Mellon Investments Corporation.

Self-Directed Brokerage Option

The self-directed brokerage option provides access to a brokerage window for participants who seek greater investment flexibility. This investment option is offered through the Charles Schwab Corporation. Participants investing in this option do so at their own risk. The board is not responsible for the monitoring or evaluation of any self-directed brokerage account investments.

INVESTMENT SECTION

Defined Contribution Plan Investment Options

December 31, 2025 (unaudited)

Defined Contribution Plan Investment Options, Returns, and Expenses

Participation, Assets, Performance, and Fund Expense
as of December 31, 2025

Fund Name	Participants	Fund Balance	Inception Date	Estimated Calendar Year, Net-of-Fees Returns ^{1/}					Max Total Investment Fund Expense ^{2/}
				1 Year	3 Year	5 Year	10 Year		
Post Retirement Date Fund	2,055	\$15,697,385	08-2005	12.43%	10.20%	4.09%	5.97%	0.0700%	
2030 Retirement Date Fund	2,888	28,629,420	08-2005	14.20	12.50	5.92	7.92	0.0700	
2035 Retirement Date Fund	3,934	38,113,977	07-2006	16.00	14.37	7.25	8.98	0.0700	
2040 Retirement Date Fund	4,259	44,926,108	08-2005	17.62	16.16	8.48	9.94	0.0700	
2045 Retirement Date Fund	4,506	49,095,105	07-2006	19.23	17.85	9.61	10.75	0.0700	
2050 Retirement Date Fund	4,857	52,185,416	09-2007	20.89	19.21	10.46	11.28	0.0700	
2055 Retirement Date Fund	5,510	54,084,820	05-2010	21.72	19.81	10.81	11.46	0.0700	
2060 Retirement Date Fund	6,163	52,086,142	11-2014	21.86	19.86	10.83	11.47	0.0700	
2065 Retirement Date Fund	8,255	49,191,354	09-2019	21.85	19.89	10.83	NA	0.0700	
2070 Retirement Date Fund	3,373	5,899,883	09-2024	21.85	NA	NA	NA	0.0700	
U.S. Large Company Stock Index Fund	2,791	21,689,438	12-1994	17.86	22.99	14.42	14.82	0.0100	
U.S. Small/Mid Company Stock Index Fund	2,330	6,553,764	08-1998	11.60	17.89	6.45	11.15	0.0150	
U.S. All Company Stock Index Fund	2,287	6,387,742	01-2011	17.28	22.19	13.10	14.23	0.0250	
Global Non-U.S. Stock Index Fund	2,268	12,649,553	03-2009	32.90	17.64	8.12	8.73	0.0350	
U.S. Bond Index Fund	1,066	3,334,222	02-1995	7.33	4.67	(0.36)	2.00	0.0125	
U.S. Short-Term Bond Index Fund	943	1,455,356	12-2017	5.33	4.77	1.96	NA	0.0175	
U.S. Treasury Inflation Protected Security Index Fund ^{3/}	1,963	1,366,144	07-2007	7.04	4.24	1.14	NA	0.0125	
Short-Term Investment Fund ^{4/}	1,968	6,563,050	10-1988	4.23	4.81	3.20	2.26	0.0000	
Charles Schwab Self-Directed Brokerage ^{5/}	85	1,959,594	NA	NA	NA	NA	NA	NA	

^{1/}Performance is calculated using time-weighted rate of return.

^{2/}Maximum possible expense that can be charged.

^{3/}There was a break in the return history of the TIPS fund between 2010 and 2017, since there were no participants during that time.

^{4/}Short-Term Investment Fund balance includes \$4.7 million in plan level funds to pay for various expenses.

^{5/}For those in the Self-Directed Brokerage Option (SDB), the asset fee is assessed against the balance in the SDB but the actual deduction is prorated against the core investment options separately. In addition, Empower assesses a \$15.00 quarterly administration fee to participants in the SDB.

The Plan's monthly recordkeeping fee is \$3.00 per participant and is paid by plan employers in the form of an annual per participant charge.

Deferred Compensation Plan Investment Options

December 31, 2025 (unaudited)

Investment Policy

The SERS Board originally adopted the *457(b) Deferred Compensation Plan* (Deferred Compensation Plan) *Investment Policy Statement* (DCP IPS) on July 31, 2019, and most recently amended the policy on December 9, 2025.

The purpose of the DCP IPS is to formalize the board's investment objectives and policies, and to define the duties and responsibilities of the various individuals and entities involved in the investment process.

The purpose of the Deferred Compensation Plan is to provide eligible employees with a convenient and voluntary way to save on a regular and long-term basis and thereby help supplement their retirement income. The objective of the Deferred Compensation Plan is to allow eligible employees to defer a portion of their salary into the plan, promote and maximize capital accumulation, and enable participants to meet their personal retirement investment goals. It is the board's intent to make available an array of low-cost investment options that satisfy the following criteria:

- Each investment option is diversified within itself;
- Each investment option has different risk and return and/or style characteristics; and
- Each investment option, in combination with the other available investment options, contributes to the diversification opportunities of a participant's portfolio.

The board has delegated certain responsibilities related to the effective management of the Deferred Compensation Plan. Various responsibilities are allocated among the board, agency staff, investment consultant, investment managers, custodian/sub-custodian, and the third-party administrator. All persons who act as agents of the board are expected to adhere to the highest standards of professional integrity and honesty. The responsibilities of the Deferred Compensation

Plan's service providers are governed by the applicable service agreements, as well as the DCP IPS.

The board employs an investment staff and investment consultant, which are responsible to the board to review and analyze the current investment climate, and to recommend adjustments with respect to the policy that are appropriate to take optimum advantage of new conditions and strategies as they arise in the market place.

Investment Options

It is the board's intent to offer a broad range of investment options with materially different risk and return characteristics to allow participants, by choosing among such investment options, the opportunity to diversify their balances and construct portfolios consistent with their unique circumstances, goals, time horizons, and tolerance for risk. It is the objective of the board to offer investment options at a reasonable cost in terms of management, custody, other costs, and have investment characteristics that can be successfully communicated to participants. Further, it is the intent of the board to designate names for the investment options that are easily understood by participants. To comply with the DCP IPS, the board offers three tiers of investment options to meet various participant investment objectives. Described below are the various types of investment options. The board selects available investment options and investment managers and adds or removes such options or investment managers at any time in its discretion. The screening process for the initial selection of any investment option or manager will consider attributes relevant to the specific asset class and search objective, as developed by the board with the assistance of SERS-Investment Office staff and in consultation with its external investment consultant, where applicable.

Target Date Fund Investment Options

Target date funds provide a series of asset allocation funds that allow participants to choose a single fund that is based on their expected target retirement date. Each target date fund includes a

INVESTMENT SECTION

Deferred Compensation Plan Investment Options

December 31, 2025 (unaudited)

professionally managed portfolio of underlying investments that may include fixed income, equity and alternative asset classes. BlackRock, the investment manager, adjusts and rebalances the allocation of assets over time to reduce the expected risk as each fund progresses toward its target date. The board recognizes that some participants may fail to make investment choices for their plan account. Therefore, the board believes it is appropriate to designate a target date fund based on the participant's age as the default investment option for any participant who fails to make an investment choice for his or her contributions.

Stable Value Fund Option

The Stable Value Fund option provides exposure to fixed income investments without the return volatility normally associated with bond funds because of an associated insurance wrap provider. Participants receive the quarterly agreed-upon crediting rates regardless of actual investment performance. This investment option is managed by Invesco.

Asset Class Investment Options

Additional investment options that match participants' unique investment goals, investor profile, and risk tolerance are also available. The additional investment options provide a broad exposure to major asset classes including stocks, bonds, and capital preservation investments. The Short-Term Investment Fund is managed by the Commonwealth of Pennsylvania Treasury Department. The other funds are managed by Mellon Investments Corporation.

Self-Directed Brokerage Option

The self-directed brokerage option provides access to a brokerage window for participants who seek greater investment flexibility. This investment option is offered through the Charles Schwab Corporation. Participants investing in this option do so at their own risk. The board is not responsible for the monitoring or evaluation of any self-directed brokerage account investments.

Deferred Compensation Plan Investment Options

December 31, 2025 (unaudited)

Deferred Compensation Plan Investment Options, Returns, and Expenses

Participation, Assets, Performance, and Fund Expense
as of December 31, 2025

Fund Name	Participants	Fund Balance	Inception Date	Estimated Calendar Year, Net-of-Fees Returns ^{1/}					Max Total Investment Fund Expense
				1 Year	3 Year	5 Year	10 Year		
Stable Value Fund	34,660	\$940,232,441	12-2003	3.03%	2.87%	2.40%	2.30%	0.2510 ^{2/}	
Post Retirement Date Fund	4,770	329,697,991	08-2005	12.43	10.20	4.09	5.97	0.0700 ^{3/}	
2030 Retirement Date Fund	2,522	154,049,183	08-2005	14.20	12.50	5.92	7.92	0.0700 ^{3/}	
2035 Retirement Date Fund	3,025	157,797,658	07-2006	16.00	14.37	7.25	8.98	0.0700 ^{3/}	
2040 Retirement Date Fund	2,569	116,731,627	08-2005	17.62	16.16	8.48	9.94	0.0700 ^{3/}	
2045 Retirement Date Fund	2,628	107,094,590	07-2006	19.23	17.85	9.61	10.75	0.0700 ^{3/}	
2050 Retirement Date Fund	2,320	80,585,943	09-2007	20.89	19.21	10.46	11.28	0.0700 ^{3/}	
2055 Retirement Date Fund	1,511	33,744,524	05-2010	21.72	19.81	10.81	11.46	0.0700 ^{3/}	
2060 Retirement Date Fund	987	16,660,318	11-2014	21.86	19.86	10.83	11.47	0.0700 ^{3/}	
2065 Retirement Date Fund	681	9,904,238	09-2019	21.85	19.89	10.83	NA	0.0700 ^{3/}	
2070 Retirement Date Fund	113	1,755,961	09-2024	21.85	NA	NA	NA	0.0700 ^{3/}	
U.S. Large Company Stock Index Fund	37,168	1,876,754,155	12-1994	17.86	22.99	14.42	14.82	0.0100 ^{3/}	
U.S. Small/Mid Company Stock Index Fund	30,782	527,641,252	08-1998	11.60	17.89	6.45	11.15	0.0150 ^{3/}	
Global Non-U.S. Stock Index Fund	23,479	362,293,160	03-2009	32.90	17.64	8.12	8.73	0.0350 ^{3/}	
U.S. Bond Index Fund	19,927	283,253,683	02-1995	7.33	4.67	(0.36)	2.00	0.0125 ^{3/}	
Short-Term Investment Fund ^{4/}	17,521	153,112,123	10-1988	4.23	4.81	3.20	2.26	0.0000	
Charles Schwab Self-Directed Brokerage ^{5/}	3,893	227,586,894	NA	NA	NA	NA	NA	NA	

^{1/}Performance is calculated using time-weighted rate of return.

^{2/}The Stable Value Fund expense will fluctuate very little based on the balance of the fund.

^{3/}Maximum possible expense that can be charged.

^{4/}Short-Term Investment Fund balance includes \$2.0 million in plan level funds to pay for various expenses.

^{5/}For those in the Self-Directed Brokerage Option (SDB), the asset fee is assessed against the balance in the SDB but the actual deduction is prorated against the core investment options separately. In addition, Empower assesses a \$15.00 quarterly administration fee to participants in the SDB.

The Plan's monthly recordkeeping fee is \$3.00 per participant and is paid by participants.

In addition, the Plan charges an admin fee for accounts with a balance greater than \$5,000:

- \$1.00 flat fee per month; plus

- 0.02% of account value annually, to be withheld on a monthly basis, not to exceed \$50.00 annually

Actuarial Section



June 9, 2026

Mr. Joseph A. Torta
Executive Director
State Employees' Retirement System
30 North Third Street - Suite 150
Harrisburg, PA 17101-1716

Dear Mr. Torta:

The purpose of this letter is to certify the actuarial adequacy of the contributions being made by the Commonwealth of Pennsylvania and other participating agencies to the Pennsylvania State Employees' Retirement System (SERS), and to discuss the approach currently being taken toward meeting the financing objectives of the plan. The results provided herein are based upon the December 31, 2025 annual actuarial valuation for funding purposes.

The funding objective of the plan is set forth in the State Employees' Retirement Code (SERC). The annual employer contribution is equal to the sum of the following for the Commonwealth fiscal year beginning July 1, 2026:

- (1) The employer share of the normal cost.
- (2) The fresh start amortization of the December 31, 2009 unfunded liability over a 30-year period beginning July 1, 2010 and ending on June 30, 2040.
- (3) The amortization of the change in liability due to Act 2010-120 (Act 120) over a 30-year period beginning July 1, 2011 and ending on June 30, 2041.
- (4) The amortization of changes in liability due to actual experience differing from assumed experience after December 31, 2009 over 30-year periods beginning with the July following the actuarial funding valuation determining such changes.
- (5) The extra contribution to return Act 2017-5 savings.
- (6) The amortization of legislated benefit changes, including cost-of-living increases, over 10-year periods beginning with the July following the actuarial funding valuation determining such changes. (Note: There are currently no 10-year amortizations being funded.)

The amortization payments are level dollar amounts over the remaining applicable amortization periods. The employer cost is determined as a percent of retirement-covered compensation. The total employer cost is the average contribution amount that needs to be received from the employer groups participating in the system. Some employer groups contribute a higher percent of compensation and others contribute a lower percent of compensation, depending on the benefits payable to each group's employees. The contribution amount is sufficient to cover the normal cost of benefits accruing during the year and interest on the unfunded liability.

The actuarial funding valuation is based on financial and participant data, which is prepared by SERS staff. We rely on that data and ensure that it is reviewed for internal and year-to-year consistency as well as general reasonableness prior to being used in the actuarial funding valuation.

The actuarial valuation uses various economic and demographic assumptions regarding future plan experience. These assumptions were adopted by the State Employees' Retirement Board (the Board) in July of 2025 based upon the recommendations included in the July 2025 report on the twentieth investigation of actuarial experience of SERS, covering the years 2020 through 2024. These changes to both the assumptions were implemented with the December 31, 2025 actuarial valuation. To ensure that the investment return assumption remains up-to-date and appropriate for every actuarial valuation, it is reviewed annually by the SERS actuaries and Board. The Board reduced the annual investment return assumption from 7.000% to 6.875% during its 2022 review for the December 31, 2022 valuations. It maintained the 6.875% assumption during its 2023 through 2025 reviews. We will continue to closely monitor the investment return assumption and will recommend changing it if conditions warrant such change. The actuarial value of assets is developed by recognizing the difference between the expected actuarial value of assets and the market value of assets over a five-year period.

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, replaced the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, effective for financial statements for fiscal years ending on or after June 30, 2014. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaced the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, effective for fiscal years ending on or after June 30, 2015. GASB 67 is designed for financial reporting by pension plans and GASB 68 is designed for financial reporting by entities that participate in pension plans. The objective of both statements is to provide more useful, transparent, and comparable financial information related to pensions. The Financial Section now includes schedules in response to the reporting requirements of GASB Statement No. 67. Although two schedules that were required disclosures under Statement No. 25 were discontinued, namely the "Schedule of Funding Progress" and the "Schedule of Employer Contributions," these schedules remain of interest and, therefore, have been updated to reflect the December 31, 2025 actuarial funding valuation and are included herein.



Mr. Joseph A. Torta
June 9, 2026
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GASB Statement No. 25, although it has been replaced by GASB Statement No. 67, established the Annual Required Contribution (ARC), which was recognized for many years as the minimum annual contribution required by GASB. How a pension plan's actual contributions compare to the ARC is likely to remain of interest despite the fact that GASB has discontinued the ARC. For SERS, the scheduled contributions from July 1, 2005 through June 30, 2015 were below the minimum amount required to meet the GASB No. 25 minimum. Originally this was a result of financing changes implemented by Act 2003-40 in December 2003. Later, this became a consequence of the contribution collars required under Act 2010-120. After June 30, 2015, because employer contributions are being made in accordance with current law, they are exceeding the GASB No. 25 minimum.

The following schedules were prepared from the December 31, 2025 actuarial funding valuation: "Schedules of Active Member Valuation Data", "Solvency Test", "Analysis of Financial Experience", "Schedule of Funding Progress", "Schedule of Contributions Under Previous Reporting Standards", and "History and Projection of Contribution Rates and Funded Ratios".

Based upon the valuation results, it is our opinion that, provided future employer contributions are made in accordance with current law, the Pennsylvania State Employees' Retirement System is, and will continue to be, adequately funded, in accordance with generally accepted actuarial principles and procedures. The current funding policy guarantees that there are sufficient assets to pay benefits when they come due based on current assumptions.

It should be noted that, during June of 2017, Governor Tom Wolf signed into law Act 2017-5. Act 2017-5 fundamentally changed retirement options for most new hires beginning January 1, 2019. This legislation introduced two new hybrid defined benefit (DB)/defined contribution (DC) options and a straight DC option. New classes of service now apply to most State employees who first become SERS members on or after January 1, 2019; however, most hazardous duty employees are exempt from the new plan design.

In April 2020, SERS received an advance payment of \$1,061 million from the Pennsylvania State University (PSU), and in April 2021, SERS received an advance payment of \$825 million from the Pennsylvania State System of Higher Education (PASSHE). The advance payments were part of a funding agreement under Act 2019-105 that reduced PSU's and PASSHE's allocated shares of the unfunded liability and created schedules of setoff amounts that reduce the future contributions due from each. These arrangements accelerated the funding of SERS but are not expected to increase the long-term funded status of SERS since the future contributions from PSU and PASSHE will be reduced by the value of the advance payments.



Mr. Joseph A. Torta
June 9, 2026
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To ensure that the expected benefit of the advance payments is allocated to PSU and PASSHE, the value of the future setoff amounts is added to the unfunded liability to determine the Amortization Liability. The Amortization Liability is used to determine the amortization payments due from all employers, prior to recognizing any setoff amounts. This allows the effect of the advance payments to be allocated only to PSU and PASSHE and have no expected effect on the contributions due from the other employers.

Actuarial Certification

To the best of our knowledge, this report is complete and accurate and all costs and liabilities have been determined on the basis of actuarial assumptions and methods which are reasonable (taking into account the past experience of SERS and reasonable expectations) and which represent our estimate of anticipated experience under the plan. The report, costs, liabilities, assumptions, and methods used for funding purposes are in accordance with the parameters set by Actuarial Standards of Practice.

The actuaries certifying to this valuation meet the Qualification Standards of the American Academy of Actuaries for purposes of issuing Statements of Actuarial Opinion.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Craig R. Graby, EA, FCA, MAAA



Kristopher Seets, FSA, EA, MAAA

CRG/KS:ah

cc. Brian B. Murphy



Summary of Actuarial Assumptions and Methods

December 31, 2025 (unaudited)

The Actuarial Section of SERS' Annual Comprehensive Financial Report presents information on the Defined Benefit Plan, unless noted otherwise. The schedules in this section are reported in accordance with SERS' actuarial funding valuation based on statutory requirements. For funding purposes, actuarial methods are specified by statute while actuarial assumptions are recommended by SERS' actuary and approved by the SERS Board, as trustees of the State Employees' Retirement Fund. The State Employees' Retirement Code (retirement code), legislated by the General Assembly and signed into law by the Governor, establishes funding policy. The retirement code is administered by the SERS Board. The General Assembly, along with the Governor's signing, has the authority to amend the retirement code. The Financial Section, except where noted, is reported in accordance with a separate actuarial accounting valuation based on Governmental Accounting Standards Board (GASB) Statement No. 67.

For funding purposes, a five-year smoothed market value is used as the asset valuation method compared to fair value for financial reporting purposes under GASB 67. As of December 31, 2021, the traditional entry-age cost method was used for both the funding valuation and the accounting valuation. This method calculates employer normal costs based on a blend of all active members in the system in that year. For the December 31, 2020 funding valuation and prior, a statutorily required modified entry-age funding method was used. That method calculated employer normal costs based upon the cost of new hires only.

SERS uses amortization periods of 10 years and 30 years with level payments over closed periods. The current amortization schedules are as follows:

- (1) Act 2010-120 established a fresh start amortization of the December 31, 2009 unfunded liability over a 30-year period beginning July 1, 2010, and ending June 30, 2040.

- (2) The amortization of the change in liability due to Act 2010-120 over a 30-year period beginning July 1, 2011, and ending on June 30, 2041.
- (3) The amortization of changes in liability due to actual experience differing from assumed experience and from changes in assumptions after December 31, 2009, over 30-year periods beginning with the July 1 following the actuarial valuation determining such changes.

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *20th Investigation of Actuarial Experience* study for the period 2020 – 2024 was released and approved by the SERS Board in July 2025.

The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was a slight increase to the net pension liability. The changes in assumptions were effective with the December 31, 2025, valuation.

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments and a desire to provide an opportunity to ensure the assumption remains reasonable with each actuarial valuation.

The resulting actuarial methods and assumptions used for both funding purposes as well as financial reporting purposes include:

- The investment rate of return of 6.875% per year is based on an underlying rate of inflation of 2.5% per year.

ACTUARIAL SECTION

Summary of Actuarial Assumptions and Methods

December 31, 2025 (unaudited)

- For current and future male non-disabled retirees, beneficiaries, and survivors, SERS uses the PubG-2016 Male Retiree Mortality Table, with post-2016 mortality improvement based on Scale MP-2021 for Males. For current and future female non-disabled retirees, beneficiaries, and survivors, SERS uses the PubG-2016 Female Retiree Mortality Table, set forward one year, with post-2016 mortality improvement based on Scale MP-2021 for Females. For current and future male disabled retirees, SERS uses the PubG-2016 Male Disabled Retiree Mortality Table, set forward four years, with post-2016 mortality improvement based on Scale MP-2021 for Males. For current and future female disabled retirees, SERS uses the PubG-2016 Female Disabled Retiree Mortality Table, set forward three years, with post-2016 mortality improvement based on Scale MP-2021 for Females. For all pre-retirement active members, the mortality is determined by SERS' actuaries using actual SERS experience.
- The rates for probability of retirement and the probabilities of withdrawal from active service, including death, before age and service retirements, which are presented in the **Schedules of Active Member Valuation Data**.
- The projected average salary increases of 5.43% with a range of 3.70% to 7.55%. This increase includes an underlying assumption of 2.5% for inflation. The general salary increase and annual rate of salary increase for promotions and longevity is presented in the **Schedules of Active Member Valuation Data**.
- No cost-of-living adjustments were used in the determination of actuarial valuations.

The most recent valuations were based on members of SERS as of December 31, 2025. All census and asset data was supplied by SERS and was subject to reasonable consistency checks. The actuarial computations were prepared by, or under the supervision of, a Member of the American Academy of Actuaries (M.A.A.A.).

ACTUARIAL SECTION

Schedules of Active Member Valuation Data

December 31, 2025 (unaudited)

Withdrawal From Active Employment Before Age and Service Retirement^{1/}

Annual Rate of Active Members Separating Within the Next Year

Sample Age	Male						Female					
	Withdrawal Years of Service				Death	Disability	Withdrawal Years of Service				Death	Disability
	0	5	9	14+			0	5	9	14+		
20	27.00%	NA	NA	NA	0.06%	NA	34.00%	NA	NA	NA	0.03%	NA
25	23.00	8.00%	4.40%	NA	0.06	0.01%	25.20	12.80%	8.50%	NA	0.03	0.01%
30	18.50	8.00	4.40	2.10%	0.07	0.03	21.30	8.10	8.50	2.80%	0.03	0.03
35	18.50	6.10	4.00	2.10	0.08	0.05	18.30	5.80	4.80	2.80	0.04	0.06
40	16.40	4.30	4.00	2.10	0.11	0.07	14.80	5.80	2.80	2.30	0.05	0.11
45	15.70	4.30	2.50	1.30	0.14	0.17	18.80	4.90	3.80	2.30	0.08	0.18
50	17.20	5.00	2.50	1.30	0.20	0.28	15.80	4.90	2.60	2.30	0.11	0.28
55	17.20	4.60	2.40	1.00	0.25	0.37	15.80	4.60	2.00	1.50	0.12	0.35
60	NA	NA	NA	NA	0.29	NA	NA	NA	NA	NA	0.19	NA

Annual Rate of Retirement with Full Benefits (Superannuation)^{1/}

Class A-3 and A-4		Class A-5 and A-6		All Other Membership Classes		
Sample Age	Rate	Sample Age	Rate	Rate		
				Sample Age	Male	Female
55	15.0%	55	15.0%	53	15.0%	20.0%
56	16.0	56	16.0	54-56	15.0	23.0
57	17.0	57	17.0	57-58	20.0	20.0
58	18.0	58	18.0	59-60	25.0	25.0
59	19.0	59	19.0	61-64	19.0	20.0
60	20.0	60	20.0	65-66	26.0	26.0
61	20.0	61	20.0	67	23.0	26.0
62	25.0	62	25.0	68-70	22.0	21.0
63	20.0	63	20.0	70-74	20.0	20.0
64	20.0	64	20.0	75-77	15.0	15.0
65	25.0	65	25.0	78	15.0	25.0
66-79	15.0	66-79	15.0	79	25.0	25.0
80	100.0	80	100.0	80	100.0	100.0

^{1/}The assumptions presented in the above tables were based on a review of SERS experience from 2020 - 2024. The rates are the probabilities that an event will occur in the year after the valuation and are all assumed to occur at the beginning of the year. For instance, the male retirement rate of 25% at age 60 means that 250 of every 1,000 male employees age 60 and eligible for full benefits are expected to retire the day after the date of valuation.

ACTUARIAL SECTION

Schedules of Active Member Valuation Data

December 31, 2025 (unaudited)

Annual Rate of Salary Increase^{1/, 2/}

Completed Years of Service	Career Salary Increase	Completed Years of Service	Career Salary Increase
1	4.75%	16	1.90%
2	4.50	17	1.90
3	4.00	18	1.90
4	3.75	19	1.90
5	3.35	20	1.90
6	3.15	21	1.85
7	2.90	22	1.75
8	2.80	23	1.70
9	2.70	24	1.60
10	2.40	25	1.50
11	2.35	26	1.30
12	2.20	27	1.10
13	2.10	28	0.95
14	2.05	29	0.95
15	1.95	30+	0.90

^{1/}The assumptions presented in the table above were based on a review of SERS experience from 2020 - 2024.

^{2/}In addition, it is assumed that salaries will increase by 2.8% per year, which includes inflation. The table above does not include that general salary increase. It is assumed that only the general salary increase is applicable to classes D and E (and newer Classes that now cover Legislator and Judges).

Reduced Benefits^{4/}

Class A-3 and A-4		Class A-5 and A-6		All Other Membership Classes				
10 or More Years of Service				5 - 14 Years of Service		15 or More Years of Service		
Sample Age	Rate	Sample Age	Rate	Sample Age	Male	Female	Male	Female
35	1.0%	35	1.0%	25	0.6%	1.0%	NA	NA
40	1.0	40	1.0	30	1.1	1.5	NA	NA
45	1.0	45	1.0	35	0.8	1.3	0.9%	1.4%
50	1.5	50	1.5	40	0.9	1.3	0.7	1.0
55	3.0	55	3.0	45	0.7	1.0	0.7	1.0
60	3.0	60	3.0	50	0.8	1.4	1.2	1.7
61	6.0	61	6.0	55	1.8	2.3	4.0	3.8
62	15.0	62	15.0					
63	10.0	63	10.0					
64	15.0	64	15.0					
65	NA	65	15.0					
		66	20.0					
		67	NA					

^{4/}The assumptions presented in the above tables were based on a review of SERS experience from 2020 - 2024.

ACTUARIAL SECTION

Schedules of Active Member Valuation Data

December 31, 2025 (unaudited)

Active Members by Age and Years of Service - Male

Age Group	Years of Service							Total	Average Salary
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+		
< 20	108	NA	NA	NA	NA	NA	NA	108	\$43,656
20 - 24	2,088	15	NA	NA	NA	NA	NA	2,103	47,760
25 - 29	3,550	636	5	NA	NA	NA	NA	4,191	57,903
30 - 34	2,607	2,456	570	4	NA	NA	NA	5,637	70,111
35 - 39	2,226	2,040	2,360	525	11	NA	NA	7,162	77,672
40 - 44	1,668	1,447	1,686	2,074	668	9	NA	7,552	84,021
45 - 49	1,541	1,077	1,240	1,481	1,710	465	6	7,520	87,085
50 - 54	1,316	990	1,027	1,171	1,324	943	283	7,054	87,647
55 - 59	1,295	891	932	1,067	1,105	922	953	7,165	86,766
60 - 64	879	755	786	759	615	366	497	4,657	82,715
65+	749	509	522	461	363	194	315	3,113	82,098
Total	18,027	10,816	9,128	7,542	5,796	2,899	2,054	56,262	\$79,440

Average Age: 45.44

Average Service: 11.36

Active Members by Age and Years of Service - Female

Age Group	Years of Service							Total	Average Salary
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+		
< 20	34	NA	NA	NA	NA	NA	NA	34	\$40,121
20 - 24	1,099	3	NA	NA	NA	NA	NA	1,102	43,192
25 - 29	2,392	280	3	NA	NA	NA	NA	2,675	52,605
30 - 34	2,124	1,265	319	1	NA	NA	NA	3,709	59,708
35 - 39	2,072	1,341	1,187	308	17	NA	NA	4,925	65,847
40 - 44	1,938	1,266	1,132	1,128	400	28	NA	5,892	70,459
45 - 49	1,812	1,169	1,021	977	1,090	329	17	6,415	74,185
50 - 54	1,482	997	916	917	872	630	295	6,109	75,122
55 - 59	1,319	926	929	952	946	612	662	6,346	75,275
60 - 64	775	739	733	769	511	314	343	4,184	72,278
65+	403	386	437	444	283	163	224	2,340	75,337
Total	15,450	8,372	6,677	5,496	4,119	2,076	1,541	43,731	\$69,557

Average Age: 46.78

Average Service: 10.82

ACTUARIAL SECTION

Schedules of Active Member Valuation Data

December 31, 2025 (unaudited)

Aggregate Active Member Valuation Data

Valuation Year Ended Dec 31	Number of Employers ^{1/}	Number of Active Members	Covered-Employee Payroll	Annual Average Pay	% Increase/(Decrease) in Average Pay
2025	96	99,993	\$7,511,274,000	\$75,118	3.4%
2024	97	100,131	7,271,713,000	72,622	3.9
2023	98	98,115	6,855,295,000	69,870	2.9
2022	101	96,395	6,547,630,000	67,925	4.1
2021	101	97,857	6,383,604,000	65,234	2.2
2020	102	100,962	6,441,578,000	63,802	3.7
2019	102	102,850	6,328,566,000	61,532	2.6
2018	102	103,007	6,178,000,000	59,984	3.2
2017	102	102,978	5,984,000,000	58,113	2.9
2016	103	104,632	5,912,000,000	56,499	(0.6)

^{1/}The membership includes several employers, and the commonwealth is classified as its largest employer. The commonwealth consists of numerous agencies, and the reported number of employers is the result of when everything is evaluated separately.

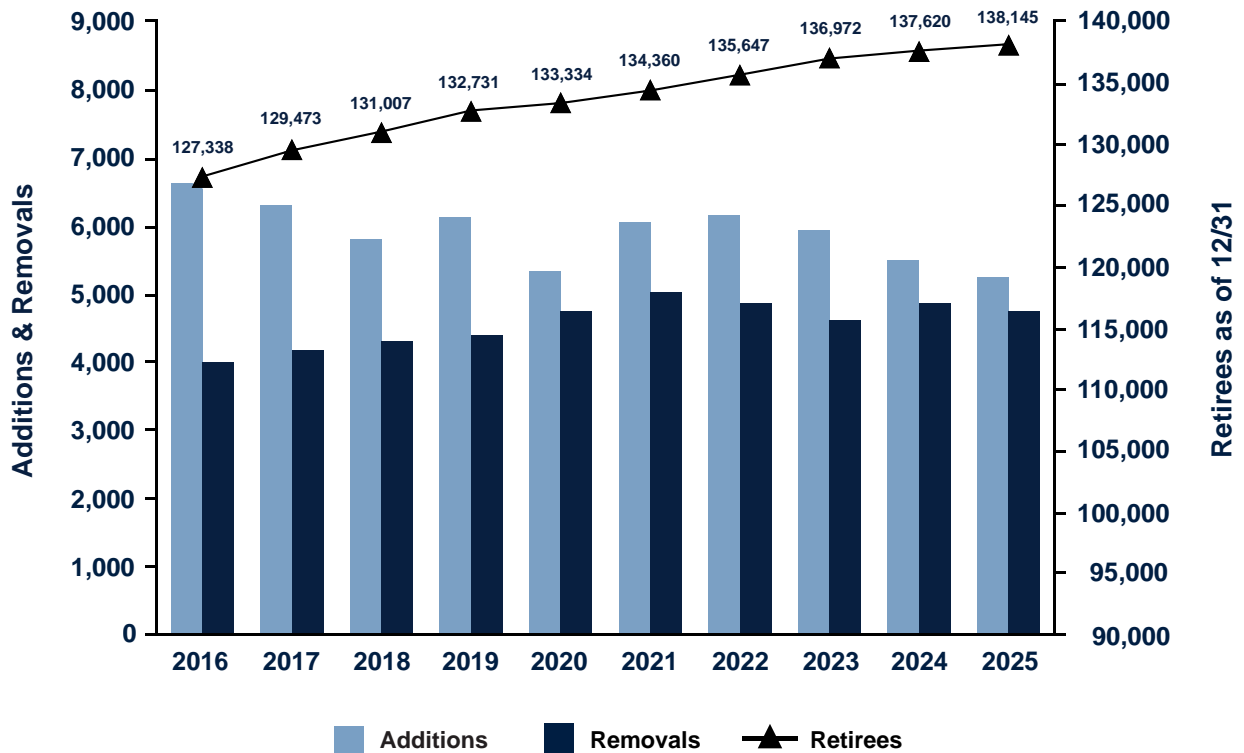
Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

December 31, 2025 (unaudited)

Retirees and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percentage Change	
	No.	Allowances	No.	Allowances	No.	Allowances ^{1/}	No.	Allowances
2025	5,277	\$174,748,833	4,752	\$92,405,964	138,145	\$3,676,195,894	0.4%	2.3%
2024	5,533	188,881,077	4,885	92,537,415	137,620	3,594,594,930	0.5	2.7
2023	5,951	192,261,922	4,626	86,372,653	136,972	3,498,832,326	1.0	3.1
2022	6,180	190,728,048	4,893	90,271,430	135,647	3,393,469,966	1.0	3.0
2021	6,085	194,538,188	5,059	91,133,818	134,360	3,293,477,182	0.8	3.2
2020	5,363	161,626,682	4,760	79,668,921	133,334	3,190,566,922	0.5	2.6
2019	6,132	176,664,651	4,408	72,004,815	132,731	3,108,945,258	1.3	3.5
2018	5,847	166,594,854	4,313	70,862,628	131,007	3,004,855,159	1.2	3.3
2017	6,338	178,317,205	4,203	63,576,892	129,473	2,909,267,596	1.7	4.1
2016	6,658	191,327,122	4,009	60,165,549	127,338	2,794,984,868	2.1	4.9

^{1/}Calculated by multiplying monthly benefit for December 31 by 12 to arrive at an annual amount.



ACTUARIAL SECTION

Solvency Test

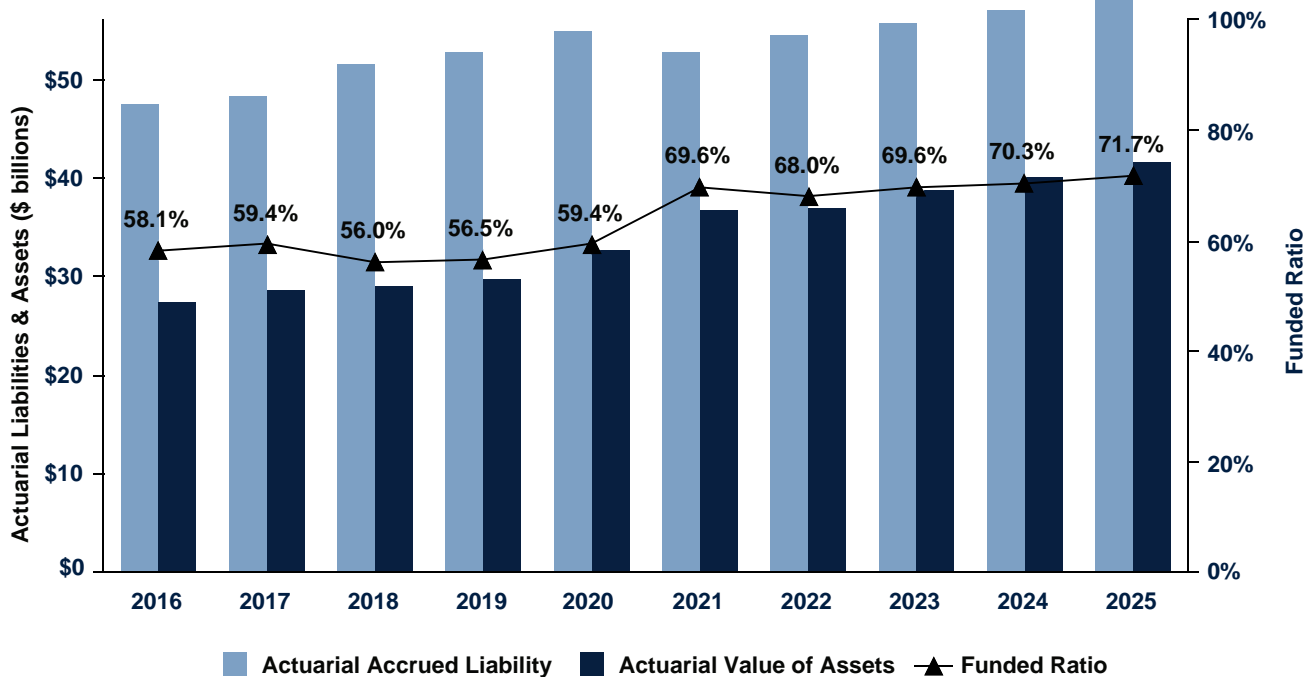
December 31, 2025 (unaudited)

Fund Solvency^{1/}

(\$ thousands)

Valuation Year Ended Dec 31	Actuarial Accrued Liabilities For			Total Actuarial Liability (AAL)	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets			Funded Ratio
	(1)	(2)	(3)			(1)	(2)	(3)	
	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)			(1)	(2)	(3)	
2025	\$5,932,839	\$35,591,749	\$16,582,736	\$58,107,324	\$41,663,905	100.0%	100.0%	0.8%	71.7%
2024	5,744,448	35,484,704	15,852,084	57,081,236	40,106,953	100.0	96.8	0.0	70.3
2023	5,583,794	34,724,773	15,469,102	55,777,669	38,793,394	100.0	95.6	0.0	69.6
2022	5,456,160	33,847,728	15,309,899	54,613,787	37,124,677	100.0	93.6	0.0	68.0
2021	5,414,329	32,664,861	14,847,656	52,926,846	36,846,611	100.0	96.2	0.0	69.6
2020	5,327,815	31,754,551	18,016,392	55,098,758	32,703,275	100.0	86.2	0.0	59.4
2019	5,183,195	29,651,542	18,137,838	52,972,575	29,934,024	100.0	83.5	0.0	56.5
2018	5,074,760	28,558,283	18,149,162	51,782,205	28,989,607	100.0	83.7	0.0	56.0
2017	4,965,765	27,798,045	15,675,593	48,439,403	28,776,939	100.0	85.7	0.0	59.4
2016	4,869,229	26,824,306	15,825,429	47,518,964	27,596,048	100.0	84.7	0.0	58.1

^{1/}Based on statutory funding requirements.



Analysis of Financial Experience

December 31, 2025 (unaudited)

Gains and Losses in Accrued Liabilities^{1/}

Resulting from Differences Between Assumed Experience and Actual Experience

(\$ thousands)

Type of Activity	2025	2024	2023	2022
Gain/(loss) from investment earnings ^{2/}	\$189,646	\$26,176	\$460,684	(\$572,026)
Pay increases different than assumptions	(87,919)	(425,860)	(316,037)	(352,661)
Differences between actual and expected demographic experience	117,660	(88,748)	(102,305)	(238,357)
Gain/(loss) during year from financial experience	219,387	(488,432)	42,342	(1,163,044)
Non-recurring items				
Experience study changes	(222,394)	—	—	—
Changes in economic assumptions ^{3/}	—	—	—	(671,544)
Composite gain/(loss)	(\$3,007)	(\$488,432)	\$42,342	(\$1,834,588)

^{1/}Based on statutory funding requirements.

^{2/}Net gains and losses from returns different than the assumed rate of return that are amortized over a five-year period.

^{3/}2022 change primarily due to a reduction in the annual investment return to 6.875% from 7.0%, which was approved by SERS Board at its June 10, 2022 meeting.

ACTUARIAL SECTION

Schedule of Funding Progress

December 31, 2025 (unaudited)

Funding Progress^{1/}

(\$ thousands)

Actuarial Valuation Year Ended December 31	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Ratio of Assets to AAL	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2025	\$41,663,905	\$58,107,324	71.7%	\$16,443,419	\$7,511,274	218.9%
2024	40,106,953	57,081,236	70.3	16,974,283	7,271,713	233.4
2023	38,793,394	55,777,669	69.6	16,984,275	6,855,295	247.8
2022	37,124,677	54,613,787	68.0	17,489,110	6,547,630	267.1
2021	36,846,611	52,926,846	69.6	16,080,235	6,383,604	251.9
2020	32,703,275	55,098,758	59.4	22,395,483	6,441,578	347.7
2019	29,934,024	52,972,575	56.5	23,038,551	6,328,566	364.0
2018	28,989,607	51,782,205	56.0	22,792,598	6,178,772	368.9
2017	28,776,939	48,439,403	59.4	19,662,464	5,984,361	328.6
2016	27,596,048	47,518,964	58.1	19,922,916	5,911,603	337.0

^{1/}Based on statutory funding requirements.

Note: A history of actuarially determined contributions (ADC), the ADC compared to the actual contributions paid, including the deficiency or (excess), for each of the last 10 years, is shown in the Schedule of Employer Contributions, found in the Required Supplementary Information (RSI) of the Financial Section.

Schedule of Contributions Under Previous Reporting Standards

December 31, 2025 (unaudited)

Contributions Under Previous Reporting Standards^{1/, 2/}

Annual Required Contributions Using GASB 25

(\$ thousands)

Actuarial Valuation Year Ended December 31	Annual Required Contribution (ARC)	Actual Contribution	Actual Contribution as a Percentage of ARC
2025	\$2,310,407	\$2,310,407	100.0%
2024	2,304,367	2,304,367	100.0
2023	2,188,125	2,188,125	100.0
2022	2,066,132	2,066,132	100.0
2021	2,078,951	2,858,088 ^{3/}	137.5
2020	2,164,144	3,174,854 ^{4/}	146.7
2019	2,106,138	2,106,138	100.0
2018	2,040,434	2,040,434	100.0
2017	1,883,541	1,883,541	100.0
2016	1,613,626	1,613,626	100.0

^{1/}The ARC is calculated as part of SERS funding valuation using GASB 25 requirements. Starting in 2014 GASB 25 was superseded by GASB 67 for accounting purposes. GASB 67 replaces the ARC with an actuarially determined contribution (ADC). While no longer applicable to 2014 and subsequent years, this disclosure is being provided for informational purposes.

^{2/}ARC excludes multiple service transfers made to SERS. These transfers are included as contributions on the Statements of Changes in Fiduciary Net Position.

^{3/}Includes a one-time lump sum payment from the Pennsylvania State System of Higher Education, less credits utilized during the year.

^{4/}Includes a one-time lump sum payment from Penn State University, less credits utilized during the year.

For developing the ARC, GASB 25 established a range of actuarial cost and amortization methods for the unfunded actuarial accrued liability. The scheduled contributions for the years shown above have been below the amount required to meet the GASB minimum under previous standards.

Underfunding of the ARC in 2015 was the result of significant provisions of Act 2010-120, which capped increases in the employer contribution rate. The capped contribution rate during that year was below the respective year’s ARC contribution rate.

ACTUARIAL SECTION

History and Projection of Contribution Rates and Funded Ratios

December 31, 2025 (unaudited)

Contribution Rates and Funded Ratios^{1/}

(\$ thousands)

For FY Beginning July 1 Following Valuation Year^{2/}

Valuation Year Ended Dec 31	Funding Payroll	Member Contribution Rate ^{3/}	Employer Normal Cost Rate	Unfunded Liability Rate	Preliminary Employer Contribution Rate ^{4/}	Final Employer Contribution Rate	Funded Ratio
2016 ^{5/}	\$6,187,427	6.25%	4.91%	28.31%	33.22%	33.22%	58.1%
2017 ^{6/}	6,265,071	6.25	4.88	28.02	32.90	32.90	59.4
2018	6,469,401	6.25	1.25	32.28	33.53	33.53	56.0
2019 ^{7/}	6,657,541	6.25	1.67	31.78	33.45	33.45	56.5
2020 ^{8/}	6,700,320	6.25	1.50	32.26	33.76	33.76	59.4
2021 ^{9/}	6,649,292	6.25	8.32	25.78	34.10	34.10	69.6
2022	6,832,806	6.18	8.29	26.98	35.27	35.27	68.0
2023	7,168,727	6.09	7.94	25.66	33.60	33.60	69.6
2024	7,615,319	6.17	7.65	24.69	32.34	32.34	70.3
2025	7,813,245	6.07	8.32	24.04	32.36	32.36	71.7
2026 ^{10/}	8,069,944	6.03	8.11	23.86	31.97	31.97	72.1
2027	8,331,283	5.98	7.89	22.07	29.96	29.96	75.4
2028	8,598,883	5.94	7.69	20.65	28.34	28.34	78.1
2029	8,874,700	5.91	7.50	19.46	26.96	26.96	80.4
2030	9,158,729	5.87	7.33	18.78	26.11	26.11	82.0
2031	9,449,089	5.84	7.18	18.22	25.40	25.40	83.6
2032	9,746,421	5.80	7.04	17.75	24.79	24.79	85.1
2033	10,050,402	5.77	6.91	17.30	24.21	24.21	86.8
2034	10,359,189	5.75	6.80	16.84	23.64	23.64	88.5
2035	10,673,630	5.72	6.69	16.41	23.10	23.10	90.2

^{1/}Except as noted, the projection of contribution rates is based on the assumption that there are no changes in SERS statutory funding methodology, no changes in demographics or economic assumptions, no changes in benefit provisions, and no actuarial gains or losses on the actuarial value of assets that result from recognizing currently deferred gains or losses on the fair value of assets. All information on this page is based on statutory funding requirements.

^{2/}Rates and values are for the fiscal year beginning July 1 following the valuation year and do not include Benefits Completion Plan contributions.

^{3/}Prior to December 31, 2022, 6.25% was for Class AA and A-3 employees since they comprised most of SERS membership. Beginning with December 31, 2022, the expected fiscal year rate represents a blend of the membership since employee contributions for non-exempt new hires have a lower contribution rate.

^{4/}Actuarial rate before floor and collar.

^{5/}Act 2010-120 amended the Retirement Code to place a collar on increases to employer contribution rates starting July 1, 2011. A 4.50% collar was in place for fiscal year beginning July 1, 2013, and continued onward until the collar was deemed unnecessary.

^{6/}Act 2010-120 amended the Retirement Code to place a permanent floor at employer normal cost after collars expire.

^{7/}Act 2017-5 amended the Retirement Code to add two hybrid Defined Benefits (DB)/Defined Contributions (DC) plans and a DC-only plan effective January 1, 2019.

^{8/}The Penn State \$1.061 billion one-time lump sum payment immediately reduced the total SERS unfunded liability and increased the funded ratio.

^{9/}Act 2017-5 amended the Retirement Code to change the funding method to Traditional Entry Age. The funding method change along with the PASSHE \$825 million one-time lump sum payment immediately reduced the total SERS unfunded liability and increased the funded ratio.

^{10/}Numbers are projected from 2026 – 2035 based on 2025 actuarial funding valuation.

Summary of Plan Provisions

December 31, 2025 (unaudited)

Benefit and Contribution Provisions

SERS makes provisions for retirement, disability, and death benefits for all state employees, except for those specifically excluded under section 5301 of the State Employees' Retirement Code, and certain other eligible groups. The major provisions may be summarized as follows:

Eligible Employees

Class A

All regular state employees, employees of certain commissions and authorities, employees of state-owned educational institutions, and the Pennsylvania State University (unless such employees have joined the Public School Employees' Retirement System (PSERS), TIAA, or Alternative Retirement Program (ARP)) hired before July 1, 2001, who did not elect into the class AA membership as of December 31, 2001. This excludes judges and Magisterial District Judges who have elected class E-1 or class E-2.

Class AA

All regular state employees who are hired after June 30, 2001, and before January 1, 2011, and former class A state employees hired before July 1, 2001, who elected into class AA as of December 31, 2001. This includes employees of certain commissions and authorities, employees of state-owned educational institutions, and the Pennsylvania State University (unless such employees have joined PSERS, TIAA, or ARP), but excludes state police troopers, judges, Magisterial District Judges, and legislators with class D-4.

Class A-3

All regular state employees who enter SERS membership for the first time on or after January 1, 2011 and before January 1, 2019, and all legislators who became members on or after December 1, 2010; Capitol police and park rangers who became members starting July 1, 2011; and state police officers who became members starting July 1, 2012, provided the member did not elect membership in the optional A-4 class within 45 days of becoming a member.

Starting January 1, 2019, class A-3 is only offered to state employees in exempt positions.

Class A-4

All members who would be class A-3 but elected A-4 within 45 days of becoming a member.

Class A-5

All regular state employees who enter SERS membership for the first time on or after January 1, 2019, and SERS members hired before January 1, 2019, who were given a one-time, irrevocable option to elect class A-5 as of April 1, 2019, starting July 1, 2019, while retaining prior class up to July 1, 2019, including members of the General Assembly, judges, and Magisterial District Judges.

Class A-6

All members who would be class A-5 but elected A-6 within 45 days of becoming a member, and SERS members hired before January 1, 2019, who were given a one-time, irrevocable option to elect class A-6 as of April 1, 2019, starting July 1, 2019, while retaining prior class up to July 1, 2019.

Defined Contribution-Only Plan

All members who would be class A-5 but elected the defined contribution-only plan within 45 days of becoming a member, and SERS members hired before January 1, 2019, who were given a one-time, irrevocable option to elect defined contribution-only plan as of April 1, 2019, starting July 1, 2019, while retaining prior class up to July 1, 2019. Those members choosing the defined contribution-only plan are not eligible for a benefit from the Defined Benefit Plan; but retire with their contributions, employer contributions if vested with three eligibility points, and any investment earnings on those contributions less investment expenses and fees, however SERS members hired before January 1, 2019, who elected defined contribution-only plan as of April 1, 2019, starting July 1, 2019, still retained their eligibility for a benefit from the Defined Benefit Plan for service up to July 1, 2019.

ACTUARIAL SECTION

Summary of Plan Provisions

December 31, 2025 (unaudited)

Class D-4

Legislators coming into service after June 30, 2001, and before December 1, 2010, who elect to be SERS members and legislators who elected class D-4 before July 1, 2001.

Class E-1

Judges who elect class E-1.

Class E-2

Magisterial District Judges who elect class E-2.

Age and Service Requirements for Superannuation (Normal Retirement) in Defined Benefit Plan

(Full Formula Benefit)

Class AA/A

Age 60 with three years of service; except for members of the General Assembly, enforcement officers, correction officers, psychiatric security aides, and officers of the Delaware River Port Authority for whom the requirement is age 50 with three years of service. Members of class AA/A with 35 years of credited service are entitled to full formula benefits regardless of age. State police officers can retire on full benefits after age 50 or with 20 years of service. Capitol police and park rangers can retire on full benefits at age 50 with 20 years of Capitol police or park ranger service.

Class A-3/A-4

Age 65 for most members with three years of service, and age 55, with three years of service, for members of the General Assembly, enforcement officers, correction officers, psychiatric security aides, Delaware River Port Authority police officers, and officers of the Pennsylvania State Police. Capitol police officers and park rangers can retire on full benefits at age 55 with 20 or more years of credited service in the classification. Members of class A-3/A-4 are eligible for full formula benefits with 35 years of credited service with a superannuation score of 92.

Class A-5/A-6

Age 67, with three years of service; or eligible for full formula benefits with 35 years of credited service with a superannuation score of 97.

Class D-4

Age 50, with three years of service.

Class E-1

Age 60, with three years of service; or 35 or more years of credited service, regardless of age.

Class E-2

Age 60, with three years of service; or 35 or more years of credited service, regardless of age.

Formula for Superannuation (Normal) Annuity in Defined Benefit Plan

The maximum single-life annuity for most members is 2% of the highest three-year average salary of the member multiplied by years and fractions of credited service multiplied by the multiplier of the class of membership. For A-5 and A-6 members the maximum single-life annuity is 2% of an average of the highest five calendar years of the member multiplied by years and fractions of credited service multiplied by the multiplier of the class of membership.

The annuity paid to a member shall not exceed the member's highest salary during any period of 12 consecutive months of creditable service.

Summary of Plan Provisions

December 31, 2025 (unaudited)

The Defined Benefit Plan multiplier for each of the major classes are as follows:

Defined Benefit Plan Multiplier for Major Classes

Class	Multiplier	Description
A ^{1/}	1.00	
AA	1.25	
A-3 ^{1/}	1.00	
A-4 ^{1/}	1.25	
A-5	0.625	
A-6	0.50	
D-4	1.50	
E-1	2.00	For each of the first 10 years of judicial service dropping to 1.5 for each subsequent year of judicial service.
E-2	1.50	For each year of judicial service.

^{1/} For state police with 20 – 24.99 years of service, the benefit is 50% of the highest annual salary; with 25 or more years of service, the benefit is 75% of the highest annual salary.

NOTE: There are conditions under which long-service members or members retiring at advanced ages may receive somewhat larger benefits than those described above. Further, benefit limitations exist for most members of SERS.

Statistical Section

The Statistical Section of SERS' Annual Comprehensive Financial Report presents detailed information related to the financial statements, as well as highlights of actuarial valuations. The Statistical Section presents information on the Defined Benefit Plan as well as select information for the Defined Contribution Plan and Deferred Compensation Plan. The schedules in this section are classified into the following four categories: financial trends, revenue capacity, demographic and economic information, and operating information.

Financial Trends

The **Schedule of Trend Data** provides key financial, actuarial, and demographic data for 10 years ended December 31, 2025. This data includes items such as employer and member contribution rates; contributions received and benefits paid by SERS; values of assets and liabilities; and the number of annuitants, beneficiaries, and active members.

The **Schedule of Additions to Fiduciary Net Position** presents the member/participant and employer contributions, net investment income/loss, and other additions.

The **Schedule of Deductions from Fiduciary Net Position** presents the benefits, refunds of contributions, distributions, and administrative expenses.

The **Schedule of Benefit and Refund Deductions from Fiduciary Net Position by Type** presents the amount of benefit payments and refunds by type for the 10 years ended December 31, 2025. Most Defined Benefit Plan benefit types are either normal or early, which is determined by the number of years of service and/or age at retirement.

The **Schedule of Total Changes in Fiduciary Net Position** combines the additions to and deductions from fiduciary net position from the Schedule of Additions to Fiduciary Net Position and Schedule of Deductions from Fiduciary Net Position

to arrive at net increase/decrease of changes in fiduciary net position.

Revenue Capacity

The **Schedule of Investment Income** presents the details of the total net investment income/loss for the 10 years ended December 31, 2025. The Defined Benefit Plan has two external sources of revenue and one own-source (internal) of revenue. Employer contributions and member contributions, which information is provided for in the Schedule of Additions to Fiduciary Net Position, are the two external sources of revenue, and investment income is SERS own-source revenue. Since investment income/loss has the greatest impact to SERS, this schedule provides more detail on the major components of the investment income/loss, which is also disclosed in total on the Schedule of Additions to Fiduciary Net Position.

Demographic and Economic Information

The **Schedule of Active Member Statistics** provides the total number of active members, as well as the average age, average service, and average salary by gender for the 10 years ended December 31, 2025.

Operating Information

The **Schedule of Retired Members by Type of Benefit** presents, for given benefit ranges, the total number of retirees, total monthly benefits, and total number of retirees by retirement type as of December 31, 2025.

The **Schedule of Retired Members by Option** presents, for given benefit ranges, the total number of retirees, total monthly benefits, and total number of retirees by retirement option as of December 31, 2025.

The **Schedule of Average Monthly Benefit Payments** presents, in five-year increments of credited service, the average monthly benefit, average final average salary, and number of retired members for the 10 years ended December 31, 2025.

STATISTICAL SECTION

Statistical Section Narrative

December 31, 2025 (unaudited)

The **Schedule of Average Annual Benefit Payments** presents, in five-year age increments and by gender, the average annual benefit for each major retirement type as of December 31, 2025.

The **Schedule of Employer/Agency Participation** provides the number of covered members and the corresponding percentage of participation for the five largest employers/

agencies for the Defined Benefit Plan, as well as a complete listing of participating employers/agencies as of December 31, 2025.

Sources: Unless otherwise noted, the information for these schedules is derived from the Financial Section and Actuarial Section of the Annual Comprehensive Financial Report for the relevant year.

Schedule of Trend Data
December 31, 2025 (unaudited)

Defined Benefit Plan Trend Data^{1/}

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Year-End Contribution Rates										
Employer ^{2/3/4/}	32.38%	33.65%	35.32%	34.16%	33.81%	33.48%	33.59%	32.93%	33.24%	29.51% ^{7/}
Member	5.99%	5.95%	5.98%	6.05%	6.09%	4.96%	4.95% ^{8/}	6.25%	6.25%	6.25%
Contributions										
Employer ^{2/}	\$2,320,018	\$2,316,106	\$2,198,430	\$2,074,999	\$2,871,253	\$3,186,445	\$2,114,882	\$2,048,594	\$1,897,404	\$1,622,123
Member	\$466,956	\$452,051	\$427,368	\$418,589	\$405,138	\$409,637	\$404,769	\$393,925	\$383,359	\$374,570
Average Annual Compensation	\$75,118	\$72,622	\$69,870	\$67,925	\$65,234	\$63,802	\$61,532	\$59,984	\$58,113	\$56,499
Fiduciary Net Position (FNP)	\$42,610,475	\$38,657,524	\$36,424,927	\$33,607,207	\$40,231,015	\$35,027,730	\$31,096,319	\$26,936,990	\$29,405,042 ^{9/}	\$26,387,889
Total Pension Liability (TPL) ^{5/}	\$58,110,848	\$57,084,414	\$55,780,367	\$54,622,092	\$52,936,505	\$52,253,754	\$49,274,314	\$47,768,011	\$46,696,751	\$45,648,214
FNP as % of TPL ^{5/}	73.3%	67.7%	65.3%	61.5%	76.0%	67.0%	63.1%	56.4%	63.0%	57.8%
Net Pension Liability ^{5/}	\$15,500,373	\$18,426,890	\$19,355,440	\$21,014,885	\$12,705,490	\$17,226,024	\$18,177,995	\$20,831,021	\$17,291,709	\$19,260,325
Actuarial Value of Assets ^{4/}	\$41,663,905	\$40,106,953	\$38,793,394	\$37,124,677	\$36,846,611	\$32,703,275	\$29,934,024	\$28,989,607	\$28,776,939	\$27,596,048
Actuarial Accrued Liability ^{4/}	\$58,107,324	\$57,081,236	\$55,777,669	\$54,613,787	\$52,926,846	\$55,098,758	\$52,972,575	\$51,782,205	\$48,439,403	\$47,518,964
Funded Ratio ^{4/}	71.7%	70.3%	69.6%	68.0%	69.6%	59.4%	56.5%	56.0%	59.4%	58.1%
Total Benefits and Refunds	\$4,061,650	\$4,004,766	\$3,910,778	\$3,885,026	\$3,731,143	\$3,556,728	\$3,512,671	\$3,394,636	\$3,303,543	\$3,227,548
Average Pension ^{6/}	\$33,264	\$32,669	\$31,944	\$31,331	\$30,712	\$30,050	\$29,440	\$28,880	\$28,352	\$27,722
Annuity and Beneficiaries	138,145	137,620	136,972	135,647	134,360	133,334	132,731	131,007	129,473	127,338
Active Members	99,993	100,131	98,115	96,395	97,857	100,962	102,850	103,007	102,978	104,632

^{1/}All dollar amounts are in thousands, except Average Annual Compensation and Average Pension.

^{2/}Includes Benefits Completion Plan contribution.

^{3/}Employer rate represents total contributions as a percent of covered payroll at December 31.

^{4/}Based on actuarial valuation for funding purposes as required by statute.

^{5/}Based on actuarial valuation for financial purposes as required by Governmental Accounting Standards Board (GASB) Statement No. 67.

^{6/}Represents average annual pension only for members who have reached superannuation through age or service credits.

^{7/}Act 2010-120 set collars on the increase of the employer contribution rate at 3.5% effective July 1, 2012 and 4.5% every year thereafter until no longer needed.

^{8/}Act 2017-5 established a new side-by-side hybrid defined benefit/defined contribution benefit option and a new DC-only option to all state employees, excluding most hazardous duty employees. This reduced the member contribution rate.

^{9/}In 2017, fiduciary net position excluded OPEB adjustment by GASB 75.

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

Schedule of Additions to Fiduciary Net Position

December 31, 2025 (unaudited)

Defined Benefit Plan Additions to Fiduciary Net Position

(\$ thousands)

Year Ended	Member Contributions	Employer Contributions		Net Investment Income/(Loss)	Total
		Dollar Amount	% of Covered-Employee Payroll ^{1/}		
2025	\$466,956	\$2,320,018	30.9%	\$5,259,516	\$8,046,490
2024	452,051	2,316,106	31.9	3,504,798	6,272,955
2023	427,368	2,198,430	32.1	4,126,858	6,752,656
2022	418,589	2,074,999	31.7	(5,213,344)	(2,719,756)
2021	405,138	2,871,253	45.0	5,682,480	8,958,871
2020	409,637	3,186,445	49.5	3,919,279	7,515,361
2019	404,769	2,114,882	33.4	5,175,624	7,695,275
2018	393,925	2,048,594	33.2	(1,442,291)	1,000,228
2017	383,359	1,897,404	31.7	4,066,055	6,346,818
2016	374,570	1,622,123	27.4	1,586,853	3,583,546

^{1/}Calculated by dividing employer contributions by total annualized compensation (covered-employee payroll) provided by actuary.

Defined Contribution Plan Additions to Fiduciary Net Position^{1/}

(\$ thousands)

Year Ended	Participant Contributions	Employer Contributions	Annual Employer Charge/Commonwealth Funding	Net Investment Income/(Loss)	Total
2025	\$68,903	\$38,745	\$1,820	\$65,590	\$175,058
2024	55,260	31,820	2,309	29,859	119,248
2023	42,902	23,458	1,696	25,138	93,194
2022	31,372	16,750	1,288	(14,025)	35,385
2021	22,533	11,440	1,696	7,470	43,139
2020	14,799	7,733	4,556	4,971	32,059
2019	6,124	2,836	3,852	673	13,485

^{1/}Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Deferred Compensation Plan Additions to Fiduciary Net Position

(\$ thousands)

Year Ended	Participant Contributions	Net Investment Income/(Loss)	Total
2025	\$258,638	\$692,476	\$951,114
2024	242,006	592,146	834,152
2023	225,307	628,334	853,641
2022	231,809	(728,874)	(497,065)
2021	238,085	499,544	737,629
2020	217,809	519,089	736,898
2019	217,767	616,135	833,902
2018	207,696	(114,191)	93,505
2017	198,449	370,281	568,730
2016	201,813	188,633	390,446

Source: Pennsylvania State Employees' Retirement System

Schedule of Deductions from Fiduciary Net Position

December 31, 2025 (unaudited)

Defined Benefit Plan Deductions from Fiduciary Net Position

(\$ thousands)

Year Ended	Benefits	Refund of Contributions	Administrative Expenses	Total
2025	\$4,036,508	\$25,142	\$31,889	\$4,093,539
2024	3,980,953	23,813	35,592	4,040,358
2023	3,883,225	27,553	24,158	3,934,936
2022	3,852,073	32,953	19,026	3,904,052
2021	3,705,674	25,469	24,443	3,755,586
2020	3,538,634	18,094	27,222	3,583,950
2019	3,490,311	22,360	23,275	3,535,946
2018	3,375,394	19,242	25,950	3,420,586
2017	3,287,923	15,620	26,122	3,329,665
2016	3,214,440	13,108	22,999	3,250,547

Defined Contribution Plan Deductions from Fiduciary Net Position^{1/}

(\$ thousands)

Year Ended	Distributions	Administrative Expenses	Total
2025	\$11,711	\$5,133	\$16,844
2024	7,365	5,888	13,253
2023	4,582	4,968	9,550
2022	3,002	4,601	7,603
2021	1,651	3,971	5,622
2020	304	3,660	3,964
2019	72	5,185	5,257

^{1/}Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Deferred Compensation Plan Deductions from Fiduciary Net Position

(\$ thousands)

Year Ended	Distributions	Administrative Expenses	Total
2025	\$456,849	\$7,660	\$464,509
2024	418,016	8,147	426,163
2023	357,476	6,883	364,359
2022	318,267	6,392	324,659
2021	290,849	6,134	296,983
2020	250,550	4,938	255,488
2019	260,198	5,480	265,678
2018	256,864	4,908	261,772
2017	235,122	4,600	239,722
2016	204,353	4,122	208,475

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

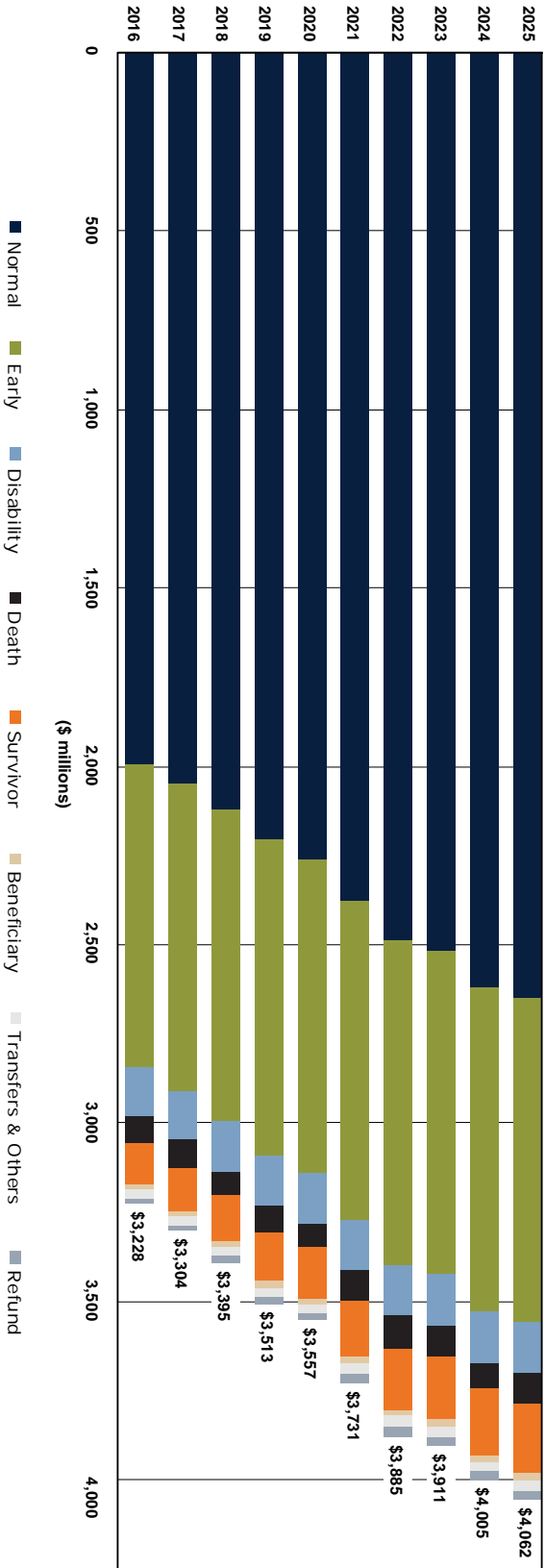
Schedule of Benefit and Refund Deductions from Fiduciary Net Position by Type

December 31, 2025 (unaudited)

Defined Benefit Plan Benefit and Refund Deductions from Fiduciary Net Position by Type

(\$ thousands)

Year Ended	Retirement										Refunds		
	Normal	Early	Disability	Death	Survivor	Beneficiary	Transfers & Other	Total Benefit Deductions	Separation of Service	Death	Total Refunds		
2025	\$2,650,742	\$909,929	\$143,761	\$82,615	\$199,406	\$17,027	\$33,028	\$4,036,508	\$24,354	\$788	\$25,142		
2024	2,622,995	908,609	144,015	69,972	189,745	16,425	29,192	3,980,953	23,101	712	23,813		
2023	2,522,684	904,749	143,764	85,098	179,205	17,515	30,210	3,883,225	26,911	642	27,553		
2022	2,490,656	908,788	142,545	96,539	168,662	16,916	27,967	3,852,073	31,833	1,120	32,953		
2021	2,379,999	892,807	141,257	87,658	157,459	16,856	29,638	3,705,674	24,788	681	25,469		
2020	2,264,119	881,623	140,813	61,629	145,877	15,860	28,713	3,538,634	17,535	559	18,094		
2019	2,207,145	888,899	139,607	74,257	137,479	16,855	26,069	3,490,311	21,932	428	22,360		
2018	2,122,512	877,579	137,616	66,408	129,533	15,581	26,165	3,375,394	19,009	233	19,242		
2017	2,051,059	859,554	135,707	80,322	121,511	16,510	23,260	3,287,923	15,372	248	15,620		
2016	1,997,704	851,302	132,833	76,455	114,465	15,976	25,705	3,214,440	12,861	247	13,108		



Source: Pennsylvania State Employees' Retirement System

Defined Benefit Plan Total Changes in Fiduciary Net Position

(\$ thousands)

Year Ended	Additions to Fiduciary Net Position			Deductions from Fiduciary Net Position				Net Increase/ (Decrease)	
	Member Contributions	Employer Contributions	Investment Income/ (Loss)	Total Additions	Benefits	Refund of Contributions	Administrative Expenses		Total Deductions
2025	\$466,956	\$2,320,018	\$5,259,516	\$8,046,490	\$4,036,508	\$25,142	\$31,889	\$4,093,539	\$3,952,951
2024	452,051	2,316,106	3,504,798	6,272,955	3,980,953	23,813	35,592	4,040,358	2,232,597
2023	427,368	2,198,430	4,126,858	6,752,656	3,883,225	27,553	24,158	3,934,936	2,817,720
2022	418,589	2,074,999	(5,213,344)	(2,719,756)	3,852,073	32,953	19,026	3,904,052	(6,623,808)
2021	405,138	2,871,253	5,682,480	8,958,871	3,705,674	25,469	24,443	3,755,586	5,203,285
2020	409,637	3,186,445	3,919,279	7,515,361	3,538,634	18,094	27,222	3,583,950	3,931,411
2019	404,769	2,114,882	5,175,624	7,695,275	3,490,311	22,360	23,275	3,535,946	4,159,329
2018	393,925	2,048,594	(1,442,291)	1,000,228	3,375,394	19,242	25,950	3,420,586	(2,420,358)
2017	383,359	1,897,404	4,066,055	6,346,818	3,287,923	15,620	26,122	3,329,665	3,017,153
2016	374,570	1,622,123	1,586,853	3,583,546	3,214,440	13,108	22,999	3,250,547	332,999

Defined Contribution Plan Total Changes in Fiduciary Net Position^{1/}

(\$ thousands)

Year Ended	Additions to Fiduciary Net Position			Deductions from Fiduciary Net Position				Net Increase	
	Participant Contributions	Employer Contributions	Annual Employer Charge/ Commonwealth Funding	Net Investment Income/ (Loss)	Total Additions	Distributions	Administrative Expenses		Total Deductions
2025	\$68,903	\$38,745	\$1,820	\$65,590	\$175,058	\$11,711	\$5,133	\$16,844	\$158,214
2024	55,260	31,820	2,309	29,859	119,248	7,365	5,888	13,253	105,995
2023	42,902	23,458	1,696	25,138	93,194	4,582	4,968	9,550	83,644
2022	31,372	16,750	1,288	(14,025)	35,385	3,002	4,601	7,603	27,782
2021	22,533	11,440	1,696	7,470	43,139	1,651	3,971	5,622	37,517
2020	14,799	7,733	4,556	4,971	32,059	304	3,660	3,964	28,095
2019	6,124	2,836	3,852	673	13,485	72	5,185	5,257	8,228

^{1/}Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

Schedule of Total Changes in Fiduciary Net Position

December 31, 2025 (unaudited)

Deferred Compensation Plan Total Changes in Fiduciary Net Position

(\$ thousands)

Year Ended	Additions to Fiduciary Net Position			Deductions from Fiduciary Net Position			Net Increase/ (Decrease)
	Participant Contributions	Net Investment Income/ (Loss)	Total Additions	Distributions	Administrative Expenses	Total Deductions	
2025	\$258,638	\$692,476	\$951,114	\$456,849	\$7,660	\$464,509	\$486,605
2024	242,006	592,146	834,152	418,016	8,147	426,163	407,989
2023	225,307	628,334	853,641	357,476	6,883	364,359	489,282
2022	231,809	(728,874)	(497,065)	318,267	6,392	324,659	(821,724)
2021	238,085	499,544	737,629	290,849	6,134	296,983	440,646
2020	217,809	519,089	736,898	250,550	4,938	255,488	481,410
2019	217,767	616,135	833,902	260,198	5,480	265,678	568,224
2018	207,696	(114,191)	93,505	256,864	4,908	261,772	(168,267)
2017	198,449	370,281	568,730	235,122	4,600	239,722	329,008
2016	201,813	188,633	390,446	204,353	4,122	208,475	181,971

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

Schedule of Investment Income

December 31, 2025 (unaudited)

Defined Benefit Plan Investment Income

(\$ thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Investment income/(loss)										
From investing activities										
Net appreciation/(depreciation) in fair value of investments	\$4,924,168	\$3,198,908	\$3,909,608	(\$5,439,865)	\$5,396,397	\$3,653,648	\$4,901,079	(\$1,733,999)	\$3,710,739	\$1,233,501
Interest	279,445	258,523	192,834	171,411	204,996	199,398	162,152	142,918	126,728	126,219
Dividends	211,751	205,887	200,010	207,912	159,733	162,817	182,853	203,533	260,013	273,733
Real estate income ^{1/}	NA	NA	NA	NA	87,796	48,510	101,283	74,115	95,533	89,327
Miscellaneous income	1,763	5,160	1,687	1,849	4,231	2,059	5,269	889	3,713	27,381
Total investing activities income/(loss)	5,417,127	3,668,478	4,304,139	(5,058,693)	5,853,153	4,066,432	5,352,636	(1,312,544)	4,196,726	1,750,161
Investment expenses	(159,068)	(165,707)	(179,977)	(157,345)	(172,375)	(149,509)	(179,344)	(133,146)	(135,079)	(167,712)
Net income/(loss) from investing activities	5,258,059	3,502,771	4,124,162	(5,216,038)	5,680,778	3,916,923	5,173,292	(1,445,690)	4,061,647	1,582,449
From securities lending activities										
Securities lending income	1,619	2,252	2,995	2,993	1,891	2,617	2,587	3,771	4,883	4,893
Securities lending expenses	(162)	(225)	(299)	(299)	(189)	(261)	(255)	(372)	(475)	(489)
Net income from securities lending activities	1,457	2,027	2,696	2,694	1,702	2,356	2,332	3,399	4,408	4,404
Net investment income/(loss)	\$5,259,516	\$3,504,798	\$4,126,858	(\$5,213,344)	\$5,682,480	\$3,919,279	\$5,175,624	(\$1,442,291)	\$4,066,055	\$1,586,853

^{1/}In 2023, SERS began to report real estate income from limited partnerships and separately managed accounts as part of net appreciation/(depreciation) in fair value of investments and income from real estate investment trusts as part of dividends. Certain 2022 figures were restated to conform to 2023 reporting.

Source: Pennsylvania State Employees' Retirement System

Schedule of Active Member Statistics

December 31, 2025 (unaudited)

Defined Benefit Plan Active Member Statistics

Year Ended	Male			Female			Total Number of Active Members
	Average Age	Average Service	Average Salary	Average Age	Average Service	Average Salary	
2025	45.44	11.36	\$79,440	46.78	10.82	\$69,557	99,993
2024	45.54	10.96	76,737	46.74	10.35	67,348	100,131
2023	45.78	11.20	74,220	46.91	10.58	64,263	98,115
2022	46.04	11.50	72,502	47.15	10.89	61,970	96,395
2021	46.11	11.59	69,621	47.14	11.01	59,482	97,857
2020	46.11	11.57	68,125	46.93	10.90	58,182	100,962
2019	46.00	11.51	66,220	46.61	10.71	55,439	102,850
2018	46.06	11.65	64,716	46.62	10.83	53,794	103,007
2017	46.23	11.79	62,739	46.61	10.97	52,049	102,978
2016	46.15	11.73	60,965	46.51	10.95	50,629	104,632

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

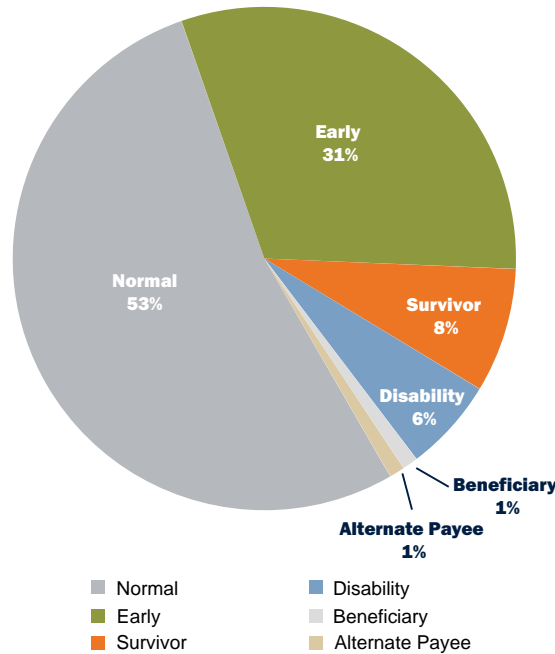
Schedule of Retired Members by Type of Benefit

December 31, 2025 (unaudited)

Defined Benefit Plan Retired Members by Type of Benefit

Amount of Monthly Benefits	Total Monthly Benefits ^{1/}	Total Number of Retirees	Type of Benefit					
			Normal	Disability	Early	Beneficiary	Survivor	Alternate Payee
≤ \$500	\$5,823,083	24,292	5,067	299	15,449	378	2,477	622
> 500 to 1,000	14,236,464	19,029	8,358	2,615	4,604	291	2,543	618
> 1,000 to 1,500	21,224,185	17,092	8,759	2,094	3,595	154	2,034	456
> 1,500 to 2,000	26,277,852	15,056	8,245	1,206	3,935	103	1,348	219
> 2,000 to 2,500	30,316,237	13,516	7,916	751	3,750	59	949	91
> 2,500 to 3,000	30,461,123	11,105	7,039	431	2,913	37	628	57
> 3,000 to 3,500	31,304,912	9,656	6,473	261	2,423	24	453	22
> 3,500 to 4,000	26,896,000	7,202	5,237	136	1,576	18	229	6
> 4,000 to 4,500	23,831,568	5,631	4,314	80	1,054	15	163	5
> 4,500 to 5,000	18,658,150	3,940	3,058	37	714	6	121	4
> 5,000 to 5,500	16,013,731	3,056	2,268	25	670	7	85	1
> 5,500 to 6,000	13,472,906	2,348	1,701	14	573	4	56	—
> 6,000	47,833,447	6,222	4,821	17	1,242	6	135	1
Totals	\$306,349,658	138,145	73,256	7,966	42,498	1,102	11,221	2,102

^{1/}Does not include supplemental payments and transfers.



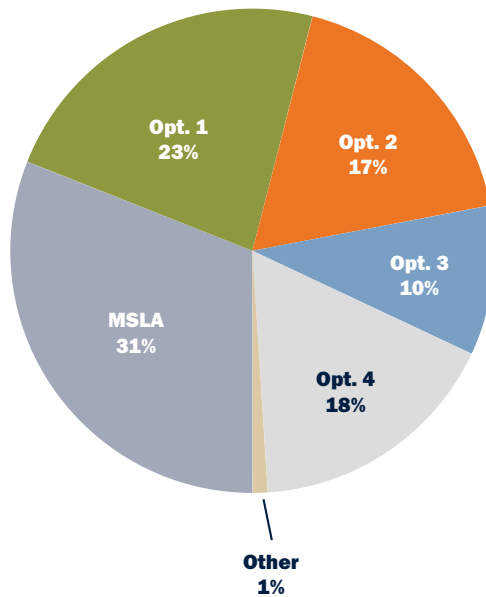
Source: Pennsylvania State Employees' Retirement System

Schedule of Retired Members by Option

December 31, 2025 (unaudited)

Defined Benefit Plan Retired Members by Option

Amount of Monthly Benefits	Total Monthly Benefits	Total Number of Retirees	Option Selected					
			MSLA	Opt. 1	Opt. 2	Opt. 3	Opt. 4	Other
≤ \$500	\$5,823,083	24,292	5,766	9,567	5,021	1,172	2,373	393
> 500 to 1,000	14,236,464	19,029	6,773	3,986	3,759	1,782	2,423	306
> 1,000 to 1,500	21,224,185	17,092	5,502	3,416	3,450	1,802	2,762	160
> 1,500 to 2,000	26,277,852	15,056	4,768	3,005	2,710	1,792	2,670	111
> 2,000 to 2,500	30,316,237	13,516	4,076	2,712	2,344	1,609	2,713	62
> 2,500 to 3,000	30,461,123	11,105	3,522	2,168	1,757	1,318	2,300	40
> 3,000 to 3,500	31,304,912	9,656	2,973	1,904	1,430	1,190	2,134	25
> 3,500 to 4,000	26,896,000	7,202	2,399	1,369	973	948	1,494	19
> 4,000 to 4,500	23,831,568	5,631	1,873	1,000	738	721	1,284	15
> 4,500 to 5,000	18,658,150	3,940	1,284	658	515	498	979	6
> 5,000 to 5,500	16,013,731	3,056	977	467	390	355	860	7
> 5,500 to 6,000	13,472,906	2,348	752	365	268	313	646	4
> 6,000	47,833,447	6,222	2,162	852	717	839	1,646	6
Totals	\$306,349,658	138,145	42,827	31,469	24,072	14,339	24,284	1,154



- MSLA - Maximum Single-Life Annuity
- Opt. 1 - Beneficiary receiving remainder of present value when member dies
- Opt. 2 - Survivor receiving 100% of the member's annuity when member dies
- Opt. 3 - Survivor receiving 50% of the member's annuity when member dies
- Opt. 4 - Member designs a different plan approved by SERS not covered under the above options
- Other - Death benefit or domestic relations order

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

Schedule of Average Monthly Benefit Payments

December 31, 2025 (unaudited)

Defined Benefit Plan Average Monthly Benefit Payments^{1/}

Retirement Effective Dates	Years of Credited Service						
	< 5	5-9	10-14	15-19	20-24	25-29	30+
Period 1/1/2025 to 12/31/2025							
Average monthly benefit	\$209	\$677	\$1,032	\$2,070	\$3,161	\$4,543	\$5,507
Average final average salary	\$24,989	\$52,086	\$64,085	\$76,436	\$87,065	\$98,962	\$96,299
Number of retired members	44	348	677	563	992	719	823
Period 1/1/2024 to 12/31/2024							
Average monthly benefit	\$276	\$678	\$1,086	\$2,029	\$3,080	\$4,618	\$5,409
Average final average salary	\$37,193	\$54,257	\$62,798	\$73,059	\$84,719	\$97,694	\$93,677
Number of retired members	54	326	608	582	887	737	916
Period 1/1/2023 to 12/31/2023							
Average monthly benefit	\$243	\$667	\$997	\$1,937	\$2,731	\$4,486	\$5,616
Average final average salary	\$47,958	\$54,838	\$58,715	\$70,003	\$76,106	\$97,084	\$93,866
Number of retired members	45	409	653	593	868	739	931
Period 1/1/2022 to 12/31/2022							
Average monthly benefit	\$263	\$649	\$1,113	\$1,859	\$2,663	\$4,163	\$5,344
Average final average salary	\$45,502	\$53,553	\$58,346	\$67,185	\$74,767	\$91,570	\$91,041
Number of retired members	68	440	767	684	967	854	1,121
Period 1/1/2021 to 12/31/2021							
Average monthly benefit	\$379	\$664	\$1,081	\$1,750	\$2,636	\$4,327	\$4,996
Average final average salary	\$46,456	\$50,055	\$56,535	\$63,821	\$73,421	\$92,746	\$86,031
Number of retired members	55	409	832	576	1,040	829	1,179
Period 1/1/2020 to 12/31/2020							
Average monthly benefit	\$253	\$615	\$1,099	\$1,669	\$2,535	\$4,029	\$4,728
Average final average salary	\$41,977	\$51,381	\$55,608	\$62,136	\$72,097	\$86,841	\$83,005
Number of retired members	49	412	599	539	886	810	1,084
Period 1/1/2019 to 12/31/2019							
Average monthly benefit	\$258	\$570	\$1,061	\$1,606	\$2,422	\$3,778	\$4,654
Average final average salary	\$44,084	\$48,697	\$55,118	\$59,822	\$68,438	\$82,120	\$80,137
Number of retired members	76	512	839	574	861	940	1,178
Period 1/1/2018 to 12/31/2018							
Average monthly benefit	\$284	\$531	\$1,018	\$1,556	\$2,467	\$3,937	\$4,466
Average final average salary	\$39,834	\$46,591	\$54,260	\$58,668	\$68,305	\$84,510	\$78,312
Number of retired members	51	586	808	578	799	1,008	1,093
Period 1/1/2017 to 12/31/2017							
Average monthly benefit	\$226	\$488	\$928	\$1,490	\$2,352	\$3,853	\$4,495
Average final average salary	\$36,612	\$43,755	\$51,691	\$56,721	\$65,980	\$83,170	\$78,194
Number of retired members	46	681	820	526	788	1,033	1,166
Period 1/1/2016 to 12/31/2016							
Average monthly benefit	\$331	\$472	\$987	\$1,574	\$2,259	\$4,116	\$4,349
Average final average salary	\$48,086	\$45,428	\$51,515	\$57,976	\$63,844	\$85,896	\$75,240
Number of retired members	53	777	786	528	845	1,209	1,332

^{1/}Includes normal retirement, early retirement, and disability benefits for new retirees in the years listed.

Source: Pennsylvania State Employees' Retirement System

Schedule of Average Annual Benefit Payments

December 31, 2025 (unaudited)

Defined Benefit Plan Average Annual Benefit Payments

Age	Normal		Early		Disability		Beneficiary and Survivor	
	Male	Female	Male	Female	Male	Female	Male	Female
Under 25	NA	NA	NA	NA	NA	NA	\$8,677	\$9,237
25-29	NA	NA	NA	NA	NA	NA	7,677	10,253
30-34	NA	NA	\$1,937	\$1,733	\$19,435	\$17,881	22,821	9,756
35-39	NA	NA	2,650	2,013	20,379	16,481	9,635	13,481
40-44	NA	NA	4,356	2,359	23,555	19,263	10,982	8,815
45-49	NA	NA	12,956	4,928	24,743	18,564	7,596	12,104
50-54	\$60,207	\$45,728	28,478	9,226	24,276	20,169	9,919	14,564
55-59	55,795	49,418	36,142	15,637	23,034	20,044	11,774	16,337
60-64	44,906	39,015	30,198	19,064	20,746	18,291	13,172	16,513
65-69	36,368	31,937	25,291	17,916	18,961	16,775	13,708	17,155
70-74	32,415	29,490	23,383	17,717	17,254	15,944	15,459	18,516
75-79	32,098	26,770	23,953	16,558	15,138	14,553	14,337	18,561
80-84	33,386	23,615	21,519	13,994	11,346	11,469	13,880	18,245
85-89	31,528	19,502	16,617	10,768	10,564	9,106	12,527	16,660
90 and over	28,407	14,206	15,240	9,581	9,121	8,073	10,248	14,488
Total Average	\$36,370	\$29,040	\$24,838	\$15,275	\$19,170	\$16,563	\$13,440	\$17,231

	Normal	Early	Disability	Beneficiary and Survivor
Average Pension	\$33,264	\$20,140	\$17,806	\$16,752
Average Age	73.4	68.3	66.7	75.4

Source: Pennsylvania State Employees' Retirement System

STATISTICAL SECTION

Schedule of Employer/Agency Participation

December 31, 2025 (unaudited)

Defined Benefit Plan Schedule of Employer/Agency Participation - 5 Largest

as of December 31, 2025

	Employer/Agency	Number of Active Members	Percentage of Total Active Members
1.	Department of Corrections	14,632	14.63%
2.	Department of Human Services	14,502	14.50%
3.	Department of Transportation	12,054	12.05%
4.	Pennsylvania State University	6,788	6.79%
5.	Pennsylvania State Police	6,439	6.44%
	Total	54,415	54.41%

As of December 31, 2016

	Employer/Agency	Number of Active Members	Percentage of Total Active Members
1.	Department of Human Services	17,205	16.44%
2.	Department of Corrections	15,752	15.05%
3.	Department of Transportation	12,312	11.77%
4.	Pennsylvania State University	6,367	6.09%
5.	Pennsylvania State Police	6,219	5.94%
	Total	57,855	55.29%

Source: Pennsylvania State Employees' Retirement System

Schedule of Employer/Agency Participation

As of December 31, 2025 (unaudited)

Complete Listing of Defined Benefit Plan Employers/Agencies^{1/}

Administrative Office of Pennsylvania Courts	Legislative Budget and Finance Committee
Bloomsburg University Community Activities	Legislative Data Processing Center
Bucks County Community College	Legislative Reference Bureau
California University Student Association, Inc.	Lehigh Carbon Community College
Capitol Preservation Committee	Liquor Control Board
Center for Rural Pennsylvania	Local Government Commission
Central Susquehanna Intermediate Unit	Luzerne County Community College
Clarion University Students' Association	Mansfield University Community Services, Inc.
Community College of Allegheny County	Milk Board
Community College of Beaver County	Millersville University Student Services, Inc.
Community College of Philadelphia	Montgomery County Community College
Delaware County Community College	Northampton Community College
Delaware River Joint Toll Bridge Commission	Office of Attorney General
Delaware River Port Authority	Office of Liquidations and Rehabilitations
Delaware Valley Regional Planning Commission	Office of the Governor
Department of Aging	Office of the Lieutenant Governor
Department of Agriculture	Patient Safety Authority
Department of Banking and Securities	Pennsylvania College of Technology
Department of Community and Economic Development	Pennsylvania Convention Center Authority
Department of Conservation and Natural Resources	Pennsylvania Emergency Management Agency
Department of Corrections	Pennsylvania Gaming Control Board
Department of Drug and Alcohol Programs	Pennsylvania Health Care Cost Containment Council
Department of Education	Pennsylvania Higher Education Assistance Agency
Department of Environmental Protection	Pennsylvania Highlands Community College
Department of General Services	Pennsylvania Housing Finance Agency
Department of Health	Pennsylvania Infrastructure Investment Authority
Department of Human Services	Pennsylvania Municipal Retirement System
Department of Labor and Industry	Pennsylvania Parole Board
Department of Military and Veterans Affairs	Pennsylvania Port Authority
Department of Revenue	Pennsylvania State Employees' Retirement System
Department of State	Pennsylvania State Police
Department of the Auditor General	Pennsylvania State Senate
Department of Transportation	Pennsylvania State University
East Stroudsburg University Student Activity Association, Inc.	Pennsylvania Treasury
Environmental Hearing Board	Pennsylvania Turnpike Commission
Executive Offices	Port Authority Transit Corporation
Fish and Boat Commission	Public School Employees' Retirement System
Game Commission	Public Utility Commission
Harrisburg Area Community College	Reading Area Community College
Historical and Museum Commission	Slippery Rock Student Government Association, Inc.
House Democratic Appropriations Committee	State Civil Service Commission
House of Representatives	State Ethics Commission
Independent Fiscal Office	State Public School Building Authority
Independent Regulatory Review Commission	State System of Higher Education
Indiana University Student Co-op Association	Susquehanna River Basin Commission
Insurance Department	Thaddeus Stevens College of Technology
Joint State Government Commission	West Chester University Student Services, Inc.
Kutztown University Student Services, Inc.	Westmoreland County Community College

^{1/}Employers participating in the Defined Benefit Plan are required to participate in the Defined Contribution Plan if they have active employees in specified membership classes. Participation in the Deferred Compensation Plan is determined by statute and contingent upon active employees electing to defer into the plan.

State Employees' Retirement System

30 N 3rd St, Suite 150

Harrisburg, PA 17101-1716

1.800.633.5461

www.SERS.pa.gov