



PSERB Resolution 2025-76

Re: June 30, 2025, and 2024 Financial Statements and Ratification of Payments October 23, 2025

RESOLVED, that the Public School Employees' Retirement Board accepts the recommendation of the Finance and Actuarial Committee and adopts the attached June 30, 2025, and 2024 Financial Statements and ratifies all payments that are reflected within.

Commonwealth of Pennsylvania

Public School Employees'

Retirement System

(A Component Unit of the Commonwealth of Pennsylvania)

Financial Statements

June 30, 2025 and 2024

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees of
Commonwealth of Pennsylvania Public School Employees' Retirement System
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying statements of fiduciary net position of the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS), a component unit of the Commonwealth of Pennsylvania, as of June 30, 2025 and 2024, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of PSERS, as of June 30, 2025 and 2024, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of PSERS 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls 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 PSERS' 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.

The Board of Trustees of
Commonwealth of Pennsylvania Public School Employees' Retirement System
Harrisburg, Pennsylvania



Auditor's 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 auditor's report that includes our opinions. 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 controls. 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 controls 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 PSERS' internal controls. 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 PSERS' 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 controls-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer net pension liability, schedule of employer net pension liability, schedule of employer pension contributions, schedule of changes in the employer net OPEB (premium assistance) liability, schedule of employer net OPEB (premium assistance) liability, schedule of employer OPEB (premium assistance) contributions, and schedule of investment returns – pension and OPEB, 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 auditing standards generally accepted in the United States of America, 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 audit 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.

The Board of Trustees of
Commonwealth of Pennsylvania Public School Employees' Retirement System
Harrisburg, Pennsylvania



Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise PSERS' basic financial statements. The schedule of administrative and investment expenses, summary of investment expenses, and schedule of payments to non-investment consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SBC & Company, LLC

Philadelphia, Pennsylvania
October 1, 2025

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS; System) for the fiscal year ended June 30, 2025 (FY 2025) provides a narrative summary of PSERS' financial position and performance, including highlights and comparative data. The MD&A is presented as required supplementary information to the financial statements and should be read in conjunction with the financial statements, the notes to financial statements, and the supplementary schedules.

Overview of Financial Statements

PSERS administers a governmental, cost-sharing, multiple-employer pension plan for public school employees. PSERS is also required to oversee two employee classes who can select Defined Benefit (DB) and Defined Contribution (DC) components or a stand-alone DC class. Other statutes direct PSERS to administer two voluntary postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP), for its annuitants.

The **Statements of Fiduciary Net Position** provide a snapshot of the financial position of PSERS at June 30, 2025 and 2024. Amounts are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items.

The **Statements of Changes in Fiduciary Net Position** summarize PSERS' financial activities that occurred during the fiscal period from July 1, 2024, to June 30, 2025, and from July 1, 2023, to June 30, 2024. Amounts are shown for the most recent and previous fiscal years for comparison and analysis of changes in individual line items.

The **Notes to Financial Statements** provide additional information that is essential for a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements such as accounting policies, plan membership and benefits, and summary disclosures of selected financial data.

The **Required Supplementary Information**, immediately following the notes to financial statements, provides seven schedules illustrating the Changes in the Employer Net Pension Liability; Employer Net Pension Liability; Employer Pension Contributions; Changes in the Employer Net OPEB (Premium Assistance) Liability; Employer Net OPEB (Premium Assistance) Liability; Employer OPEB (Premium Assistance) Contributions; and Investment Returns - Pension and OPEB.

The **Other Supplementary Information** provide additional detailed information concerning the administrative expenses, investment expenses, and payments to non-investment consultants. These schedules emphasize the long-term nature of the pension and premium assistance plans and show the PSERS' progress in accumulating assets sufficient to pay benefits when due. This supplementary information is considered useful in understanding and evaluating PSERS' financial activities.

Management's Discussion and Analysis (continued)

Analysis of Fiduciary Net Position Defined Benefit Pension Plan (Dollar Amounts in Thousands)					
Summary of Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Assets:					
Receivables	\$ 3,033,323	\$ 558,374	\$ 2,474,949	\$ 12,802	\$ 2,462,147
Investments	81,369,864	5,797,233	75,572,631	4,570,768	71,001,863
Securities lending collateral pool	—	—	—	(6,147,770)	6,147,770
Capital assets	50,545	(4,286)	54,831	18,951	35,880
Miscellaneous	30,929	(2,773)	33,702	(11,011)	44,713
Total Assets	84,484,661	6,348,548	78,136,113	(1,556,260)	79,692,373
Liabilities:					
Payables and other liabilities	1,853,451	210,332	1,643,119	210,846	1,432,273
Obligations under securities lending	—	—	—	(6,147,770)	6,147,770
Total Liabilities	1,853,451	210,332	1,643,119	(5,936,924)	7,580,043
Net Position	\$ 82,631,210	\$ 6,138,216	\$ 76,492,994	\$ 4,380,664	\$ 72,112,330
Summary of Changes in Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Additions:					
Contributions	\$ 6,659,315	\$ 198,730	\$ 6,460,585	\$ 36,987	\$ 6,423,598
Net investment income	7,323,837	1,619,566	5,704,271	2,908,975	2,795,296
Total Additions	13,983,152	1,818,296	12,164,856	2,945,962	9,218,894
Deductions:					
Benefit expenses	7,785,781	57,036	7,728,745	147,762	7,580,983
Administrative expenses	59,155	3,708	55,447	1,624	53,823
Total Deductions	7,844,936	60,744	7,784,192	149,386	7,634,806
Changes in Net Position	6,138,216	1,757,552	4,380,664	2,796,576	1,584,088
Balance, Beginning of Year	76,492,994	4,380,664	72,112,330	1,584,088	70,528,242
Balance, End of Year	\$ 82,631,210	\$ 6,138,216	\$ 76,492,994	\$ 4,380,664	\$ 72,112,330

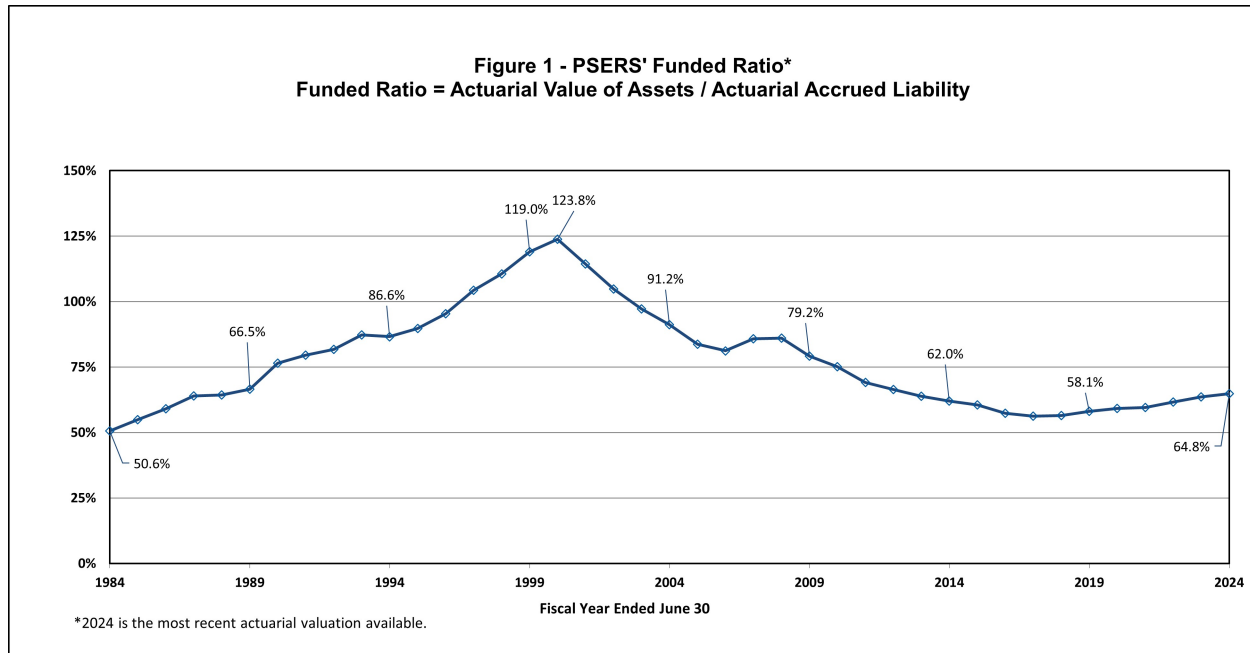
Defined Benefit Pension Plan

PSERS administers a governmental, cost-sharing, multiple-employer pension plan for public school employees. The following paragraphs and summary financial data provide supplementary information to the financial statements that contain the financial position and activities for Defined Benefit Pension Plan.

Financial Highlights

- The time-weighted rate of return on Defined Benefit Pension Plan investments was 9.67% for FY 2025; 8.14% for the fiscal year ended June 30, 2024 (FY 2024); and 3.54% for the fiscal year ended June 30, 2023 (FY 2023). The Defined Benefit Pension Plan return for the 20-year period ended June 30, 2025, was 6.89%, which trailed the 7.00% actuarial investment rate of return assumption. Unless otherwise noted, all rates of return are net of fees.
- Defined Benefit Pension Plan net position increased \$6.1 billion from \$76.5 billion at June 30, 2024, to \$82.6 billion at June 30, 2025. The increase at June 30, 2025 was due mostly to positive net investment income. Defined Benefit Pension Plan net position increased \$4.4 billion from \$72.1 billion at June 30, 2023, to \$76.5 billion at June 30, 2024. The increase at June 30, 2024, was due mostly to positive net investment income. See analysis and discussion on Defined Benefit Pension Plan investments on pages 9 through 12.
- Defined Benefit Pension Plan employer contributions increased from \$5.3 billion in FY 2024 to \$5.5 billion in FY 2025. This was primarily attributable to employer payroll growth that was offset by a decrease in the pension portion of the employer contribution rate from 33.09% in FY 2024 to 32.92% in FY 2025.
- PSERS' employers fully funded the actuarially determined contributions from FY 2016 to FY 2025. These contributions continue to make a positive difference in PSERS' longer term funding trends as PSERS Net Pension Liability has declined by approximately 22% from \$49.6 billion at June 30, 2016 to \$38.8 billion at June 30, 2025.

Management's Discussion and Analysis (continued)



- Defined Benefit Pension Plan benefit expense increased from \$7.7 billion in FY 2024 to \$7.8 billion in FY 2025. This is due to increases in the average monthly pension benefit and the number of members receiving benefits in FY 2025.

Funded Status

PSERS uses an actuarial reserve type of funding that is financed by member contributions, employer contributions, and earnings from invested assets. Pennsylvania's Public School Retirement Code requires PSERS Board of Trustees to conduct an annual independent actuarial valuation of assets and liabilities. As part of this valuation, the progress toward funding pension obligations of PSERS is measured by comparing the actuarial value of assets to the actuarial accrued liability. This measurement is referred to as the funded ratio or funded status.

PSERS' actuarial funded ratio increased from 63.6% at June 30, 2023 to 64.8% as of June 30, 2024, the most recent actuarial valuation, due to full actuarially determined employer contributions, favorable demographic experience, and positive investment returns.

Figure 1 illustrates a 40-year history of PSERS' funded status. The actuarial funded ratio improved to 64.8% as of June 30, 2024, after reaching a significant turning point at June 30, 2017, when it fell to a low of 56.3%. After years of decline since the 123.8% peak at June 30,

2000, the funded ratio is steadily improving and is projected to continue to rise in the future. FY 2025 operational results will be reflected in the actuarial valuation for the year ended June 30, 2025. Due to the normal lag time for completion of the actuarial valuation, the resulting actuarial funded status will be available at the end of the 2025 calendar year and will be reported in the financial statements for the fiscal year ending June 30, 2026 (FY 2026). Based on positive investment performance for the 10-year period ended June 30, 2025, and due to receiving the full actuarially determined contributions, the funded ratio at June 30, 2025 is expected to improve.

Under GASB 67, the fair value funded ratio, which is referred to as the plan fiduciary net position as a percentage of total pension liability, increased from 64.63% at June 30, 2024, to 68.04% at June 30, 2025 due to PSERS receiving the full actuarially determined contributions and positive investment returns. Unlike the actuarial funded ratio, which recognizes the investment performance over 10 years, the fair value funded ratio is expected to fluctuate more year-to-year due to the immediate recognition of the Defined Benefit Pension Plan's fiscal-year investment performance.

Over the past nine years, the longer term trend of the fair value funded ratio increased from 50.14% at June 30, 2016, to 68.04% at June 30, 2025, due primarily to PSERS receiving the full actuarially determined contributions and strong positive investment returns. Based on the current actuarial assumptions, PSERS remains on a path to full funding.

Management's Discussion and Analysis (continued)

Table 1 - Investment Balances by Asset Class

(Dollar Amounts in Thousands)						
Asset Class	2025	%	2024	%	2023	%
Short-term	\$ 5,525,863	6.8	\$ 6,572,484	8.7	\$ 6,118,812	8.6
Fixed income	18,350,796	22.5	17,155,399	22.7	15,658,641	22.0
Equity	30,819,518	37.9	24,356,583	32.2	21,506,295	30.3
Collective trust funds	539,727	0.7	905,424	1.2	2,117,309	3.0
Real estate	9,595,158	11.8	8,146,596	10.8	7,437,732	10.5
Alternative investments	16,538,802	20.3	18,436,145	24.4	18,163,074	25.6
Total	\$ 81,369,864	100.0	\$ 75,572,631	100.0	\$ 71,001,863	100.0

Defined Benefit Pension Plan Investments

Defined Benefit Pension Plan investments of \$81.4 billion represents an increase of \$5.8 billion over the previous fiscal year end amount. Total Defined Benefit Pension Plan investment performance for FY 2025 was a time-weighted rate of return of 9.67%.

The asset distribution of the Defined Benefit Pension Plan's investment portfolio at June 30, 2025, is presented in Figure 2 and Table 1. For comparison purposes, the prior two fiscal years also are presented in Table 1.

FY 2025

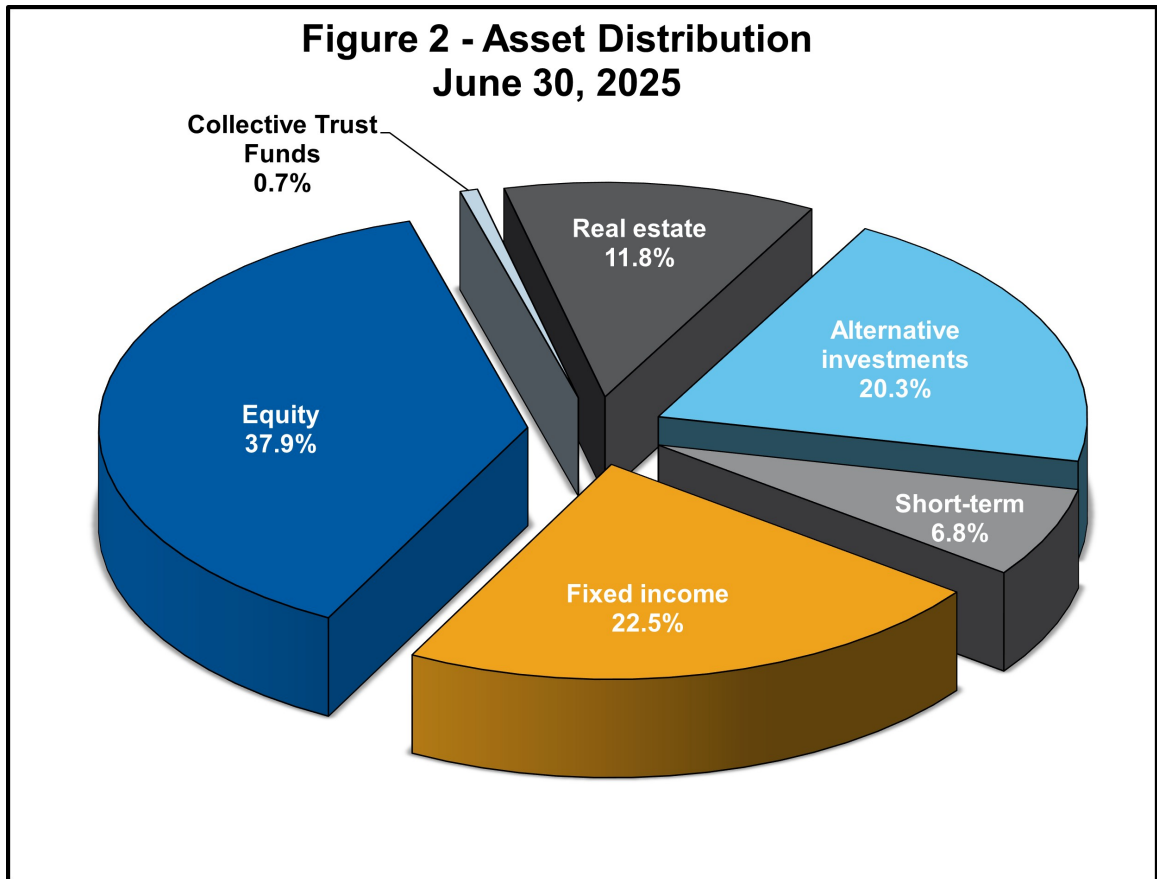
- **Short-term investments** (cash and cash equivalents) decreased by \$1.0 billion from \$6.6 billion at June 30, 2024, to \$5.5 billion at June 30, 2025, mainly due to a reallocation of exposure from other asset classes.
- **Fixed income investments** increased by \$1.2 billion from \$17.2 billion at June 30, 2024, to \$18.4 billion at June 30, 2025, mainly due to positive investment performance and a reallocation of exposure from other asset classes.
- **Equity investments** increased by \$6.5 billion from \$24.4 billion at June 30, 2024, to \$30.8 billion at June 30, 2025, mainly due to positive investment performance offset by reallocation of exposure to other asset classes.
- **Collective trust funds** decreased by \$0.4 billion from \$0.9 billion at June 30, 2024, to \$0.5 billion at June 30, 2025, due to the unwinding of the absolute return program.
- **Real estate investments** increased by \$1.4 billion from \$8.1 billion at June 30, 2024, to \$9.6 billion at June 30, 2025, due to contributions to new and existing partnerships combined with valuation increases in partnership portfolio holdings, which exceeded significant distributions.

- **Alternative investments** decreased by \$1.9 billion from \$18.4 billion at June 30, 2024, to \$16.5 billion at June 30, 2025, due to significant distributions exceeding contributions primarily as a result of secondary sales within the Asset class.

FY 2024

- **Short-term investments** (cash and cash equivalents) increased by \$0.5 billion from \$6.1 billion at June 30, 2023, to \$6.6 billion June 30, 2024, mainly due to a reallocation of exposure to other asset classes.
- **Fixed income investments** increased by \$1.5 billion from \$15.7 billion at June 30, 2023, to \$17.2 billion at June 30, 2024, mainly due to positive investment performance and a reallocation of exposure from other asset classes.
- **Equity investments** increased by \$2.9 billion from \$21.5 billion at June 30, 2023, to \$24.4 billion at June 30, 2024, mainly due to positive investment performance offset by reallocation of exposure to other asset classes.
- **Collective trust funds** decreased by \$1.2 billion from \$2.1 billion at June 30, 2023, to \$0.9 billion at June 30, 2024, due to the unwinding of the absolute return program.
- **Real estate investments** increased by \$0.7 billion from \$7.4 billion at June 30, 2023, to \$8.1 billion at June 30, 2024, due to contributions to new and existing partnerships combined with valuation increases in partnership portfolio holdings, which exceeded significant distributions.
- **Alternative investments** increased by \$0.2 billion from \$18.2 billion at June 30, 2023, to \$18.4 billion at June 30, 2024, due to contributions to new and existing partnerships combined with valuation increases in partnership portfolio holdings, which exceeded significant distributions.

Management's Discussion and Analysis (continued)



Securities Lending

The Defined Benefit Pension Plan's net income from securities lending activities decreased by \$3.7 million from \$3.7 million in FY 2024 to \$0 in FY 2025. The System's securities lending program has been suspended since October 31, 2023.

Contributions

Defined Benefit Pension Plan Employer contributions increased by \$0.2 billion from \$5.3 billion in FY 2024 to \$5.5 billion in FY 2025. This was primarily attributable to employer payroll growth offset by a decrease in the employer contribution rate from 33.09% in FY 2024 to 32.92% in FY 2025. Employer contributions remained consistent at \$5.3 billion in FY 2023 to \$5.3 billion in FY 2024. This was primarily attributable to employer payroll growth offset by a decrease in the employer contribution rate from 34.31% in FY 2023 to 33.09% in FY 2024.

Defined Benefit Pension Plan member contributions decreased slightly from \$1.20 billion in FY 2024 to \$1.19 billion in FY 2025 mainly due to a decrease in the average member contribution rate from 7.37% in FY 2024 to 7.29% in FY 2025 offset by an increase in member contributions from active member payroll.

Pension portion of member contributions increased from \$1.17 billion in FY 2023 to \$1.20 billion in FY 2024 mainly due to an increase in member contributions from active member payroll.

See Figure 4 for a history of member and employer contribution rates as a percentage of payroll.

Investment Income

Defined Benefit Pension Plan net investment income of \$7.3 billion in FY 2025 increased from net investment income of \$5.7 billion in FY 2024. As depicted in Figure 3, investment earnings provided 50% of PSERS' total funding over the past 25 years, a majority of which is related to the Defined Benefit Pension Plan. Net investment income also includes investment expenses as a deduction. The "Defined Benefit Pension Plan Benefits and Expenses" section that follows includes an analysis of investment expenses.

Management's Discussion and Analysis (continued)

**Figure 3 - PSERS' Sources of Funding
25- Year History (2001-2025)**

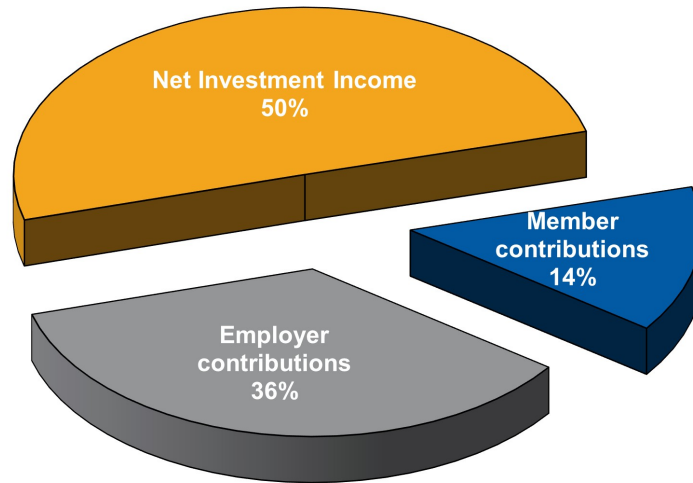
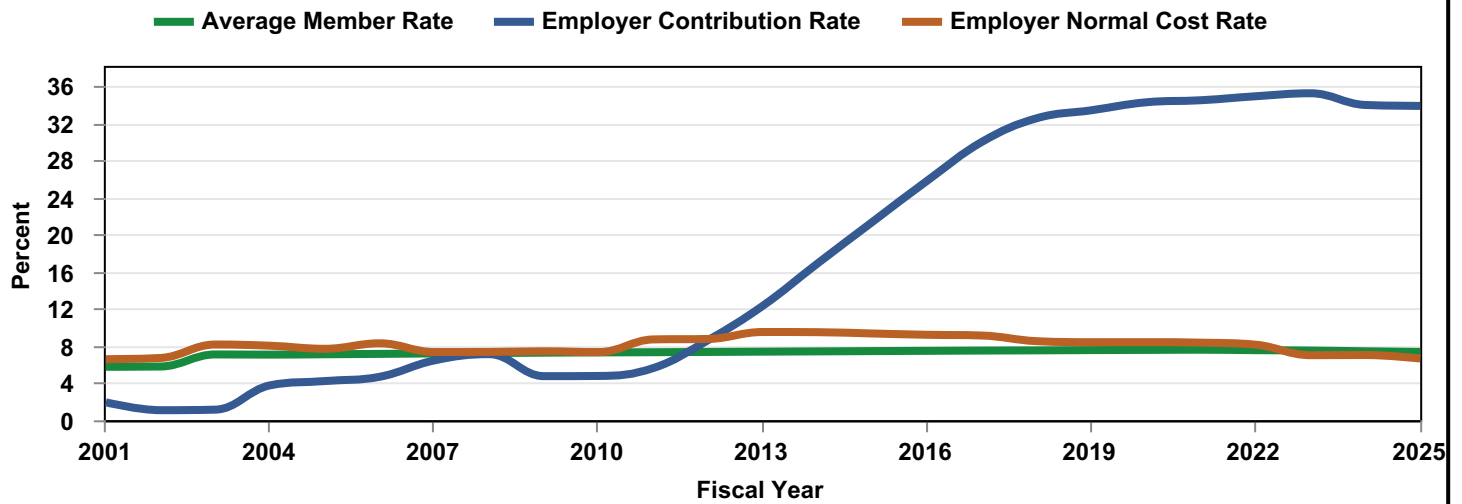
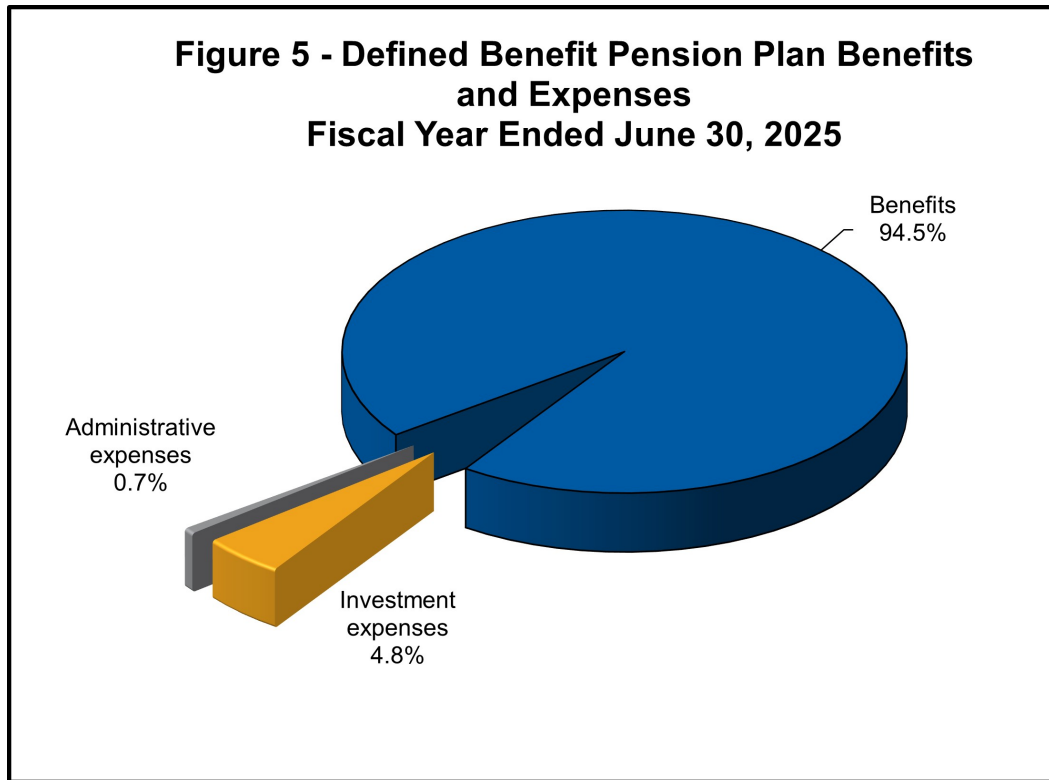


Figure 3 includes Defined Benefit Pension Plan & Premium Assistance.

Figure 4-History of PSERS' Contribution Rates as a Percent of Payroll*
Fiscal Year Ending June 30



*Includes Defined Benefit Pension Plan, Premium Assistance, & DC



Defined Benefit Pension Plan Benefits and Expenses

The primary expense source during FY 2025 was the payment of pension benefits approximating \$7.8 billion. Figure 5 illustrates the significant portion of expenses attributable to Defined Benefit Pension Plan benefit payments. Defined Benefit Pension Plan benefits increased from \$7.7 billion in FY 2024 to \$7.8 billion in FY 2025. The increase is attributable to an ongoing increase to the average monthly benefit offset by a decrease in pension lump sum and pension lump sum rollover payments. Pension benefits payable increased from \$789.8 million at June 30, 2024 to \$796.2 million at June 30, 2025. This increase was mainly attributable to an increase in death benefit payments payable. Defined Benefit Pension Plan benefits increased from \$7.6 billion in FY 2023 to \$7.7 billion in FY 2024. The increase is attributable to an ongoing increase to the average monthly benefit. The average monthly benefit increase is attributable to the increase to the number of members receiving a benefit payment. Pension benefits payable increased from \$656.4 million at June 30, 2023, to \$789.8 million at June 30, 2024. The increase was mainly attributable to an increase in pension payments payable from a higher number of retirements in the 4th quarter of FY 2024.

Investment expenses decreased by \$13.7 million from \$410.4 million in FY 2024 to \$396.7 million in FY 2025 mainly due to a decrease in private equity manager fees of \$22 million. As a percentage of defined benefit pension plan benefits, investment expense decreased from 5.0% in FY 2024 to 4.8% in FY 2025.

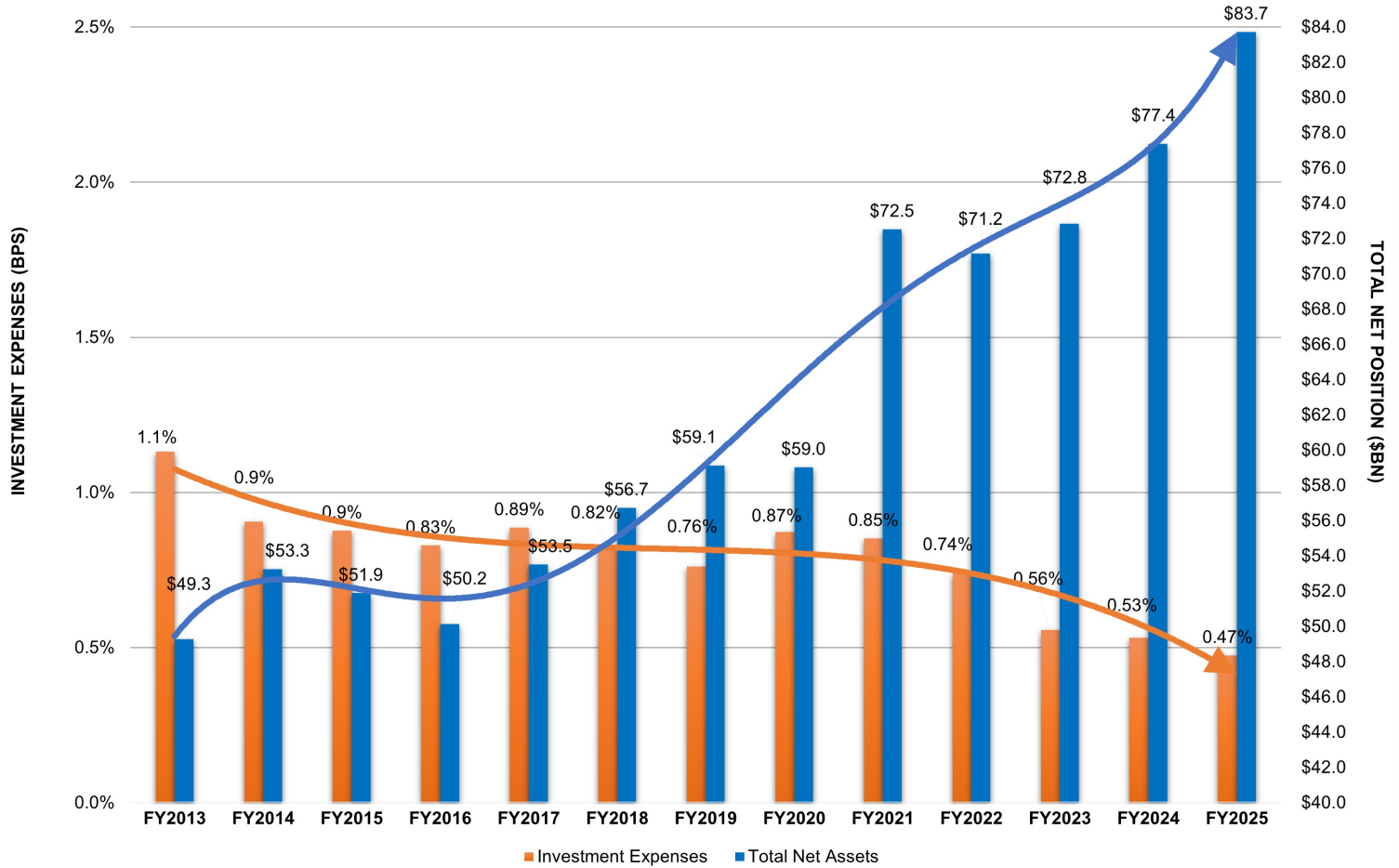
Defined Benefit Pension Plan administrative expenses increased by \$3.8 million from \$55.4 million during FY 2024 to \$59.2 million during FY 2025. This increase was mainly attributable to an increase in personnel costs. As depicted in Figure 5, Defined Benefit Pension Plan administrative expenses represent 0.7% of total benefits and expenses.

As a percentage of total PSERS benefits, investment expense has decreased from a high of 8.2% in FY 2013 to 4.8% in FY 2025. During this same period, total PSERS net position increased \$34.4 billion from \$49.3 billion at June 30, 2013, to \$83.7 billion at June 30, 2025, as depicted in Figure 6. Correspondingly, investment expenses as a percentage of total net position also have decreased from a high of 1.1% in FY 2013 to 0.47% in FY 2025.

Management's Discussion and Analysis (continued)

Figure 6 includes Defined Benefit Pension Plan,
Premium Assistance, DC & Health Options Program

Figure 6-PSERS
Investment Expenses to Total Net Position
FY2013-FY2025



Management's Discussion and Analysis (continued)

Analysis of Fiduciary Net Position Defined Contribution Plan (Dollar Amounts in Thousands)					
Summary of Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Assets:					
Receivables	\$ 807	\$ (558)	\$ 1,365	\$ 431	\$ 934
Investments	558,275	202,027	356,248	153,482	202,766
Total Assets	559,082	201,469	357,613	153,913	203,700
Liabilities:					
Payables and other liabilities	1,605	312	1,293	(526)	1,819
Total Liabilities	1,605	312	1,293	(526)	1,819
Net Position	\$ 557,477	\$ 201,157	\$ 356,320	\$ 154,439	\$ 201,881
Summary of Changes in Fiduciary Net Position					
	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Additions:					
Contributions	\$ 161,031	\$ 37,487	\$ 123,544	\$ 33,540	\$ 90,004
Net investment income	58,959	14,544	44,415	22,881	21,534
Total Additions	219,990	52,031	167,959	56,421	111,538
Deductions:					
Distributions	14,546	4,564	9,982	3,812	6,170
Administrative expenses	4,287	749	3,538	1,080	2,458
Total Deductions	18,833	5,313	13,520	4,892	8,628
Changes in Net Position	201,157	46,718	154,439	51,529	102,910
Balance, Beginning of Year	356,320	154,439	201,881	102,910	98,971
Balance, End of Year	\$ 557,477	\$ 201,157	\$ 356,320	\$ 154,439	\$ 201,881

Defined Contribution Plan (DC)

PSERS administers a Defined Contribution Plan for employees hired on or after July 1, 2019. The following paragraphs and summary financial data provide supplementary information to the financial statements that contain the financial position and activities for the Defined Contribution Plan.

Financial Highlights

Total net position increased by \$201.2 million from June 30, 2024, to June 30, 2025. This increase is primarily due to participant and employer contributions and investments (additions) exceeding the benefits and administrative expenses (deductions).

Contributions

Total member (participant) contributions increased from \$69.7 million to \$91.1 million, while total employer contributions increased from \$53.8 million to \$69.9 million for the years ended June 30, 2024, and 2025, respectively. Contributions increased due to an increase in participants from 79,800 on June 30, 2024, to 94,800

on June 30, 2025, resulting in an increase in employee and employer contributions. Additionally, employee contributions increased due to a 36.4% increase in participants with voluntary post tax contributions.

Investment Income

Total net investment income increased from \$44.4 million to \$59.0 million for the years ended June 30, 2024, and 2025, respectively. The U.S. economy has been resilient due to a stable labor market, inflation moderating and the adoption of artificial intelligence to fuel productivity.

Benefits and Expenses

Overall deductions increased from \$13.5 million to \$18.8 million for the years ended June 30, 2024, and 2025, respectively. Total distributions increased by \$4.6 million due to a 14.0% increase in the number of participants receiving distributions and an increase in the average distribution of 28.3% offset by refunds of expenditures due to stale-dated checks. Overall DC administrative expenses increased due to an increase in the total number of participants in the plan and an increase in PSERS personnel cost.

Management's Discussion and Analysis (continued)

Analysis of Fiduciary Net Position Premium Assistance (Dollar Amounts in Thousands)					
Summary of Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Assets:					
Receivables	\$ 30,794	\$ 1,359	\$ 29,435	\$ (3,516)	\$ 32,951
Investments	105,976	(3,897)	109,873	1,506	108,367
Total Assets	136,770	(2,538)	139,308	(2,010)	141,318
Liabilities:					
Payables and other liabilities	3,393	533	2,860	2,258	602
Total Liabilities	3,393	533	2,860	2,258	602
Net Position	\$ 133,377	\$ (3,071)	\$ 136,448	\$ (4,268)	\$ 140,716

Summary of Changes in Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Additions:					
Contributions	\$ 103,390	\$ 1,179	\$ 102,211	\$ (12,510)	\$ 114,721
Net investment income	5,187	(997)	6,184	1,710	4,474
Total Additions	108,577	182	108,395	(10,800)	119,195
Deductions:					
Benefit expenses	110,528	(1,131)	111,659	(1,211)	112,870
Administrative expenses	1,120	116	1,004	(81)	1,085
Total Deductions	111,648	(1,015)	112,663	(1,292)	113,955
Changes in Net Position	(3,071)	1,197	(4,268)	(9,508)	5,240
Balance, Beginning of Year	136,448	(4,268)	140,716	5,240	135,476
Balance, End of Year	\$ 133,377	\$ (3,071)	\$ 136,448	\$ (4,268)	\$ 140,716

Analysis of Fiduciary Net Position Health Options Program (Dollar Amounts in Thousands)					
Summary of Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Assets:					
Receivables	\$ 103,354	\$ 43,297	\$ 60,057	\$ 12,672	\$ 47,385
Investments	395,123	(62,494)	457,617	36,737	420,880
Miscellaneous	218	(24)	242	72	170
Total Assets	498,695	(19,221)	517,916	49,481	468,435
Liabilities:					
Payables and other liabilities	91,897	(39,690)	131,587	50,166	81,421
Total Liabilities	91,897	(39,690)	131,587	50,166	81,421
Net Position	\$ 406,798	\$ 20,469	\$ 386,329	\$ (685)	\$ 387,014

Summary of Changes in Fiduciary Net Position	FY 2025	Increase (Decrease)	FY 2024	Increase (Decrease)	FY 2023
Additions:					
Participant and CMS premiums	\$ 586,469	\$ 75,708	\$ 510,761	\$ 31,900	\$ 478,861
Net investment income	18,009	882	17,127	8,039	9,088
Total Additions	604,478	76,590	527,888	39,939	487,949
Deductions:					
Benefit expenses	543,423	55,448	487,975	36,991	450,984
Administrative expenses	40,586	(12)	40,598	858	39,740
Total Deductions	584,009	55,436	528,573	37,849	490,724
Changes in Net Position	20,469	21,154	(685)	2,090	(2,775)
Balance, Beginning of Year	386,329	(685)	387,014	(2,775)	389,789
Balance, End of Year	\$ 406,798	\$ 20,469	\$ 386,329	\$ (685)	\$ 387,014

Management's Discussion and Analysis (continued)

Postemployment Healthcare

PSERS administers two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP), for its annuitants. The following paragraphs and summary financial data provide supplementary information to the financial statements that contain the financial position and activities for the two postemployment healthcare programs.

Health Insurance Premium Assistance Program (Premium Assistance)

Financial Highlights

- Total net position decreased by \$3.1 million in FY 2025 due to total deductions exceeding net investment income and employer contributions. The total net position continues to be sufficient to fund one full year of benefits. The employer contribution rate decreased by 1.56% from 0.64% in FY2024 to 0.63% in FY2025. The change from June 30, 2023, to June 30, 2024, of a \$4.3 million decrease was due to an employer contribution rate decrease partially offset by a decrease in benefit payments and an increase in net investment income.
- Net investments decreased to \$106.0 million at June 30, 2025 from \$109.9 million at June 30, 2024 mainly due to expenses exceeding revenues.

Contributions

Employer contributions increased from \$102.2 million in FY 2024 to \$103.4 million in FY 2025 due to growth in employer payroll offset by a lower contribution rate (0.64% to 0.63%).

Investment Income

Total investment income for Premium Assistance decreased to \$5.2 million for FY 2025 vs. \$6.2 million for FY 2024. This was mainly due to lower investment balances and decreased short-term interest rates.

Benefits and Expenses

Premium Assistance deductions decreased slightly from \$112.7 million in FY 2024 to \$111.6 million in FY 2025. Administrative costs were slightly higher by \$116 thousand due to operational adjustments while premium assistance benefit payments decreased from \$111.7 million in FY2024 to \$110.5 million in FY2025.

Health Options Program (HOP)

Financial Highlights

- Total net position increased by \$20.5 million in FY 2025 due to an increase in CMS receipts and reinsurance revenues as well as a slight increase in premium rates. The change from June 30, 2023 to June 30, 2024 was a decrease of \$0.7 million due to increasing benefit and administrative expenses outpacing revenues.
- Total receivables increased from \$60.1 million at June 30, 2024, to \$103.4 million at June 30, 2025. This is due to an increase in CMS reinsurance receivables and an increase in prescription drug rebate receivables due to higher prescription drug costs.
- Investments decreased from \$457.6 million at June 30, 2024, to \$395.1 million at June 30, 2025, due to increased Rx and medical claims resulting in a decrease in cash flow.
- Total liabilities decreased from \$131.6 million at June 30, 2024, to \$91.9 million at June 30, 2025. This significant drop is due to clearing of the backlog of medical claims which was caused due to a delay of CMS processing their initial portion of the claims.

Participant and CMS Premiums

Total Participant and CMS premiums for HOP increased from \$510.8 million for FY 2024 to \$586.5 million for FY 2025 due to a \$66.5 million increase in CMS revenue and a \$9.2 million increase in participant premiums.

Investment Income

Net investment income increased from \$17.1 million for FY 2024 to \$18.0 million in FY2025 due to performance of PSERS Short-Term Investment Fund.

Benefits and Expenses

HOP total deductions increased by 10.5% from \$528.6 million in FY2024 to \$584.0 million in FY2025. This is due to an increase in claim and net prescription costs.

Statements of Fiduciary Net Position
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025																			
		Pension	Defined Contribution (DC)	Postemployment Healthcare		Totals														
				Premium Assistance	Health Options Program															
Assets:																				
Receivables:																				
Members	\$	381,176	\$	441	\$	1,442	\$	114	\$	383,173										
Employers		1,489,402		342		28,962		—		1,518,706										
Investment income		362,278		24		390		920		363,612										
Investment proceeds		795,920		—		—		—		795,920										
CMS Part D and prescriptions		—		—		—		102,320		102,320										
Interfund receivable		4,547		—		—		—		4,547										
Total Receivables		3,033,323		807		30,794		103,354		3,168,278										
Investments, at fair value:																				
Short-term		5,525,863		17,331		105,976		395,123		6,044,293										
Fixed income		18,350,796		—		—		—		18,350,796										
Equity		30,819,518		—		—		—		30,819,518										
Collective trust funds		539,727		540,944		—		—		1,080,671										
Real estate		9,595,158		—		—		—		9,595,158										
Alternative investments		16,538,802		—		—		—		16,538,802										
Total Investments		81,369,864		558,275		105,976		395,123		82,429,238										
Capital assets (net of accumulated depreciation \$90,767)		50,545		—		—		—		50,545										
Miscellaneous		30,929		—		—		218		31,147										
Total Assets		84,484,661		559,082		136,770		498,695		85,679,208										
Liabilities:																				
Accounts payable and accrued expenses		121,098		101		180		5,913		127,292										
Benefits payable		796,190		21		44		49,265		845,520										
HOP participant premium advances		—		—		—		36,191		36,191										
Investment purchases and other payables		744,425		633		—		—		745,058										
Interfund payable		—		850		3,169		528		4,547										
Other liabilities		191,738		—		—		—		191,738										
Total Liabilities		1,853,451		1,605		3,393		91,897		1,950,346										
Net position restricted for pension, DC and postemployment healthcare benefits							\$	82,631,210		\$	557,477		\$	133,377		\$	406,798		\$	83,728,862

The accompanying notes are an integral part of the financial statements.

Statements of Fiduciary Net Position
June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2024				
	Pension	Defined Contribution (DC)	Premium Assistance	Postemployment Healthcare Health Options Program	Totals
Assets:					
Receivables:					
Members	\$ 374,663	\$ 751	\$ 1,518	\$ 126	\$ 377,058
Employers	1,449,523	591	27,426	—	1,477,540
Investment income	320,934	23	491	1,189	322,637
Investment proceeds	326,159	—	—	—	326,159
CMS Part D and prescriptions	—	—	—	58,742	58,742
Interfund receivable	3,670	—	—	—	3,670
Total Receivables	2,474,949	1,365	29,435	60,057	2,565,806
Investments, at fair value:					
Short-term	6,572,484	13,713	109,873	457,617	7,153,687
Fixed income	17,155,399	—	—	—	17,155,399
Equity	24,356,583	—	—	—	24,356,583
Collective trust funds	905,424	342,535	—	—	1,247,959
Real estate	8,146,596	—	—	—	8,146,596
Alternative investments	18,436,145	—	—	—	18,436,145
Total Investments	75,572,631	356,248	109,873	457,617	76,496,369
Capital assets (net of accumulated depreciation \$72,272)	54,831	—	—	—	54,831
Miscellaneous	33,702	—	—	242	33,944
Total Assets	78,136,113	357,613	139,308	517,916	79,150,950
Liabilities:					
Accounts payable and accrued expenses	90,764	114	230	5,742	96,850
Benefits payable	789,804	—	50	89,899	879,753
HOP participant premium advances	—	—	—	35,552	35,552
Investment purchases and other payables	567,751	483	—	—	568,234
Interfund payable	—	696	2,580	394	3,670
Other liabilities	194,800	—	—	—	194,800
Total Liabilities	1,643,119	1,293	2,860	131,587	1,778,859
Net position restricted for pension, DC and postemployment healthcare benefits	\$ 76,492,994	\$ 356,320	\$ 136,448	\$ 386,329	\$ 77,372,091

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2025				
	Pension	Defined Contribution (DC)	Postemployment Healthcare		Totals
			Premium Assistance	Health Options Program	
Additions:					
Contributions:					
Members	\$ 1,188,582	\$ 91,117	\$ —	\$ —	\$ 1,279,699
Employers	5,470,733	69,914	103,390	—	5,644,037
Total contributions	6,659,315	161,031	103,390	—	6,923,736
HOP participant premiums	—	—	—	430,655	430,655
Centers for Medicare & Medicaid Services premiums	—	—	—	155,814	155,814
Investment income:					
From investing activities:					
Net appreciation in fair value of investments	5,622,384	59,124	—	—	5,681,508
Short-term	318,513	171	5,225	18,047	341,956
Fixed income	581,055	—	—	—	581,055
Equity	570,603	—	—	—	570,603
Collective trust funds	—	531	—	—	531
Real estate	172,384	—	—	—	172,384
Alternative investments	455,626	—	—	—	455,626
Total investment activity income	7,720,565	59,826	5,225	18,047	7,803,663
Investment expenses	(396,728)	(867)	(38)	(38)	(397,671)
Total net investment income	7,323,837	58,959	5,187	18,009	7,405,992
Total Additions	13,983,152	219,990	108,577	604,478	14,916,197
Deductions:					
Benefits	7,741,241	—	110,528	543,423	8,395,192
Refunds of contributions	44,540	—	—	—	44,540
Distributions	—	14,546	—	—	14,546
Administrative expenses	59,155	4,287	1,120	40,586	105,148
Total Deductions	7,844,936	18,833	111,648	584,009	8,559,426
Net increase (decrease)	6,138,216	201,157	(3,071)	20,469	6,356,771
Net position restricted for pension, DC and postemployment healthcare benefits:					
Balance, beginning of year	76,492,994	356,320	136,448	386,329	77,372,091
Balance, end of year	\$ 82,631,210	\$ 557,477	\$ 133,377	\$ 406,798	\$ 83,728,862

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2025 and 2024
(Dollar Amounts in Thousands)

	2024				
	Pension	Defined Contribution (DC)	Postemployment Healthcare		Totals
			Premium Assistance	Health Options Program	
Additions:					
Contributions:					
Members	\$ 1,197,871	\$ 69,748	\$ —	\$ —	\$ 1,267,619
Employers	5,262,714	53,796	102,211	—	5,418,721
Total contributions	6,460,585	123,544	102,211	—	6,686,340
HOP participant premiums	—	—	—	421,491	421,491
Centers for Medicare & Medicaid Services premiums	—	—	—	89,270	89,270
Investment income:					
From investing activities:					
Net appreciation in fair value of investments	4,312,722	44,304	—	—	4,357,026
Short-term	303,821	248	6,233	17,171	327,473
Fixed income	594,978	—	—	—	594,978
Equity	502,176	—	—	—	502,176
Collective trust funds	—	386	—	—	386
Real estate	119,403	—	—	—	119,403
Alternative investments	277,795	—	—	—	277,795
Total investment activity income	6,110,895	44,938	6,233	17,171	6,179,237
Investment expenses	(410,354)	(523)	(49)	(44)	(410,970)
Net income from investing activities	5,700,541	44,415	6,184	17,127	5,768,267
From securities lending activities:					
Securities lending income	90,050	—	—	—	90,050
Securities lending expense	(86,320)	—	—	—	(86,320)
Net income from securities lending activities	3,730	—	—	—	3,730
Total net investment income	5,704,271	44,415	6,184	17,127	5,771,997
Total Additions	12,164,856	167,959	108,395	527,888	12,969,098
Deductions:					
Benefits	7,683,019	—	111,659	487,975	8,282,653
Refunds of contributions	45,726	—	—	—	45,726
Distributions	—	9,982	—	—	9,982
Administrative expenses	55,447	3,538	1,004	40,598	100,587
Total Deductions	7,784,192	13,520	112,663	528,573	8,438,948
Net increase (decrease)	4,380,664	154,439	(4,268)	(685)	4,530,150
Net position restricted for pension, DC and postemployment healthcare benefits:					
Balance, beginning of year	72,112,330	201,881	140,716	387,014	72,841,941
Balance, end of year	\$76,492,994	\$ 356,320	\$ 136,448	\$ 386,329	\$77,372,091

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Years Ended June 30, 2025 and 2024

1. Organization and Description of the System

(A) Organization

Pennsylvania Public School Employees' Retirement System (PSERS or System) was established on July 18, 1917, under the provisions of Pamphlet Law 1043, No. 343, as a governmental, cost-sharing, multiple-employer plan to which public school employers, the Commonwealth of Pennsylvania (Commonwealth), and school employees (members) contribute. PSERS was created by statute through the Public School Employees' Retirement Code (Retirement Code) as a defined benefit plan; a qualified trust under Section 401(a) of the Internal Revenue Service Code (DB Plan; Pension). PSERS' role expanded upon the passage of Act 5 of 2017 (Act 5), effective July 1, 2019, to include oversight of the School Employees' Defined Contribution Plan, a separate qualified 401(a) defined contribution plan (DC Plan; Trust). At June 30, 2025, there were 763 participating employers, generally school districts.

The Public School Employees' Retirement Board (Board) is established by state law as an independent administrative board of the Commonwealth. The Board exercises control and management of the System, including the investment of its assets, and the DC Plan. The Board has 15 members including the Commonwealth's Secretary of Education; the Commonwealth's Secretary of Banking and Securities; the State Treasurer; the Executive Director of the Pennsylvania School Boards Association; one member appointed by the Governor; six elected members (three from among the System's certified members, one from among the System's noncertified members, one from among the System's annuitants; and one from among school board members in Pennsylvania); two members from the Senate; and two members from the House of Representatives.

The retirement plan of the System is a contributory defined benefit plan for which the benefit payments to members and contribution provisions by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code (Code). Changes in benefit and contribution provisions for the retirement plan must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the System's retirement plan are to be accompanied with an actuarial note prepared by an enrolled pension actuary from the Independent Fiscal Office (IFO) providing an estimate of the cost and actuarial effect of the proposed change. The IFO's actuarial note must be

published prior to a second vote on pension-related legislation in the House or Senate.

Based upon criterion of financial accountability as defined by governmental accounting standards, PSERS is considered a component unit of the Commonwealth of Pennsylvania financial reporting entity and is included in the Annual Comprehensive Financial Report of the Commonwealth of Pennsylvania.

(B) DB and DC Retirement Plans

i. Membership Classes

Individuals who became a member prior to July 1, 2011 are Membership Class T-C (Class T-C) or Membership Class T-D (Class T-D). Act 120 of 2010 (Act 120) created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F), for individuals who first became new members on or after July 1, 2011 through June 30, 2019.

For individuals who first become new members on or after July 1, 2019, Act 5 allows the employee to elect one of two membership classes consisting of defined benefit (DB) and defined contribution (DC) components (Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H)) or a standalone DC membership class. Membership at June 30, 2024, the most recent year for which actual amounts are available, is presented in Table 2.

Table 2 - Membership as of June 30, 2024	
Active members:	
Vested	141,266
Nonvested	113,552
DC Only	834
Total active members	255,652
Inactive members:	
Retirees and beneficiaries currently receiving benefits	253,896
Inactive members and vestees entitled to but not receiving benefits	26,331
Total retirees and other members	280,227
Total number of members	535,879

The normal retirement age, vesting period and final average salary for virtually all members are presented below:

Membership Class	Normal Retirement Age	Pension Multiplier	Vesting	Final Average Salary
T-C	Age 62, or Age 60 with 30 years of service, or 35 years of service regardless of age.	2.00%	5 Years	For any 3 years of service
T-D		2.50%	5 Years	For any 3 years of service
T-E	Age 65 with a minimum of three years of service credit, or any combination of age and service that totals 92 with at least 35 years of credited service.	2.00%	10 Years	For any 3 years of service
T-F		2.50%	10 Years	For any 3 years of service
T-G	Age 67 with a minimum of three years of service credit, or any combination of age and service that totals 97 with at least 35 years of credited service.	1.25%	10 Years	For any 5 years of service
T-H	Age 67 with a minimum of three years of credited service.	1.00%	10 Years	For any 5 years of service

ii. DB Benefits

As summarized in the table above, DB benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A member's right to a DB benefit is vested in 5 to 10 years depending on membership class as summarized in the table above.

To qualify for normal retirement, Class T-C and Class T-D members must work until age 62 with a minimum of one year of service, age 60 with 30 years of service, or attain 35 years of service regardless of age. To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Active DB members may purchase credit for various types of school and non-school service on a lump-sum, installment purchase basis, or through an actuarially calculated benefit reduction. Class T-E, Class T-F, Class T-G, and Class T-H members must purchase Non-Qualifying Part Time service and most other types of non-school or non-state service credit at full actuarial cost. Members have one year after enrollment in the System to purchase service for Non-Qualifying Part Time service.

In addition to regular retirement benefits, the System also provides for disability retirement benefits and death benefits. Members are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally between 33.33% to 40% of the member's final average salary, depending upon membership class.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service or who has at least five years of credited service for Class T-C and Class T-D members;

age 65 with at least three years of credited service for Class T-E and Class T-F members; or age 67 with at least three years of credited services for Class T-G and Class T-H members or 10 years of credited service for Class T-E, Class T-F, Class T-G, and Class T-H members. The death benefit is actuarially equivalent to the present value of the benefit as if the member retired on the day before death.

Members with credited service in the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) may have 365 days from enrollment in the System to elect to have their state service combined with service in the Public School Employees' Retirement System upon commencement of employment in the public school system. Similarly, a member with credited service in the System may elect to combine such service with SERS within 365 days of becoming a member of that system.

All DB members are fully vested in their individual balance of member contributions and interest in the Members' Savings Account, which is described in Note 3. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members may elect to receive a return of their accumulated contributions and interest from the Members' Savings Account upon their retirement which results in a reduced monthly annuity.

iii. DB Contributions

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth. The System's funding policy provides for periodic employer and Commonwealth contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay retirement benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. This method determines the amount of contributions necessary to (1) fully fund all current costs, (also known as normal cost), which represents the estimated amount necessary to pay for the benefits earned by the employees during the current service year; and (2) liquidate the prior service cost for service earned prior to the current service year and subsequent benefit increases, which represents the amount necessary to fund accrued liabilities over the appropriate amortization periods.

According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the System. All school entity employers are reimbursed by the Commonwealth at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth reimburses certain school entity employers at a rate greater than 50% based on the Commonwealth of Pennsylvania Department of Education's Market Value/Personal Income Aid Ratio and other factors. School entities remit 100% of total employer contributions directly to the System. The Commonwealth then remits 50% of the total employer contributions for employers other than school entities directly to the System. All contributions from employers and the Commonwealth are shown as employer contributions on the Statements of Changes in Fiduciary Net Position.

The Commonwealth Share of defined benefit employer contributions for FY 2025 was \$3.1 billion and FY 2024 was \$3.0 billion. The school and non-school entity share of total employer contributions for FY 2025 was \$2.4 billion and FY 2024 was \$2.3 billion. For FY 2025 total employer contributions were \$5.5 billion and for FY 2024 were \$5.3 billion.

Contribution rates for active members are set by law, PSERS members contribute between 4.5% and 10.3% of their pay depending on their class of membership to help fund their own retirement benefit. The average contribution rate payable by members for FY 2025 is 7.37%.

Rates for members hired on and after July 1, 2011 are subject to a shared risk/shared gain contribution rate. With a shared risk/shared gain contribution rate, members can benefit when PSERS' investments are doing well and share some of the risk when PSERS' investments underperform. DB contribution rates may increase or decrease by 0.50% or 0.75% within the specified range every three years.

The member contribution rate will stay within the ranges specified in the shared risk summary table but can fluctuate by the shared risk increment every three years depending on the investment performance of PSERS.

The investment performance calculations utilized for the shared risk/shared gain contribution rate member risk share assessment are performed by the System's general investment consultant, consistent with current investment policy, and use quarter lagged values for private market investments.

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates for Fiscal Year Ended June 30, 2025				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk/shared gain provision Shared Risk Effective 7/1/2024: -0.50% Shared Risk Effective 7/1/2021: +0.50%	N/A	After 7/1/24: 7.50% 7/1/2021-6/30/2024: 8.00% Prior to 7/1/2021: 7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk/shared gain provision Shared Risk Effective 7/1/2024: -0.50% Shared Risk Effective 7/1/2021: +0.50%	N/A	After 7/1/24: 10.30% 7/1/2021-6/30/2024: 10.80% Prior to 7/1/2021: 10.30%
T-G	On or after July 1, 2019	5.50% base rate with shared risk/shared gain provision Shared Risk Effective 7/1/2024: -0.75% Shared Risk Effective 7/1/2021: +0.75%	2.75%	After 7/1/24: 8.25% 7/1/2021-6/30/2024: 9.00% Prior to 7/1/2021: 8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk/shared gain provision Shared Risk Effective 7/1/2024: -0.75% Shared Risk Effective 7/1/2021: +0.75%	3.00%	After 7/1/24: 7.50% 7/1/2021-6/30/2024: 8.25% Prior to 7/1/2021: 7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

iv. Defined Contribution Plan

Act 5 allows the employee to elect one of three Membership Classes: Class T-G, Class T-H, or a standalone DC membership class. The table below shows the current membership of the DC Plan.

Defined Contribution Plan Membership at June 30, 2025	
Active participants	88,719
Inactive participants entitled to a distribution	6,122
Total number of participants	94,841

v. DC Benefits

The DC component of the retirement is based on the statutory rate of contributions made by the participant and the employer, voluntary contributions (rollovers and after-tax contributions), the investment performance on those contributions, and the fees, costs, and expenses deducted from the PSERS DC Plan account. Contributions have the potential to grow based on investment earnings but are not guaranteed against loss in declining investment markets.

DC participants are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions in the DC plan. DC participants who have at least three eligibility points become vested and eligible for employer DC contributions made on their behalf. Participants with fewer than three eligibility points are not eligible to receive the employer DC contributions. Each eligibility point is earned the first day a contribution is made to the plan on behalf of a DC participant in a school year (July 1 – June 30). Only one eligibility point may be credited in a school year.

Death benefits are payable upon the death of an active DC participant equal to the vested portion of the participant's DC account. There is no disability benefit with the DC Plan.

vi. DC Contributions

DC participant and employer contributions rates are set by statute. A participant may elect to make additional voluntary post-tax member contributions and rollovers.

(C) Postemployment Healthcare Plans**i. Health Insurance Premium Assistance Program****(a) Premium Assistance Benefits**

Beginning July 1, 1992, the System provides a Health Insurance Premium Assistance program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Effective January 1, 2002, participating eligible annuitants are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

The eligibility requirements for premium assistance are as follows:

- 24.5 years of credited service (for Class DC members, Medicare eligibility with at least 24.5 eligibility points), or
- 15 years of credited service if termination of employment and retirement occurred after superannuation age, or
- Receiving a disability annuity from PSERS; and
- Have an out-of-pocket premium expense from their former school employer's health plan or the PSERS-sponsored HOP.

As of June 30, 2025, there were no assumed future benefit increases to participating eligible annuitants in the Premium Assistance program. Membership at June 30, 2024, the most recent year for which actual amounts are available, is presented in Table 3.

(b) Contributions

A portion of the employer contribution rate to the System includes the funding of Premium Assistance. The Premium Assistance contribution rate is set at a level necessary to establish reserves sufficient to provide Premium Assistance payments for all participating eligible members for the subsequent fiscal year. The portion of the total contribution rate for employers used to fund Premium Assistance was 0.63% for the year ended June 30, 2025, and 0.64% for the year ended June 30, 2024. Members do not contribute to Premium Assistance.

Table 3 - Premium Assistance Membership at June 30, 2024

Retirees and beneficiaries currently receiving benefits	92,638
Inactive members and vestees entitled to but not receiving benefits	644
Total retirees and other inactive members	93,282
Total active members	255,652
Total number of members	348,934

ii. Health Options Program

The Health Options Program (HOP) is a PSERS-sponsored voluntary health insurance program for the sole benefit of annuitants of PSERS, spouses of annuitants, survivor annuitants and their dependents who participate in HOP. The HOP is a separate trust funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The HOP offers several health plans. Participants may select among two self-funded Medicare supplement plans, two Medicare Rx plans, and multiple Medicare Advantage plans for those eligible for Medicare. Participants not eligible for Medicare have a choice between a self-funded, high deductible indemnity plan and multiple managed-care plans. Pre-65 Medical Plan or a companion managed care plan offered through Medicare Advantage carriers are available to retirees residing in the plan's service area. The Medicare supplements and pre-65 high deductible plan are self-funded and claims are adjudicated by a third-party administrator. The Medicare Rx Options and the prescription drug benefit of the pre-65 high deductible plan are also self-funded and claims are adjudicated by a pharmacy benefits manager. The Medicare Advantage and managed-care plans are provided by private insurance companies or managed care organizations and benefits are fully insured. HOP also offers a fitness program and a dental and vision option through fully insured carriers.

Effective January 1, 2006, PSERS entered into an Employer/Union Entity contract with the Centers for Medicare and Medicaid Services (CMS) to operate a voluntary Medicare Prescription Drug Plan (PDP). The PDP covers approximately 96,910 participants. CMS provides partial funding of the PDP in the form of monthly per capita payments and reinsurance. An independent actuarial consulting firm sets the rates for the self-funded benefits. The HOP maintains reserves for claims that are Incurred But Not Reported (IBNR) and for claim fluctuation for the self-funded benefit plans. At June 30, 2025 and 2024, PSERS recorded \$24,417,216 and \$24,857,000, respectively, in IBNR. The IBNR is included in benefits payable.

2. Summary of Significant Accounting Policies

(A) Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Member and employer contributions are recognized in the period for which employees' salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Systems' accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions in fiduciary net position during the reporting period. Actual results could differ from those estimates.

(B) Investments

The System's investments are reported at fair value. Fair value is the amount that the System can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. See Note 4(B) for the description of the Fair Value of Investments.

Net appreciation (depreciation) is determined by calculating the change in fair value of investments between the beginning of the year and end of the year, less purchases of investments at cost, plus sales of investments at fair value.

Investment purchases and sales are recorded as of the trade date. Interest income is comprised of dividend, interest, and other investment income. Dividend income is recognized on the ex-dividend date. Interest and other investment income is recognized when earned.

Investment expenses consist of investment manager fees and those administrative expenses directly related to the System's investment operations. Investment proceeds receivable generally include unsettled investment sales. Unsettled investment purchases are included in investment purchases and other payables.

(C) Capital Assets

PSERS maintains three categories of capital assets: tangible capital assets, intangible capital assets, and intangible right-to-use assets.

Tangible capital assets consist primarily of data processing equipment and software and are depreciated using the straight-line method over an estimated useful life of five years. PSERS uses a minimum reporting threshold of \$5,000 for tangible capital assets.

Intangible Right to Use Assets	
Costs	(Dollar Amounts in Thousands)
Balances as of June 30, 2024	\$ 68,514
Additions in FY 2025	14,075
Balances as of June 30, 2025	\$ 82,589
Accumulated depreciation and amortization	
Depreciation and Amortization Expense	\$ (37,024)
Balances June 30, 2025	(37,024)
Net Right to Use Assets June 30, 2025	\$ 45,565

Internally developed computer software is recognized as intangible capital assets. Intangible capital assets are amortized using the straight-line method over an estimated useful life of twenty years for assets purchased prior to July 1, 2012 and up to 10 years for assets purchased after June 30, 2012.

Intangible right-to-use leases are recorded at net present value of lease payments. Intangible right-to-use lease assets and related liabilities are recorded at the commencement date of the related contract. Lease liabilities, included in Other Liabilities on the Statement of Fiduciary Net Position, are measured at the present value of expected payments over the contract term. Lease assets are amortized over the shorter of the term of the contract or the useful life of the underlying assets. Interest expense is recognized over the contract term. PSERS uses a minimum reporting threshold of \$100,000 for intangible right-to-use assets.

Intangible right-to-use Subscription-Based Information Technology Arrangements (SBITA) are recorded under GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Intangible right-to-use SBITA assets and related liabilities are recorded at the commencement date of the related contract. SBITA liabilities, included in Other Liabilities on the Statement of Fiduciary Net Position, are measured at the present value of expected payments over the contract term. SBITA assets are amortized over the shorter of the term of the contract or the useful life of the

underlying assets. Interest expense is recognized over the contract term.

(D) Benefits Payable

Benefits payable represents the obligations of the System, on an accrual basis, at the end of the fiscal year. It includes the estimated retirement and death benefits payable, federal taxes withheld but not yet due to the Internal Revenue Service (IRS), premium assistance benefits payable, and the HOP IBNR claims for its participants.

(E) Pensions for Employees of the System

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the Pennsylvania State Employees' Retirement System (SERS) and additions to/deductions from SERS' fiduciary net position have been determined on the same basis as they are reported by SERS. Please refer to Note 8 for additional information regarding SERS. PSERS' net pension liability for its employees to SERS is reported in Other liabilities. Deferred inflows of resources are reported in Other liabilities. Deferred outflows of resources are reported in Miscellaneous assets. Pension expense is reported in administrative expenses and is detailed on the Schedule of Administrative and Investment Expenses Supplementary Schedule.

(F) Postemployment Healthcare Plan for Employees of the System

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the Commonwealth of Pennsylvania Retired Employees Health Program (REHP) and additions to/deductions from REHP fiduciary net position have been determined on the same basis as they are reported by the REHP. Please refer to Note 9 for additional information regarding the REHP. PSERS' net OPEB liability for its employees to the REHP is reported in Other liabilities. Deferred inflows of resources are reported in Other liabilities. Deferred outflows of resources are reported in Miscellaneous assets. OPEB expense is reported in administrative expenses and is detailed on the Schedule of Administrative and Investment Expenses Supplementary Schedule.

(G) Compensated Absences

The System uses the accrual basis of accounting for measuring vacation, sick leave, and other compensated

absences liabilities. Employees of the System are paid for accumulated vacation leave upon termination or retirement. Retiring employees of the System that meet service, age, or disability requirements are paid between 30% and 100% of sick days available at retirement, up to 161 maximum days paid. At June 30, 2025 and 2024, \$6,575,000 and \$5,424,000, respectively, were accrued for unused vacation and sick leave and other compensated absences mentioned for the System's employees and are included in Accounts payable and accrued expenses on the Statements of Fiduciary Net Position.

(H) Participant Premium Advances

Premium advances at June 30, 2025 and 2024, are for HOP premiums related to health care coverage to be provided in July of 2025 and 2024, respectively.

(I) Federal Income Taxes

PSERS is exempt from federal income taxes under section 501 (a) of the Internal Revenue Code.

(J) Risk Management

The System is exposed to various liabilities and risks of loss, including, without limitation, the ordinary risks of investment losses, risks related to theft or destruction of assets, liabilities resulting from injuries to employees, and liabilities resulting from court challenges to fiduciary decisions. As an administrative agency of the Commonwealth of Pennsylvania, the System is accorded sovereign immunity. For claims not shielded by sovereign immunity, the System participates in certain Commonwealth pooled insurance programs and requires asset managers to carry certain insurance coverage for the protection of the System. The System has implemented a self-insurance program for fiduciary and director and officer liability coverage. During the past three fiscal years, insurance settlements did not exceed insurance coverage. In addition, the DC plan has its own fiduciary insurance through a third-party.

The Health Options Program maintains a reserve equal to approximately 11 to 12 months of self-funded benefits and expenses. Reserves are recommended for all self-insured group health plans to cover the potential for unexpected claim volatility (high amount claim events) and unanticipated economic changes (excessive inflation). Further, The Health Options Program, as a Medicare Supplement Plan, has limited exposure to high cost claims, which reduces the potential for excess risk. Medicare is the primary payer for most medical claims in the HOP Medical and Value Medical plans, and the Medicare Prescription Drug Program is protected by Medicare Part D Catastrophic coverage. Benefits for

members who are not eligible for Medicare are limited to \$300,000 per year in medical benefits, and \$1,000,000 over a member's lifetime. Medical and Prescription drug benefits provided by Managed Care Organizations are fully insured by those providers. For these reasons, the Health Options Program is sufficiently reserved and reinsurance (stop loss coverage) is not needed or recommended at this time.

(K) Members Receivables

Members receivables include an amount for members' obligations to the System for the purchase of service credit. Members have a variety of options to remit purchase of service payments:

- Remit a lump sum payment.
- Request an installment plan from one to seven years where the member's employer establishes a payroll deduction process. The member's employer then forwards monthly payments of the withheld amounts to PSERS.
- Accept an actuarial reduction debt through which the amount of the purchase, plus accumulated interest, will reduce the member's retirement or death benefit.
- Rollover funds from an eligible distribution.

The following is a summary of member receivables at June 30, 2025 and 2024:

	(Dollar Amounts in Thousands)	
	2025	2024
Pension:		
Member Contributions	\$ 80,937	\$ 82,173
Purchase of Service	293,173	284,947
Other	7,066	7,543
Total Pension	\$ 381,176	\$ 374,663
Defined Contribution Plan	\$ 441	\$ 751
Postemployment Healthcare:		
Premium Assistance	\$ 1,442	\$ 1,518
Health Options Program	\$ 114	\$ 126

(L) Interfund Transactions and Balances

Interfund transfers of assets take place on a regular recurring basis between Pension, Premium Assistance, HOP and Defined Contribution. The transfers occur upon receipt of employer contributions and payment of benefits or expenses. The interfund receivables and payables related to interfund activity are classified under receivables and liabilities on the financial statements.

(M) Adoption of New Accounting Standards

PSERS reviews the requirements of all new GASB pronouncements and assesses the potential impact to the System. For the fiscal year ended June 30, 2025, PSERS adopted GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. The adoption of these standards had no material impact on PSERS' financial statements.

3. Description of Accounts

The Code requires the System to maintain the following accounts which represent reserves held for future and current benefit payments as follows and as illustrated in Table 4.

Table 4 - Account Balance			
	(Dollar Amounts in Thousands)		
	2025	2024	
Pension:			
State Accumulation Account	\$ (2,170,980)	\$ (7,561,460)	
Members' Savings Account	20,324,242	19,630,600	
Annuity Reserve Account	64,477,948	64,423,854	
	\$ 82,631,210	\$ 76,492,994	
Defined Contribution Plan			
	\$ 557,477	\$ 356,320	
Postemployment Healthcare:			
Health Insurance Account	\$ 133,377	\$ 136,448	
Health Options Program Account	\$ 406,798	\$ 386,329	

(A) State Accumulation Account

The State Accumulation Account is credited with contributions from the Commonwealth and the employers. Additionally, interest earnings of the System (after crediting the Members' Savings Account with 4% interest and the reserve for retirement with 5.50% statutory interest) are credited to this account. Each year, the necessary amounts, as determined by the actuary for the payment of retirement, disabilities, and death benefits, are transferred from the State Accumulation Account to the Annuity Reserve Account increasing the reserve credit to the 7.00% valuation assumption rate determined by the actuary. All administrative expenses necessary for the operation of the System, except for Premium Assistance, HOP, and Defined Contribution Plan expenses, are paid from the State Accumulation Account.

(B) Members' Savings Account

The Members' Savings Account is credited with all contributions made by active members of the System. Interest is added to the member's individual account at an annual rate of 4%. Upon a member's death or retirement, the accumulated contributions plus interest are transferred to the Annuity Reserve Account for subsequent payment of benefits.

(C) Annuity Reserve Account

The Annuity Reserve Account represents the amounts transferred from the Members' Savings and State Accumulation Accounts, plus additional contributions made by the Commonwealth and employers for the payment of supplemental annuities and cost-of-living increases. All death, disability, and retirement benefits are paid from this account. Annual interest of 5.50% is credited to the Annuity Reserve Account.

(D) School Employees' Defined Contribution Trust (Defined Contribution Plan)

The School Employees' Defined Contribution Trust accumulates DC participants and employer contributions, investment earnings and DC plan expenses of the School Employees' Defined Contribution Plan. The trust is comprised of individual investment accounts, all assets in those accounts and any assets held that are not allocated to the individual investment accounts. The assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries and may be used for payment of fees, costs and expenses related to the administration and investment of the plan and the trust.

(E) Health Insurance Account

The Health Insurance Account is credited with contributions from the employers for Premium Assistance. The Health Insurance Account pays all administrative expenses necessary to operate the Premium Assistance Program.

(F) Health Insurance Program Account

The Health Insurance Program Account is credited with premiums from members of the HOP and from CMS. All benefits related to the HOP (premium payments to the insurance companies and self-funded benefits) are paid from this account. The Health Insurance Program Account pays all administrative expenses necessary to operate the HOP.

4. Investments

(A) Summary of Investments

The Board has the responsibility to invest and reinvest available funds of the System in accordance with the guidelines and limitations set forth in the Code and other applicable state law. The Board accomplishes the daily management of the System's investments through internal investment managers and through investment advisors who act as agents for the System.

The Board invests the funds of the System using the Prudent Investor Standard, as articulated in the Code, which means “the exercise of that degree of judgment, skill and care under the circumstances then prevailing which persons 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 the permanent disposition of the fund, considering the probable income to be derived therefrom as well as the probable safety of their capital.” The Board has adopted its investment policy to formally document investment objectives and responsibilities. This policy, as well as applicable state law, establishes guidelines for permissible investments of the System.

(B) Fair Value of Investments

i. Fair Value Levels

PSERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- **Level 1 inputs:** Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure fair value in that particular market.
- **Level 2 inputs:** Level 2 inputs are prices that are observable either directly or indirectly. Level 2 inputs may include quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable, such as interest rates, yield curves, implied volatilities, credit spreads, or market-corroborated inputs.
- **Level 3 inputs:** Reporting entities may use unobservable inputs to measure fair value if

relevant observable inputs are not available, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Debt, equity, and derivative instrument securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices and recently published security specific trading levels. Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and equities are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

For Collective Trust Fund (CTF) investments, PSERS' management, in consultation with investment advisors has determined the fair value based upon the reported share value of the respective fund. The reported share value of the fund is based upon each respective fund's administrator statement.

Private equity, private equity real estate, private credit, private infrastructure, and opportunistic are generally organized as limited partnerships. The fair value of investments, which are organized as limited partnerships, and have no readily available daily fair value, have been determined by using the net asset value per share (or its equivalent) of PSERS' ownership interest in partners' capital. These net asset values are based on the individual investor's June 30, 2025, capital account balance reported at fair value by the general partner of the respective limited partnership, or the most recently available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements, which include estimates of fair values, are audited by independent certified public accounting firms. It is possible that these estimates could change in the near-term, or upon the sale of the assets, resulting in valuations that could differ from the June 30, 2025, reported net asset value.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using observable exchange, dealer, or broker market pricing.

(1.) Pension

i. Investments at Net Asset Value (NAV)

- (a) Collective trust fund investments consist primarily of domestic and international institutional funds. The CTF's fair value is based on the reported share value of the respective fund by the fund administrator. Redemption frequency for these assets range from monthly, to quarterly, to annual.
- (b) Private equity real estate is implemented through investment structures that provide limited liability to PSERS. These investments are across multiple asset types such as industrial, multi-family, office, retail, hotels, agriculture (permanent crops), and other real estate related assets.

Private equity real estate investments utilize core, value-added, and opportunistic strategies. Core real estate strategies are expected to deliver a significant percentage of their return from income and may demonstrate lower volatility than opportunistic and value-added strategies due to lower leverage, higher levels of occupancy, and asset location in primary markets. Value-added real estate strategies typically have near-term leasing, repositioning, and/or renovation risk. Value-added strategies are expected to have limited initial operating revenues with potential for substantial income growth and will likely encounter greater volatility than core strategies, but lower volatility than opportunistic strategies. Opportunistic real estate strategies typically have significant development, lease-up, financial restructuring, and/or liquidity risk with little or no initial operating income. Opportunistic real estate strategies typically utilize higher levels of leverage, are expected to achieve most of the return from future capital gains, and are likely to encounter greater volatility than core and value-added strategies. The fair value of these investments have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be

easily redeemed. Distributions may be received as: cash flows from operations or return of capital from dispositions, which can take, on average, up to 10 years.

- (c) Private equity is implemented through investment structures that provide limited liability to PSERS. Strategies include buyout, growth equity, venture capital, and special situations strategies. Buyout strategies typically seek controlling interests in established companies that are further along in the business cycle. Venture capital strategies typically target companies in early phases of the business cycle and may be classified as seed, early, middle or late stage. These companies generally are not yet profitable and therefore are higher on the risk/return spectrum. Growth equity strategies sit between buyout and venture capital, and typically consist of companies with high revenue growth, free cash flow generation, and are typically profitable. Special situations strategies typically refer to structured equity, mezzanine and distressed debt-for-control. The fair value of these investments have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions may be received as: cash flows from operations or return of capital from dispositions, which can take, on average, up to 10 years.
- (d) Private credit is implemented through investment structures that provide limited liability to PSERS. Private credit strategies include direct lending, mezzanine lending, distressed and special situations, specialty finance, structured credit, real estate credit, and real assets credit. Direct lending is focused on providing senior secured loans to middle-market businesses. Mezzanine is primarily focused on providing subordinated debt capital to private businesses. Distressed and special situations is focused on issuing loans to companies undergoing financial challenges or that are in need of a solution to optimize a capital structure or purchasing publicly listed, stressed securities. Specialty finance is a set of niche lending strategies that provide financing to consumers, small businesses, and other borrowers. Structured credit is a set of strategies that target investments in securitized debt obligations, such as collateralized loan obligations and collateralized debt obligations. Real estate credit is focused on commercial real estate collateral or residential mortgage origination. Real assets credit is focused on providing debt capital to companies operating within the real asset space with loans typically secured by real assets. The fair value of these investments have been

determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions may be received as: cash flows from operations or return of capital from dispositions, which can take, on average, up to 10 years.

- (e) Private infrastructure is implemented through investment structures that provide limited liability to PSERS. Investments generally consist of private companies and assets that provide essential services to the economy, including regulated assets, contracted energy assets, and transportation assets with high barriers to entry and stable and predictable long-term cash flows. Regulated assets generally include electricity transmission and distribution facilities, gas distribution systems, pipelines, water distribution, and wastewater collection and processing facilities. Contracted energy assets generally include renewable and conventional generation, pipelines, and storage. Transportation assets generally include toll roads, bridges and tunnels, airports, seaports, parking facilities, and rail lines. The fair value of these investments have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions may be received as: cash flows from operations or return of capital from dispositions, which can take, on average, up to 10 years.
- (f) Opportunistic is implemented through investment structures that provide limited liability to PSERS. Opportunistic includes investments that are private investment funds that seek to produce absolute returns generally using event-driven, tactical trading, and relative value strategies. Event-driven funds seek to gain an advantage from pricing inefficiencies that may occur before or after a corporate action or related event, such as a merger, spinoff, earnings call, bankruptcy, or restructuring. Tactical trading funds invest their holdings in indexes, commodities, interest rate instruments, and currencies as a result of relative value or directional forecasts from a systematic or discretionary approach. Relative value strategies use a range of fixed income arbitrage, insurance linked, long-short credit, and/or quantitative strategies that seek to take advantage of price differentials. The fair values of the investments in this type have been determined using the NAV per share of the investments. With the most recently approved strategic asset allocation, the opportunistic portfolio is in liquidation. While many of the investments can be redeemed within 12 months of June 30, 2025, there are

investments that include restrictions that do not allow for redemption during the next 12 months and could take longer.

(2.) Defined Contribution

i. Investments at Net Asset Value (NAV)

- (a) DC Collective Trust Fund investments (DC-CTF) consist primarily of domestic and international institutional funds. The fair value of DC-CTF is based on the reported share value of the respective fund. DC-CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual.

(C) Deposit and Investment Risk Disclosures

i. Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the System would not be able to recover the value of the deposits. The Commonwealth's Treasury Department is the custodian of the System's funds. Commonwealth Treasury Department deposits must be held in insured depositories approved by the Commonwealth's Board of Finance and Revenue and must be fully collateralized. The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1, and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929, P.L. 177, No. 175).

Voya Institutional Trust Company is the custodian of the DC Plan. Assets of the DC Plan are held in a trust for the benefit of DC Plan participants and investments are bought and sold within portfolios then calculated as a share or unit value for each investment option in the PSERS DC Plan.

The System, through its third-party administrator, maintains certain bank deposits for the operation of its voluntary HOP. These deposits are not required to be collateralized by statute or policy. These deposits totaled \$290,650,000 and \$356,653,000, at June 30, 2025 and 2024, respectively, and are under the custody of M&T Bank which has a BB+ rating by Standard and Poor's (S&P) and an Baa3 rating by Moody's Investor Services (Moody's).

ii. Investment Risks

The System's investments, including derivatives and other similar investments, may be subject to various risks. Among these risks are concentration of credit risk, custodial credit risk, credit risk, interest rate risk, and foreign currency risk. The policies addressing each one of these risks, discussed in more detail below, are contained within the Investment Policy Statement, Objectives, and Guidelines reviewed and approved by the Board. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments may occur in the near term and that such changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

At June 30, 2025, the System had the following recurring fair value measurements in the Pension Plan.

Pension Investments
Investments and Derivative Instruments Measured at Fair Value
(Dollar Amounts in Thousands)

		Fair Value Measurements Using		
	2025	Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 4,636,633	\$ 2,751,937	\$ 1,884,696	\$ —
Other domestic short-term	854,688	815,439	39,249	—
International short-term	34,542	18,674	15,868	—
	5,525,863	3,586,050	1,939,813	—
Fixed:				
Domestic asset-backed and mortgage-backed	2,025,636	—	2,025,636	—
U.S. government and agency obligations	12,027,240	12,017,782	9,458	—
Domestic corporate and taxable municipal bonds	1,437,397	100	1,437,297	—
International fixed income	221,268	—	221,268	—
	15,711,541	12,017,882	3,693,659	—
Equity:				
Domestic equity	18,200,065	18,200,065	—	—
International equity	10,032,505	10,032,505	—	—
	28,232,570	28,232,570	—	—
Directly-owned real estate	1,596,836	—	—	1,596,836
Total investments by fair value level	51,066,810	\$ 43,836,502	\$ 5,633,472	\$ 1,596,836
Investments measured at the net asset value (NAV)				
Collective trust funds - Fixed income	2,639,255			
Collective trust funds - Equity	2,586,948			
Collective trust funds - Other	539,727			
Private equity real estate	4,401,758			
Private infrastructure	3,596,564			
Alternative investments:				
Private equity	10,437,736			
Private credit	6,101,066			
	16,538,802			
Total investments measured at the NAV	30,303,054			
Total investments measured at fair value	\$ 81,369,864			
Investment derivative instruments				
Futures	\$ 79,572	\$ 79,572	\$ —	\$ —
Total return type swaps	51,702	51,702	—	—
Foreign exchange contracts	(1,553)	(1,553)	—	—
Total investment derivative instruments	\$ 129,721	\$ 129,721	\$ —	\$ —

At June 30, 2024, the System had the following recurring fair value measurements in the Pension Plan.

Pension Investments
Investments and Derivative Instruments Measured at Fair Value
(Dollar Amounts in Thousands)

		Fair Value Measurements Using		
	2024	Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 6,039,011	\$ 4,341,913	\$ 1,697,098	\$ —
Other domestic short-term	482,003	421,951	60,052	—
International short-term	51,470	43,410	8,060	—
	6,572,484	4,807,274	1,765,210	—
Fixed income:				
Domestic asset-backed and mortgage-backed	712,763	—	712,763	—
U.S. government and agency obligations	11,810,875	11,229,405	581,470	—
Domestic corporate and taxable municipal bonds	1,777,152	928,831	848,321	—
International fixed income	336,531	—	336,531	—
	14,637,321	12,158,236	2,479,085	—
Equity:				
Domestic equity	13,767,270	13,767,220	50	—
International equity	8,164,642	8,164,642	—	—
	21,931,912	21,931,862	50	—
Directly-owned real estate	1,482,406	—	—	1,482,406
Total investments by fair value level	44,624,123	\$ 38,897,372	\$ 4,244,345	\$ 1,482,406
Investments measured at the net asset value (NAV)				
Collective trust funds - Fixed Income	2,518,078			
Collective trust funds - Equity	2,424,671			
Collective trust funds - Other	905,424			
Private equity real estate	4,220,550			
Private infrastructure	2,443,640			
Alternative investments:				
Private equity	12,481,672			
Private credit	5,700,508			
Opportunistic	253,965			
	18,436,145			
Total investments measured at the NAV	30,948,508			
Total investments measured at fair value	\$ 75,572,631			
Investment derivative instruments				
Futures	\$ 62,547	\$ 62,547	\$ —	\$ —
Total return type swaps	(16,880)	(16,880)	—	—
Foreign exchange contracts	40,745	40,745	—	—
Options	4,157	4,157	—	—
Total investment derivative instruments	\$ 90,569	\$ 90,569	\$ —	\$ —

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) at June 30, 2025 and 2024 are presented in the following tables.

Pension Investments				
Fair Value of Investments				
Investments Measured at the NAV				
(Dollar Amounts in Thousands)				
	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency*	Redemption Notice Period*
Collective trust funds - Fixed income (a)	\$ 2,639,255	\$ —	see note (a)	see note (a)
Collective trust funds - Equity (a)	2,586,948	—	see note (a)	see note (a)
Collective trust funds - Other (a)	539,727	—	see note (a)	see note (a)
Private equity real estate (b)	4,401,758	2,215,405	see note (b)	see note (b)
Private infrastructure (e)	3,596,564	2,164,421	see note (e)	see note (e)
Alternative investments:				
Private equity (c)	10,437,736	3,032,806	see note (c)	see note (c)
Private credit (d)	6,101,066	3,832,534	see note (d)	see note (d)
Opportunistic (f)	—	—	see note (f)	see note (f)
	16,538.802			
Total investments measured at the NAV	\$ 30,303,054			

Pension Investments				
Fair Value of Investments				
Investments Measured at the NAV				
(Dollar Amounts in Thousands)				
	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency*	Redemption Notice Period*
Collective trust funds - Fixed income (a)	\$ 2,518,078	\$ —	see note (a)	see note (a)
Collective trust funds - Equity (a)	2,424,671	—	see note (a)	see note (a)
Collective trust funds - Other (a)	905,424	—	see note (a)	see note (a)
Private equity real estate (b)	4,220,550	2,221,484	see note (b)	see note (b)
Private infrastructure (e)	2,443,640	2,102,767	see note (e)	see note (e)
Alternative investments:				
Private equity (c)	12,481,672	3,274,555	see note (c)	see note (c)
Private credit (d)	5,700,508	3,106,344	see note (d)	see note (d)
Opportunistic (f)	253,965	—	see note (f)	see note (f)
	18,436,145			
Total investments measured at the NAV	\$ 30,948,508			

*See note 4(B)(a)(ii) (a) through (f) for additional details.

At June 30, 2025, the System had the following recurring fair value measurements in the Premium Assistance Program.

Premium Assistance Investments
Investments Measured at Fair Value
(Dollar Amounts in Thousands)

	2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 105,976	\$ 62,896	\$ 43,080	\$ —
Total investments measured at fair value	\$ 105,976	\$ 62,896	\$ 43,080	\$ —

At June 30, 2024, the System had the following recurring fair value measurements in the Premium Assistance Program.

Premium Assistance Investments
Investments Measured at Fair Value
(Dollar Amounts in Thousands)

	2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 109,873	\$ 78,999	\$ 30,874	\$ —
Total investments measured at fair value	\$ 109,873	\$ 78,999	\$ 30,874	\$ —

At June 30, 2025, the System had the following recurring fair value measurements in the Health Options Program.

Health Options Program Investments

Investments Measured at Fair Value
(Dollar Amounts in Thousands)

	2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 104,473	\$ 62,005	\$ 42,468	\$ —
Other domestic short-term	290,650	290,650	—	—
Total investments measured at fair value	\$ 395,123	\$ 352,655	\$ 42,468	\$ —

At June 30, 2024, the System had the following recurring fair value measurements in the Health Options Program.

Health Options Program Investments

Investments Measured at Fair Value
(Dollar Amounts in Thousands)

	2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 100,964	\$ 72,593	\$ 28,371	\$ —
Other domestic short-term	356,653	356,653	—	—
Total investments measured at fair value	\$ 457,617	\$ 429,246	\$ 28,371	\$ —

At June 30, 2025, the System had the following recurring fair value measurements in the DC Plan.

Defined Contribution Plan Investments

Investments Measured at Fair Value
(Dollar Amounts in Thousands)

	2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 2,993	\$ 1,776	\$ 1,217	\$ —
Other domestic short-term	14,338	14,338	—	—
Total investments by fair value level	17,331	\$ 16,114	\$ 1,217	\$ —
Investments measured at the net asset value (NAV)				
Collective trust funds	540,944			
Total investments measured at the NAV	540,944			
Total investments measured at fair value	\$ 558,275			

At June 30, 2024, the System had the following recurring fair value measurements in the DC Plan.

Defined Contribution Plan Investments

Investments Measured at Fair Value
(Dollar Amounts in Thousands)

	2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Short-term:				
PSERS Short-Term Investment Fund	\$ 4,079	\$ 2,933	\$ 1,146	\$ —
Other domestic short-term	9,634	9,634	—	—
Total investments by fair value level	13,713	\$ 12,567	\$ 1,146	\$ —
Investments measured at the net asset value (NAV)				
Collective trust funds	342,535			
Total investments measured at the NAV	342,535			
Total investments measured at fair value	\$ 356,248			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) at June 30, 2025 is presented in the following table.

Defined Contribution Plan Investments
Fair Value of Investments
Defined Contribution Plan Investments Measured at the NAV
(Dollar Amounts in Thousands)

	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trust funds (g)	\$ 540,944	\$ —	see note (g)	see note (g)
Total investments measured at the NAV	<u>\$ 540,944</u>			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) at June 30, 2024 is presented in the following table.

Defined Contribution Plan Investments
Fair Value of Investments
Defined Contribution Plan Investments Measured at the NAV
(Dollar Amounts in Thousands)

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trust funds (g)	\$ 342,535	\$ —	see note (g)	see note (g)
Total investments measured at the NAV	<u>\$ 342,535</u>			

The following table discloses aggregate fair value for the System's Short-term and Fixed Income assets by credit quality rating category. Many securities have ratings from more than one NRSRO*** and sometimes those ratings differ from one NRSRO to another. The data listed below uses the rating (expressed as S&P equivalent) available from Moody's and/or S&P that indicates the lowest credit quality at June 30, 2025 and 2024.

Quality Rating	(Dollar Amounts in Thousands)	
	2025 Fair Value	2024 Fair Value
AAA	\$ 1,341,833	\$ 1,731,000
AA	1,836,436	2,225,626
A	1,202,804	707,925
BBB	955,773	361,271
BB and Below	383,370	674,883
NR*	3,428,262	3,949,095
Total Exposed to Credit Risk	9,148,478	9,649,800
U.S. Government Guaranteed**	15,246,611	14,659,286
Total Fixed Income and Short-Term Investments	\$ 24,395,089	\$ 24,309,086
*Not Rated securities include \$2,639,255 and \$2,518,078 in collective trust funds and \$0 and \$93,853 in PSERS Short-Term Investment Fund assets at June 30, 2025 and 2024, respectively.		
**Comprised of U.S. government and agency obligations explicitly guaranteed by the U.S. government and not considered to have credit risk.		
***nationally recognized statistical rating organizations (NRSRO)		

At June 30, 2025 and 2024, the System's short-term and fixed income portfolio had the following option-adjusted durations by fixed income sector:

Investment Type	(Dollar Amounts in Thousands)			
	Option-Adjusted Duration	2025 Fair Value	Option-Adjusted Duration	2024 Fair Value
Domestic asset-backed and mortgage-backed	4.0	\$ 2,025,636	0.9	\$ 712,763
U.S. government and agency obligations	12.2	12,027,239	10.0	11,810,875
Domestic corporate and taxable municipal bonds	1.5	1,437,397	1.2	1,777,152
International fixed income	4.1	221,268	4.2	336,531
Collective trust funds*	11.6	2,639,255	11.9	2,518,078
PSERS Short-Term Investment Fund	0.1	4,850,075	0.1	6,253,927
Other Short-Term Assets	0.1	1,194,219	0.1	899,760
Total	7.9**	\$ 24,395,089	6.3**	\$ 24,309,086
* Represents funds holding fixed income assets.				
** Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole rather than any particular investment type within the portfolio. In total, the futures contracts have adjusted PSERS' total portfolio duration upward by 0.1 at June 30, 2025 and 2024. The total portfolio option adjusted duration is calculated by weighting each investment type by fair value.				

(a) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. As of June 30, 2025 and 2024, the System 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.

(b) Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. 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 the System's name. Those investments are defined as insured or registered investments for which the securities are held by the System or its agent and, therefore, have a very minimal level of custodial credit risk. The remaining investments, which do not have securities that are used as evidence of the investment, are primarily in collective trust funds and limited partnerships, which include real estate and alternative investments.

(c) Credit Risk

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 organizations (NRSRO) such as Moody's, and S&P. Annually, the Board establishes an asset allocation plan. This plan manages the overall credit risk of the fixed income asset class through a clearly defined long-term asset allocation policy. This policy establishes a long-term target allocation of the fixed income asset class at 34.0% of the investment portfolio. The fixed income target allocation consists of:

- An allocation of 16.0% of the portfolio has been made to the investment grade segment of the fixed income asset class benchmarked to the Bloomberg U.S. Aggregate Bond TR Index (8.0%) and the Bloomberg U.S. Long Treasury TR Index (8.0%). Within this segment, the U.S. long treasury allocation (8.0%) is composed of primarily long duration U.S. Treasury securities issued by the U.S. government. The U.S. core fixed allocation (8.0%) is composed of primarily investment grade, relatively liquid, public domestic and government-related

bonds with an overall weighted-average NRSRO credit rating of A or better.

- An allocation of 7.0% of the portfolio has been made to the private fixed income segment of the fixed income asset class benchmarked to the MSCI Global Private Credit Closed-End Fund Index one quarter lagged. The private fixed income allocation is composed of primarily investments in limited partnerships focusing on direct lending, mezzanine, distressed and special situations, specialty finance and structured credit strategies.
- An allocation of 7.0% of the portfolio has been made to the inflation protected segment of the fixed income asset class benchmarked to the Bloomberg U.S. Government Inflation-Linked Bond All Maturities TR Index which is composed of primarily government issued Treasury Inflation Protected Securities (TIPS) with an overall weighted-average NRSRO credit rating of AA or better. The portfolio manager is permitted to leverage the portfolio using TIPS total return swaps up to 3:1.
- An allocation of 4.0% of the portfolio has been made to the credit-related segment of the fixed income asset class benchmarked to the Bloomberg U.S. Corporate High Yield Bond Index.

For derivatives exposed to credit risk, the table below presents aggregate fair value by the least favorable credit rating provided by NRSROs at June 30, 2025 and 2024.

Quality Rating	(Dollar Amounts in Thousands)	
	2025 Fair Value	2024 Fair Value
A	\$ 36,964	\$ (16,880)
AA	14,738	—
Total Swaps - Total Return	\$ 51,702	\$ (16,880)

PSERS applies leverage opportunistically in implementing its asset allocation policy, providing an additional mechanism to increase expected volatility in order to target higher expected return when warranted. Total Leverage is allocated at (4.5%); Leverage is benchmarked to 3-Month Term SOFR, and is netted against the System's Cash allocation of 4.5% for a Net Leverage Allocation of (0.0%).

- An allocation of 4.50% of the portfolio has been made to cash benchmarked to the ICE BofAML 0-3 Month U.S. Treasury Bill Index composed of primarily investment grade, relatively liquid U.S. public bonds with an overall weighted-average NRSRO credit rating of AA or better.

(d) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The System manages its interest rate risk by diversifying the fixed income portfolio and maintaining the fixed income portfolio at a Board-approved effective duration range of the benchmark index.

Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. For example, a duration of 4.0 would mean that, given a 100-basis point change up/down in rates, a bond's price would move down/up approximately 4.0%. PSERS measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.

(e) Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment. As part of the System's program to manage risk and enhance returns, the System invests in non-U.S. markets. Investment managers in non-U.S. equity and global fixed income may hedge their non-U.S. foreign currency exposure back to U.S. dollars. In addition, the System partially hedges non-U.S. developed market currency exposure not hedged by the investment managers back to U.S. dollars.

(D) Securities Lending

The System did not participate in a securities lending program with a third party agent for the fiscal year ended June 30, 2025. The System did participate in a securities lending program for part of the fiscal year ended June 30, 2024 due to the program being suspended as of October 31, 2023. Under this program, the lending agent loaned securities (equities, fixed income, and money market instruments) to independent brokers and dealers in exchange for U.S. dollar cash collateral, which was required to be in an amount not less than 102% of the fair value of any securities loaned. Collateral was marked-to-market daily. If the fair value of the held collateral fell below the minimum guidelines for securities loaned, additional collateral was obtained. The lending agent invested the cash collateral in accordance with reinvestment guidelines approved by the System.

The System minimized its credit risk exposure by requiring borrowers to provide collateralization in excess of 100% of the fair value of the securities loaned. Under the securities lending program, the lending agent

provided indemnification to the System if a borrower failed to return borrowed securities (and the collateral was inadequate to replace the loaned securities) or failed to pay income distributions on them. The lending agent also provided indemnification to the System if investment of cash collateral resulted in investment loss. There were no losses during the fiscal years ended June 30, 2025 and 2024, resulting from a default of the borrowers or the lending agent.

All securitized loans could be terminated on demand by either the System or the borrower, although the average term of the loan was one day. There were no term loans as of June 30, 2025 and 2024.

Cash collateral was invested in a tri-party repurchase agreement that was managed by the lending agent, was segregated from all other clients of the lending agent, and was not subject to custodial credit risk. The System's securities lending income represented the earnings from the cash collateral provided by the borrower less a fee paid to the third-party agent minus a negotiated rebate of a portion of the earnings on the cash collateral. During the fiscal year ended June 30, 2024, the mismatch between the maturities of the investments made with cash collateral and the maturities of the securities loans may have posed some interest rate risk to the System. In the event of a default, the lending agent had the ability to use the collateral to replace the loaned securities

As of June 30, 2025 and 2024, the fair value of loaned securities was \$0.

Non-U.S. currency exposures at June 30, 2025 and 2024:

2025**						
(Dollar Amounts in Thousands)						
Currency	Equity	Fixed Income	Alternative Investments & Real Estate	Short-Term*	Currency Hedge	Total Fair Value
Euro	\$ 2,478,129	\$ 62,975	\$ 1,279,059	\$ 35,010	\$ (81,511)	\$ 3,773,662
Japanese yen	1,464,182	12,228	87,889	11,886	(17,186)	1,558,999
British pound sterling	1,139,037	—	295,439	2,230	(1,396)	1,435,310
Canadian dollar	1,160,684	—	—	1,458	(6)	1,162,136
Australian dollar	674,790	—	—	57	(12)	674,835
Swiss franc	467,606	—	—	9,649	—	477,255
Hong Kong dollar	298,208	—	—	410	(165)	298,453
Indian rupee	251,999	—	—	1,046	—	253,045
Taiwan new dollar	213,068	—	—	686	(609)	213,145
Other non-U.S. currencies	1,023,369	97,081	—	21,218	728	1,142,396
Total	\$ 9,171,072	\$ 172,284	\$ 1,662,387	\$ 83,650	\$ (100,157)	\$ 10,989,236

2024**						
(Dollar Amounts in Thousands)						
Currency	Equity	Fixed Income	Alternative Investments & Real Estate	Short-Term*	Currency Hedge	Total Fair Value
British pound sterling	\$ 961,996	\$ —	\$ 489,277	\$ 1,191	\$ (930,064)	\$ 522,400
Japanese yen	1,212,571	9,817	81,425	2,922	(869,659)	437,076
Euro	1,933,415	52,444	1,362,036	58,065	(3,060,081)	345,879
Indian rupee	235,615	—	—	(376)	—	235,239
Taiwan new dollar	226,965	—	—	(1,575)	—	225,390
Canadian dollar	856,061	—	—	1,048	(714,214)	142,895
Danish krone	205,200	—	—	2,867	(81,401)	126,666
Swiss franc	397,657	—	—	7,099	(305,392)	99,364
South Korean Won	97,627	—	—	(240)	—	97,387
Other non-U.S. currencies	1,438,232	102,667	—	11,200	(1,059,846)	492,253
Total	\$ 7,565,339	\$ 164,928	\$ 1,932,738	\$ 82,201	\$ (7,020,657)	\$ 2,724,549

* Includes investment receivables and payables

** To determine the level of currency risk, the currency hedge program uses a country of risk method. This table is prepared using currency risk based on investments held in a foreign currency.

The following table summarizes the System's foreign exchange contracts by currency at June 30, 2025 and 2024:

Currency	2025 (Dollar Amounts in Thousands)			
	Buys	Unrealized Gain/(Loss)	Sells	Unrealized Gain/(Loss)
Euro	\$ 3,721	\$ 3	\$ 85,134	\$ (1,541)
Japanese yen	263	—	17,441	1
Swiss franc	—	—	—	—
Australian dollar	647	—	659	(2)
Swedish krona	—	—	—	—
Canadian dollar	—	—	6	—
Singapore dollar	—	—	169	—
Hong Kong dollar	521	—	686	—
British pound sterling	271	—	1,649	—
New Zealand dollar	—	—	—	—
Other non-U.S. currencies	1,437	(1)	1,150	(13)
Total	<u>\$ 6,860</u>	<u>\$ 2</u>	<u>\$ 106,894</u>	<u>\$ (1,555)</u>

Currency	2024 (Dollar Amounts in Thousands)			
	Buys	Unrealized Gain/(Loss)	Sells	Unrealized Gain/(Loss)
Euro	\$ 3,187	\$ 2	\$ 3,063,268	\$ 8,280
Japanese yen	2,074	(1)	871,734	18,643
Swiss franc	—	—	305,005	5,372
Australian dollar	—	—	559,439	(444)
Swedish krona	627	—	100,960	1,609
Canadian dollar	334	—	714,548	(1,562)
Singapore dollar	61	—	61,394	254
Hong Kong dollar	407	—	141,979	58
British pound sterling	2,736	(1)	931,068	6,649
New Zealand dollar	—	—	151,470	1,136
Other non-U.S. currencies	1,729	(3)	128,197	753
Total	<u>\$ 11,155</u>	<u>\$ (3)</u>	<u>\$ 7,029,062</u>	<u>\$ 40,748</u>

5. Derivative and Other Similar Investments

The System enters into a variety of financial contracts, which include options and futures. The System also enters into foreign exchange positions, such as forward and spot contracts to obtain or hedge foreign currency exposure; swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts; and U.S. Treasury STRIPS. The System is not a dealer, but an end user of these instruments. The contracts are used primarily to enhance performance and/or reduce the volatility of the portfolio. The System is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The System generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The System is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions.

The notional or contractual amounts of derivatives indicate the extent of the System's involvement in the various types and uses of derivative financial instruments and do not measure the System's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the System enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the System has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2025 and 2024

represent a restriction on the amount of assets available at year-end for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. The System generally uses exchange listed currency, index, stock, and futures options. In FY 2024, the System purchased over-the-counter put options on the S&P 500 Index and call options on the CBOE Volatility Index. There were no option contracts as of June 30, 2025, and the fair value of the option contracts of \$4,157,000 at June 30, 2024, is included in the Statement of Fiduciary Net Position.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. To reduce the risk of counterparty non-performance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts reported in Table 5 primarily include forwards. The \$113,754,000 of foreign currency contracts outstanding at June 30, 2025 consist of "buy" contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$6,860,000 and "sell" contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$106,894,000. The \$7,040,217,000 of foreign currency contracts outstanding at June 30, 2024 consist of "buy" contracts of \$11,155,000 and "sell" contracts of \$7,029,062,000. The unrealized gain/(loss) on contracts of \$(1,553,000) and \$40,745,000 at June 30, 2025 and 2024, respectively, is included in the Statements of Fiduciary Net Position and represents the fair value of the contracts.

Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. During the year ended June 30, 2025 and 2024, the System entered into total return type swaps. Under the total return type swap arrangements, the System receives the net return of certain equity, fixed income or commodity securities or indexes in exchange for a short-term rate minus a spread or a predetermined fixed charge. The receivable/(payable) on the total return type swap contracts of \$51,702,000 and \$(16,880,000) at June 30, 2025 and 2024, respectively, is included in the Statements of Fiduciary Net Position and represents the fair value of the contracts. The contracts have varying maturity dates ranging from July 31, 2025 to June 30, 2026.

Table 5 - Notional Amounts of Derivatives

The table presented below summarizes the aggregate notional or contractual amounts for the System's derivative financial instruments at June 30, 2025 and 2024.

	(Dollar Amounts in Thousands)	
	2025	2024
Futures contracts - long:		
Treasury futures	\$ 325,765	\$ 323,652
U.S. equity futures	405,868	173,375
Commodity futures	496,295	471,939
Futures contracts - short:		
Treasury futures	717	6,894
Foreign exchange forward and spot contracts, gross	113,754	7,040,217
Options- puts purchased	—	7,145,000
Options- calls purchased	—	(2,000)
Swaps - total return type	4,110,457	6,366,903

The fair values of derivative instruments outstanding at June 30, 2025 and 2024 are classified by type and by the changes in fair value of the derivative instrument in the table below.

Investment Derivative Type	(Dollar Amounts in Thousands)			
	Change In Fair Value Gain/(Loss) FY 2025		Fair Value at June 30, 2025	
	Classification	Amount	Classification	Amount
Futures	Investment income	\$ 79,572	Receivable/(Payable)	\$ 79,572
Total return type swaps	Investment income	51,702	Receivable/(Payable)	51,702
Foreign exchange contracts	Investment income	(1,553)	Receivable/(Payable)	(1,553)
Options	Investment income	(18,356)	Investment	—
Total		\$ 111,365		\$ 129,721

Investment Derivative Type	Change In Fair Value Gain/(Loss) FY 2024		Fair Value at June 30, 2024	
	Classification	Amount	Classification	Amount
	Classification	Amount	Classification	Amount
Futures	Investment income	\$ 62,547	Receivable/(Payable)	\$ 62,547
Total return type swaps	Investment income	(16,880)	Receivable/(Payable)	(16,880)
Foreign exchange contracts	Investment income	40,745	Receivable/(Payable)	40,745
Options	Investment income	(3,855)	Investment	4,157
Total		\$ 82,557		\$ 90,569

The System also invests in mortgage-backed securities (MBS) such as CMOs and MBS forwards to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2025 and 2024 is \$1,224,360,000 and \$686,504,000, respectively.

The System invests in U.S. Treasury STRIPS which essentially act as zero-coupon bonds and are subject to market volatility from a rise or drop in interest rates.

Through certain hedge funds, the System also indirectly holds various derivative financial instruments. The hedge funds invest in futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only STRIPS; and CMOs, to enhance the performance and/or reduce the volatility of their portfolios.

6. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2025 were as follows: (Dollar amounts in thousands)	
Total pension liability	\$ 121,447,879
Less: Plan fiduciary net position	82,631,210
Employer net pension liability	<u>\$ 38,816,669</u>
Plan fiduciary net position as a percentage of the total pension liability	68.04%

Actuarial Assumptions

The total pension liability at June 30, 2025 was determined by rolling forward the System's total pension liability at June 30, 2024 to June 30, 2025 using the following actuarial assumptions, which are applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Payroll growth assumption 3.25%.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

- PSERS' Board-approved new actuarial assumptions effective for the June 30, 2021 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2025 and are reflected above.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and 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.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Table 6 shows the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class at June 30, 2025.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members to determine the total pension liability. 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.

Table 6 - Pension Asset Allocation

Pension -Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	32.0%	4.2%
Private equity	12.0%	6.8%
Fixed income	34.0%	3.5%
Commodities	4.0%	3.9%
Infrastructure	10.0%	5.9%
Real estate	8.0%	6.4%
	100.0%	

Sensitivity of the Net Pension Liability

Table 7 presents the net pension liability as of June 30, 2025, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Table 7 - Sensitivity of the Net Pension Liability
(Dollar amounts in thousands)

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net pension liability	\$52,374,830	\$38,816,669	\$27,361,567

For additional information on the total pension liability, net pension liability, plan fiduciary net position as a percentage of the total pension liability, actuarial assumptions, and money-weighted returns please refer to the multiple year Required Supplementary Information Schedule 1, Schedule 2, Schedule 3, Schedule 7 and Notes to Required Supplementary Information.

7. Net Other Postemployment Benefits (OPEB) Liability of Participating Employers

The components of the net OPEB liability of the participating employers at June 30, 2025 were as follows:

(Dollar amounts in thousands)

Total OPEB liability	\$1,777,941
Less: Plan fiduciary net position	133,377
Employer net OPEB liability	\$1,644,564
Plan fiduciary net position as a percentage of the total OPEB liability	7.50%

Postemployment Healthcare Plans

PSERS provides a Health Insurance Premium Assistance program funded by employer contributions, which makes up the OPEB liability.

HOP is a PSERS sponsored voluntary health insurance program funded exclusively by the premiums paid by its participants for benefit coverage they elect. The HOP is not part of the OPEB liability.

Change in Actuarial Assumptions

The following change in assumption was used in the measurement of the Total OPEB Liability beginning June 30, 2025. The Investment Rate of Return was adjusted from 4.21% to 4.81% which represents the S&P 20-Year Municipal Bond Rate.

Actuarial Assumptions

The total OPEB liability at June 30, 2025, was determined by rolling forward the System's total OPEB liability at June 30, 2024, to June 30, 2025, using the following actuarial assumptions, which are applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.81% - S&P 20-Year Municipal Bond Rate.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- PSERS Board-approved new actuarial assumptions effective for the June 30, 2021 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2025 and are reflected above.

Investments

The Board's policy for its Other Post-Employment Benefits (OPEB) asset allocation consists primarily of short-term assets designed to protect the principal of the plan assets. Table 8 reflects the System's OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class at June 30, 2025.

Under the program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 4.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.81%. The Health Insurance Premium Assistance Program is funded by employer contributions. Under the plan's funding method, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments. Therefore, the plan is considered a "pay-as-you go" plan and a discount rate of 4.81%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2025 was applied to all projected benefit payments to measure the total OPEB liability.

Table 8 - OPEB Asset Allocation		
OPEB - Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Short-term Investments	100.0%	1.7%
	100.0%	

Sensitivity of the Net OPEB Liability

Table 9 presents the net OPEB liability, calculated using the discount rate of 4.81%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Table 9 - Sensitivity of the Net OPEB Liability (Dollar amounts in thousands)			
	1% Decrease	Current Discount Rate	1% Increase
	3.81%	4.81%	5.81%
Net OPEB liability	\$1,849,803	\$1,644,564	\$1,471,926

Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year. Premium Assistance is capped at a maximum of \$1,200 per year. At June 30, 2024, there were 92,149 members receiving

the maximum amount allowed of \$1,200 in Premium Assistance per year and their Premium Assistance benefits are not subject to future healthcare cost increases. At June 30, 2024, there were 489 members receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact from Healthcare Cost Trends, as depicted in Table 10, which discloses the effect of a 1% increase or decrease in the rate.

Table 10 - Sensitivity of the Net OPEB Liability to Change in Healthcare Cost Trend Rates (Dollar amounts in thousands)			
	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$1,644,438	\$1,644,564	\$1,644,669

For additional information on the total OPEB liability, net OPEB liability, plan fiduciary net position as a percentage of the total OPEB liability, actuarial assumptions, and money-weighted returns please refer to the multiple year Required Supplementary Information Schedule 4, Schedule 5, Schedule 6, Schedule 7 and Notes to Required Supplementary Information.

8. Pension Plan for Employees of the System

(A) SERS' Plan Description

As an employer, the System contributes to SERS, a cost-sharing multiple-employer Defined Benefit Pension Plan established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

Membership in SERS is mandatory for most state employees. SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly.

(B) SERS Benefits Provided to Employees of the System

SERS member retirement benefits are generally determined by taking years of credited service times final average salary times 1.0%, 1.25%, 2% or 2.5%, depending on date of hire. The normal retirement age

ranges from 50 - 65, depending on the membership class. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

(C) Contributions to SERS

The contribution requirements of SERS plan members is mandated by Commonwealth statute. At December 31, 2024 and 2023 the blended member contribution rates were 6.17% and 6.09%, respectively, while the blended employer contribution rates were 27.49% and 28.42%, respectively. PSERS contributed \$10.8 million to SERS for FY 2025.

(D) Proportionate Share of Pension Liabilities, Pension Expense, and Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2025, PSERS reported a liability of \$87.6 million and \$91.5 million at June 30, 2024, for its proportionate share of the net pension liability for the SERS plan in Other liabilities on the Statement of Fiduciary Net Position. The net pension liability was measured at December 31, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at December 31, 2024 and 2023. PSERS' proportion of the net pension liability was calculated utilizing a projected-contribution method. At December 31, 2024, PSERS' proportion was 0.43475867 percent and 0.43285471 percent at December 31, 2023.

PSERS recognized total pension expense of \$13.9 million in FY 2025 and is included in the Statement of Changes in Fiduciary Net Position. Of the \$13.9 million of pension expense, \$8.7 million was reflected in Pension administrative expenses, \$0.2 million in Postemployment Healthcare, \$0.2 million in Defined Contribution and \$4.8 million was reflected in Investment Expenses. Deferred inflows of resources of \$374,000 and \$632,000 at June 30, 2025, and 2024, respectively, are reported in Other liabilities on the Statement of Fiduciary Net Position. Deferred outflows of resources of \$15.6 million and \$22.8 million at June 30, 2025, and 2024, respectively, are reported in Miscellaneous assets. Of the \$15.6 million of deferred outflows of resources at June 30, 2025, PSERS recorded \$5.9 million for contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years Ending June 30:	Dollar Amounts in Thousands
2026	\$ 6,698
2027	(1,200)
2028	283
2029	112
Thereafter	—

(E) SERS' Pension Plan Fiduciary Net Position

Detailed information about SERS' fiduciary net position is available in SERS' Annual Comprehensive Financial Report which can be found on SERS' website at www.SERS.pa.gov.

9. Postemployment Healthcare Plan for Employees of the System

(A) REHP Plan Description

As an employer, PSERS participates in the Commonwealth's REHP (Retired Employees Health Program). The REHP is a single employer plan and provides certain healthcare benefits to qualifying individuals meeting specified age and/or service requirements. The Commonwealth's Office of Administration (OA), in its sole discretion, determines available REHP benefits on an ongoing basis. The Pennsylvania Employees Benefit Trust Fund (PEBTF) is a third-party administrator for the REHP under the provisions of an Administration Agreement between OA and PEBTF.

(B) OPEB Benefits Provided to Employees of the System

The Commonwealth sponsors the REHP for eligible retirees and their dependents to receive subsidized health coverage for the retiree's lifetime. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions, types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and the Secretary of Administration.

(C) Contributions to the REHP

Employer costs for retiree healthcare benefits are charged as a component of payroll expenditures, on a "pay as you go" basis. All employing agencies and certain plan members contributed \$275 per biweekly pay period for each current REHP eligible active employee during fiscal year ended June 30, 2025 to the REHP Trust. PSERS contributed \$2.4 million to the REHP for FY 2025. Plan members who retired after June 30, 2005, contribute to the plan based on a

percentage of their final annual gross base salary at the time of retirement. Plan member contribution rates vary based on their REHP enrollment date.

(D) Proportionate Share of OPEB Liabilities, OPEB Expense and Deferred Inflows of Resources and Deferred Outflows of Resources

At June 30, 2025, PSERS reported a liability of \$32.4 million and \$30.3 million at June 30, 2024 for its proportionate share of net OPEB liability for the REHP plan in Other Liabilities on the Statement of Fiduciary Net Position. The current liability portion of the net OPEB liability is \$2.4 million. The net OPEB liability was measured at June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation at June 30, 2024. Since the REHP has insufficient assets to meet next year's projected benefit payments, the discount rate used to measure the total OPEB liability is based on the 20-year tax-exempt general obligation municipal bond index rate, which was 6.09% on June 30, 2025. PSERS' proportion of the net OPEB liability was calculated utilizing a contribution method. At June 30, 2024, PSERS' proportion was 0.464975 percent and at June 30, 2023 PSERS' proportion was 0.389070 percent.

PSERS recognized total OPEB expense of \$(1.9) million in FY 2025 is included in the Statement of Changes in Fiduciary Net Position. Of the \$(1.9) million of OPEB expense, \$(1.7) million was reflected in Pension administrative expenses, \$0.1 million in Postemployment Healthcare, \$0.2 million in Defined Contribution and \$(0.5) million was reflected in Investment Expenses. Deferred outflows of resources of \$15.3 million and \$10.9 million at June 30, 2025 and 2024, respectively, are reported in Miscellaneous assets. Of the \$15.3 million of deferred outflows at June 30, 2025, PSERS recorded \$2.4 million for contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Deferred inflows of resources of \$23.4 million and \$25.5 million at June 30, 2025 and 2024, respectively, are reported in Other liabilities on the Statement of Fiduciary Net Position and will be recognized in OPEB expense as follows:

Years Ending June 30:	Dollar Amounts in Thousands
2026	\$ 1,116
2027	567
2028	264
2029	925
Thereafter	—

(E) REHP Plan Fiduciary Net Position

Detailed information about the REHP fiduciary net position is available in the Commonwealth's Annual Comprehensive Financial Report which can be found at www.budget.pa.gov.

10. Litigation and Contingencies

The System is subject to various threatened and pending lawsuits. These lawsuits include issues related to benefit calculations and eligibility. The System is also exposed to various other liabilities and risks related to fiduciary responsibilities of directors and officers.

It is the opinion of management that the ultimate liability arising from such threatened, pending litigation and investigations will not have a material effect on the financial position of the System.

Required Supplementary Information

Schedule 1

Schedule of Changes in the Employer Net Pension Liability Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021
Total pension liability					
Service cost	\$ 1,865,972	\$ 1,833,996	\$ 1,822,768	\$ 1,826,693	\$ 1,963,645
Interest	8,147,080	8,024,358	7,915,834	7,789,946	7,703,465
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	872,671	(380,382)	(545,873)	(399,385)	40,322
Changes of assumptions	—	—	—	—	2,655,180
Benefit payments	(7,785,781)	(7,728,745)	(7,580,983)	(7,254,372)	(7,134,332)
Net change in total pension liability	3,099,942	1,749,227	1,611,746	1,962,882	5,228,280
Total pension liability -beginning	118,347,937	116,598,710	114,986,964	113,024,082	107,795,802
Total pension liability - ending (a)	<u>\$121,447,879</u>	<u>\$118,347,937</u>	<u>\$116,598,710</u>	<u>\$114,986,964</u>	<u>\$113,024,082</u>
Plan fiduciary net position					
Contributions - employer	\$ 5,470,733	\$ 5,262,714	\$ 5,249,018	\$ 4,997,912	\$ 4,759,189
Contributions - member	1,188,582	1,197,871	1,174,580	1,134,051	1,080,701
Net investment income	7,323,837	5,704,271	2,795,296	(267,250)	14,754,624
Benefit payments	(7,785,781)	(7,728,745)	(7,580,983)	(7,254,372)	(7,134,332)
Administrative expense	(59,155)	(55,447)	(53,823)	(49,451)	(49,616)
Net Change in plan fiduciary net position	6,138,216	4,380,664	1,584,088	(1,439,110)	13,410,566
Plan fiduciary net position -beginning	76,492,994	72,112,330	70,528,242	71,967,352	58,556,786
Effect of change in accounting principle	—	—	—	—	—
Plan fiduciary net position - beginning restated	76,492,994	72,112,330	70,528,242	71,967,352	58,556,786
Plan fiduciary net position - ending (b)	<u>\$ 82,631,210</u>	<u>\$ 76,492,994</u>	<u>\$ 72,112,330</u>	<u>\$ 70,528,242</u>	<u>\$ 71,967,352</u>
Employer net pension liability - ending (a)-(b)	<u>\$ 38,816,669</u>	<u>\$ 41,854,943</u>	<u>\$ 44,486,380</u>	<u>\$ 44,458,722</u>	<u>\$ 41,056,730</u>

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 1 Schedule of Changes in the Employer Net Pension Liability (continued) (Unaudited – See Accompanying Independent Public Accountant’s Report) (Dollar Amounts in Thousands)

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 1,949,427	\$ 1,921,417	\$ 1,890,906	\$ 1,873,844	\$ 1,932,401
Interest	7,546,367	7,465,228	7,334,484	7,110,987	7,028,292
Changes of benefit terms	—	—	—	(449)	—
Differences between expected and actual experience	(339,969)	(1,477,660)	(745,306)	644,051	(348,429)
Changes of assumptions	—	—	—	—	2,236,118
Benefit payments	(6,876,515)	(6,761,172)	(6,655,146)	(6,473,579)	(6,360,325)
Net change in total pension liability	2,279,310	1,147,813	1,824,938	3,154,854	4,488,057
Total pension liability -beginning	105,516,492	104,368,679	102,543,741	99,388,887	94,900,830
Total pension liability - ending (a)	<u>\$ 107,795,802</u>	<u>\$ 105,516,492</u>	<u>\$ 104,368,679</u>	<u>\$ 102,543,741</u>	<u>\$ 99,388,887</u>
Plan fiduciary net position					
Contributions - employer	\$ 4,676,413	\$ 4,487,520	\$ 4,249,611	\$ 3,832,773	\$ 3,189,510
Contributions - member	1,067,957	1,064,043	1,026,375	1,013,847	989,266
Net investment income	1,001,846	3,628,710	4,714,158	4,995,362	473,206
Benefit payments	(6,876,515)	(6,761,172)	(6,655,146)	(6,473,579)	(6,360,325)
Administrative expense	(46,799)	(48,931)	(46,544)	(45,127)	(45,118)
Net Change in plan fiduciary net position	(177,098)	2,370,170	3,288,454	3,323,276	(1,753,461)
Plan fiduciary net position -beginning	58,733,884	56,363,714	53,155,336	49,832,060	51,585,521
Effect of change in accounting principle	—	—	(80,076)	—	—
Plan fiduciary net position - beginning restated	58,733,884	56,363,714	53,075,260	49,832,060	51,585,521
Plan fiduciary net position - ending (b)	<u>\$ 58,556,786</u>	<u>\$ 58,733,884</u>	<u>\$ 56,363,714</u>	<u>\$ 53,155,336</u>	<u>\$ 49,832,060</u>
Employer net pension liability - ending (a)-(b)	<u>\$ 49,239,016</u>	<u>\$ 46,782,608</u>	<u>\$ 48,004,965</u>	<u>\$ 49,388,405</u>	<u>\$ 49,556,827</u>

See accompanying independent auditor’s report and notes to the required supplementary information.

Required Supplementary Information

Schedule 2 Schedule of Employer Net Pension Liability Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021
Total Pension Liability	\$121,447,879	\$118,347,937	\$116,598,710	\$114,986,964	\$113,024,082
Less: Plan fiduciary net position	82,631,210	76,492,994	72,112,330	70,528,242	71,967,352
Employer Net Pension liability	<u>\$ 38,816,669</u>	<u>\$ 41,854,943</u>	<u>\$ 44,486,380</u>	<u>\$ 44,458,722</u>	<u>\$ 41,056,730</u>
Plan fiduciary net position as a percentage of the total pension liability	68.04%	64.63%	61.85%	61.34%	63.67%
Covered Payroll	\$ 16,570,598	\$ 15,872,930	\$ 15,320,427	\$ 14,704,344	\$ 14,176,097
Employer net pension liability as a percentage of covered payroll	234.25%	263.69%	290.37%	302.35%	289.62%

	2020	2019	2018	2017	2016
Total Pension Liability	\$107,795,802	\$105,516,492	\$104,368,679	\$102,543,741	\$ 99,388,887
Less: Plan fiduciary net position	58,556,786	58,733,884	56,363,714	53,155,336	49,832,060
Employer Net Pension liability	<u>\$ 49,239,016</u>	<u>\$ 46,782,608</u>	<u>\$ 48,004,965</u>	<u>\$ 49,388,405</u>	<u>\$ 49,556,827</u>
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%
Covered Payroll	\$14,036,006	\$13,791,197	\$ 13,466,526	\$ 13,313,900	\$ 12,951,077
Employer net pension liability as a percentage of covered payroll	350.81%	339.22%	356.48%	370.95%	382.65%

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 3 Schedule of Employer Pension Contributions Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 5,436,968	\$ 5,249,563	\$ 5,237,092	\$ 4,985,571	\$ 4,752,338
Less: Contributions in relation to the actuarially determined contribution (1)	5,436,968	5,249,563	5,237,092	4,985,571	4,752,338
Contribution deficiency	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$16,570,598	\$15,872,930	\$15,320,427	\$14,704,344	\$14,176,097
Contributions as a percentage of covered payroll	32.81%	33.07%	34.18%	33.91%	33.52%

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 4,671,931	\$ 4,478,236	\$ 4,243,328	\$ 3,824,908	\$ 3,540,304
Less: Contributions in relation to the actuarially determined contribution (1)	4,671,931	4,478,236	4,243,328	3,824,908	3,181,438
Contribution deficiency	\$ —	\$ —	\$ —	\$ —	\$ 358,866
Covered payroll	\$14,036,006	\$13,791,197	\$13,466,526	\$13,313,900	\$12,951,077
Contributions as a percentage of covered payroll	33.29%	32.47%	31.51%	28.73%	24.57%

(1) Same as contractually required contributions.

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 4 Schedule of Changes in the Employer Net OPEB (Premium Assistance) Liability Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

Total OPEB liability	2025	2024	2023	2022	2021
Service cost	\$ 27,062	\$ 27,445	\$ 27,596	\$ 47,563	\$ 44,699
Interest	79,370	79,384	79,672	54,361	60,632
Differences between expected and actual experience	(12,111)	(15,262)	(12,047)	(11,835)	7,272
Changes of assumptions	(118,759)	(16,943)	(8,656)	(502,733)	212,419
Benefit payments	(110,528)	(111,659)	(112,870)	(113,707)	(113,538)
Net change in total OPEB liability	(134,966)	(37,035)	(26,305)	(526,351)	211,484
Total OPEB liability - beginning	1,912,907	1,949,942	1,976,247	2,502,598	2,291,114
Total OPEB liability - ending (a)	<u>\$ 1,777,941</u>	<u>\$ 1,912,907</u>	<u>\$ 1,949,942</u>	<u>\$ 1,976,247</u>	<u>\$ 2,502,598</u>
Plan fiduciary net position					
Contributions - employer	\$ 103,390	\$ 102,211	\$ 114,721	\$ 117,178	\$ 116,519
Net investment income	5,187	6,184	4,474	316	260
Benefit payments	(110,528)	(111,659)	(112,870)	(113,707)	(113,538)
Administrative expense	(1,120)	(1,004)	(1,085)	(826)	(1,143)
Net Change in plan fiduciary net position	(3,071)	(4,268)	5,240	2,961	2,098
Plan fiduciary net position - beginning	136,448	140,716	135,476	132,515	130,417
Plan fiduciary net position - ending (b)	<u>\$ 133,377</u>	<u>\$ 136,448</u>	<u>\$ 140,716</u>	<u>\$ 135,476</u>	<u>\$ 132,515</u>
Employer net OPEB liability - ending (a) - (b)	<u>\$ 1,644,564</u>	<u>\$ 1,776,459</u>	<u>\$ 1,809,226</u>	<u>\$ 1,840,771</u>	<u>\$ 2,370,083</u>

Required Supplementary Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 4 Schedule of Changes in the Employer Net OPEB (Premium Assistance) Liability Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

Total OPEB liability	2020	2019	2018	2017
Service cost	\$ 42,643	\$ 40,201	\$ 37,809	\$ 42,038
Interest	62,452	65,319	67,091	61,404
Differences between expected and actual experience	11,987	1,435	15,019	—
Changes of assumptions	35,284	50,166	38,456	(110,610)
Benefit payments	(113,279)	(112,777)	(111,847)	(110,229)
Net change in total OPEB liability	39,087	44,344	46,528	(117,397)
Total OPEB liability - beginning	2,252,027	2,207,683	2,161,155	2,278,552
Total OPEB liability - ending (a)	<u>\$ 2,291,114</u>	<u>\$ 2,252,027</u>	<u>\$ 2,207,683</u>	<u>\$ 2,161,155</u>
Plan fiduciary net position				
Contributions - employer	\$ 117,907	\$ 114,829	\$ 111,986	\$ 110,985
Net investment income	1,752	2,313	1,455	663
Benefit payments	(113,279)	(112,777)	(111,847)	(110,229)
Administrative expense	(1,148)	(1,914)	(2,602)	(2,239)
Net Change in plan fiduciary net position	5,232	2,451	(1,008)	(820)
Plan fiduciary net position - beginning	125,185	122,735	123,743	124,563
Plan fiduciary net position - ending (b)	<u>\$ 130,417</u>	<u>\$ 125,185</u>	<u>\$ 122,735</u>	<u>\$ 123,743</u>
Employer net OPEB liability - ending (a) - (b)	<u>\$ 2,160,697</u>	<u>\$ 2,126,842</u>	<u>\$ 2,084,948</u>	<u>\$ 2,037,412</u>

Required Supplementary Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 5 Schedule of Employer Net OPEB (Premium Assistance) Liability Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021
Total OPEB Liability	\$ 1,777,941	\$ 1,912,907	\$ 1,949,942	\$ 1,976,247	\$ 2,502,598
Less: Plan fiduciary net position	133,377	136,448	140,716	135,476	132,515
Employer Net OPEB Liability	<u>\$ 1,644,564</u>	<u>\$ 1,776,459</u>	<u>\$ 1,809,226</u>	<u>\$ 1,840,771</u>	<u>\$ 2,370,083</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.50%	7.13%	7.22%	6.86%	5.30%
Covered Payroll	\$16,570,598	\$15,872,930	\$15,320,427	\$14,704,344	\$14,176,097
Employer net OPEB liability as a percentage of covered payroll	9.92%	11.19%	11.81%	12.52%	16.72%

	2020	2019	2018	2017	2016
Total OPEB Liability	\$ 2,291,114	\$ 2,252,027	\$ 2,207,683	\$ 2,161,155	\$ 2,278,552
Less: Plan fiduciary net position	130,417	125,185	122,734	123,743	124,563
Employer Net OPEB Liability	<u>\$ 2,160,697</u>	<u>\$ 2,126,842</u>	<u>\$ 2,084,949</u>	<u>\$ 2,037,412</u>	<u>\$ 2,153,989</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%
Covered Payroll	\$14,036,006	\$13,791,197	\$13,466,526	\$13,313,900	\$12,951,077
Employer net OPEB liability as a percentage of covered payroll	15.39%	15.42%	15.48%	15.30%	16.63%

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 6 Schedule of Employer OPEB (Premium Assistance) Contributions Unaudited – See Accompanying Independent Public Accountant's Report (Dollar Amounts in Thousands)

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 111,484	\$ 113,769	\$ 119,084	\$ 147,312	\$ 133,971
Less: Contributions in relation to the actuarially determined contribution (1)	102,903	101,879	114,358	116,773	116,365
Contribution deficiency	\$ 8,581	\$ 11,890	\$ 4,726	\$ 30,539	\$ 17,606
Covered payroll	\$16,570,598	\$15,872,930	\$15,320,427	\$14,704,344	\$14,176,097
Contributions as a percentage of covered payroll	0.62%	0.64%	0.75%	0.79%	0.82%

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 138,776	\$ 139,484	\$ 134,607	\$ 125,694	\$ 129,494
Less: Contributions in relation to the actuarially determined contribution (1)	117,723	114,571	111,724	110,558	112,557
Contribution deficiency	\$ 21,053	\$ 24,913	\$ 22,883	\$ 15,136	\$ 16,937
Covered payroll	\$14,036,006	\$13,791,197	\$13,466,526	\$13,313,900	\$12,951,077
Contributions as a percentage of covered payroll	0.84%	0.83%	0.83%	0.83%	0.87%

(1) Same as contractually required contributions.

See accompanying independent auditor's report and notes to the required supplementary information.

Required Supplementary Information

Schedule 7

Schedule of Investment Returns - Pension and OPEB

Unaudited – See Accompanying Independent Public Accountant's Report

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense- Pension	9.65%	8.08%	3.54%	2.40%	24.57%	1.14%	6.58%	9.30%	10.15%	1.11%
Annual money-weighted rate of return, net of investment expense- OPEB	4.90%	5.72%	4.36%	0.35%	0.31%	1.97%	2.68%	1.63%	0.90%	0.65%

See accompanying independent auditor's report and notes to the required supplementary information.

**Notes to Required Supplementary Information
for the Years Ended June 30, 2016 thru June 30, 2025**

Pension

Changes in benefit terms

With the passage of Act 5 on June 12, 2017, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2022, June 30, 2023, June 30, 2024, and June 30, 2025

None.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021

The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2017, beginning June 30, 2018, beginning June 30, 2019 & beginning June 30, 2020

None.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

The Investment Rate of Return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2024 actuarial valuation will be made during the fiscal year ending June 30, 2026. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

**Notes to Required Supplementary Information
for the Years Ended June 30, 2016 thru June 30, 2025 (continued)**

Pension

- Investment return - 7.00%, includes inflation at 2.50% and the real rate of return 4.50%.
- Salary growth - Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth and merit or seniority of 2.00%.
- Benefit payments - no postretirement benefit increases assumed in the future.
- Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

The Accounting Valuation

The GASB 67 accounting valuation can be found on PSERS' website at www.pa.gov/PSERS.

**Notes to Required Supplementary Information
for the Years Ended June 30, 2016 thru June 30, 2025**

OPEB

Changes in benefit terms

None.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2025

The Discount Rate increased from 4.21% to 4.81%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2024

The Discount Rate increased from 4.13% to 4.21%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2023

The Discount Rate increased from 4.09% to 4.13%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2022

The Discount Rate increased from 2.18% to 4.09%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2021

The Discount Rate decreased from 2.66% to 2.18%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decrease from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2020

The Discount Rate decreased from 2.79% to 2.66%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2019

The Discount Rate decreased from 2.98% to 2.79%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2018

The Discount Rate decreased from 3.13% to 2.98%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2017

The Discount Rate increased from 2.71% to 3.13%.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2016

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For

**Notes to Required Supplementary Information
for the Years Ended June 30, 2016 thru June 30, 2025 (continued)**

OPEB

disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2022 actuarial valuation will be made during the fiscal year ended June 30, 2024. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return - 4.81% - 20-year S&P Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth and merit or seniority of 2.00%.
- Benefit payments - no postretirement benefit increases assumed in the future.
- Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

10-year reporting requirements

Required Supplementary Schedules 4-7, as related to OPEB, are intended to show information for 10 years. Additional years will be displayed as they become available.

The Accounting Valuation

The GASB 74 accounting valuation can be found on PSERS' website at www.pa.gov/PSERS.

Supplementary Schedule 1
Schedule of Administrative and Investment Expenses
Year Ended June 30, 2025
(Dollar Amounts in Thousands)

	Administrative Expenses				Investment Expenses (2)	Total
	Pension	Defined Contribution	Postemployment Healthcare (1)			
Personnel costs:						
Salaries and wages	\$ 22,813	\$ 634	\$ 508	\$ 11,583	\$	35,538
Employee benefits	16,849	424	314	5,485		23,072
Total personnel costs	39,662	1,058	822	17,068		58,610
Operating costs:						
Investment managers' fees	—	—	—	355,736		355,736
Custodian fees	—	—	—	2,535		2,535
Specialized services	200	2,905	129	—		3,234
Investment Systems	—	—	—	2,768		2,768
Third party administrator	—	—	32,441	—		32,441
Fitness program administrator	—	—	857	—		857
Healthcare project management	—	—	3,670	—		3,670
Real estate rental, electricity	1,513	—	248	254		2,015
Consultant and legal fees	2,610	144	1,502	4,820		9,076
Treasury and other Commonwealth services	2,071	—	—	210		2,281
Postage	537	—	335	1		873
Contracted maintenance and repair services	3,207	—	—	419		3,626
Printing and office supplies	242	—	17	1		260
Equipment and software rental	821	—	1,268	—		2,089
Travel and training	205	1	84	63		353
Telecommunications	305	—	30	76		411
Equipment (non-capital assets)	1,353	—	—	—		1,353
Subscriptions	1,470	—	—	463		1,933
Miscellaneous	1,134	27	174	142		1,477
Total operating costs	15,668	3,077	40,755	367,488		426,988
Other charges:						
Depreciation	5,506	—	—	12,990		18,496
Total Administrative and Investment Expenses Before Pension, OPEB Expense	60,836	4,135	41,577	397,546		504,094
Pension expense (3)	1,929	50	42	1,059		3,080
OPEB expense (4)	(3,610)	102	87	(934)		(4,355)
Total Administrative and Investment Expenses	\$ 59,155	\$ 4,287	\$ 41,706	\$ 397,671	\$	502,819

- (1) Administrative expenses for Postemployment Healthcare includes \$1,120 related to Premium Assistance and \$40,586 related to Health Options Program for the fiscal year ended June 30, 2025.
- (2) Includes investment expenses of \$38 related to Postemployment Healthcare Premium Assistance, \$38 related to Health Options Program and \$867 for DC for the fiscal year ended June 30, 2025 and does not include \$3,847 in capitalized broker commissions for the fiscal year ended June 30, 2025.
- (3) Total GASB 68 pension expense is \$13.9 million and is reflected under Employee benefits and Pension expense. Employer contributions of \$10.8 million are included as Employee benefits under Personnel costs and \$3.1 million is reflected as Pension expense.
- (4) Total GASB 75 OPEB expense is \$(1.9) million and is reflected under Employee benefits and OPEB expense. Employer contributions of \$2.4 million are included as Employee benefits under Personnel costs and \$(4.3) million is reflected as OPEB expense.

Supplementary Schedule 2
Summary of Investment Expenses*
Year Ended June 30, 2025
(Dollar Amounts in Thousands)

	Investment Management		Other Expenses	Total
	Base	Performance		
External management:				
Public Equity	\$ 25,376	\$ 45,742	\$ —	\$ 71,118
Private Equity	88,618	—	—	88,618
Public Fixed Income	12,586	2,728	—	15,314
Private Fixed Income	62,537	—	—	62,537
Public Real Assets	6,764	—	—	6,764
Private Real Assets	83,126	—	—	83,126
Opportunistic	13,469	11,044	—	24,513
Tail Risk Mitigation	2,880	—	—	2,880
Defined Contribution	866	—	—	866
Total external management	296,222	59,514	—	355,736
Total internal management	—	—	34,580	34,580
Total investment management	296,222	59,514	34,580	390,316
Custodian fees	—	—	2,535	2,535
Consultant and legal fees	—	—	4,820	4,820
Total investment expenses	\$ 296,222	\$ 59,514	\$ 41,935	\$ 397,671

*External investment management fees classified on an asset allocation basis.

Supplementary Schedule 3
Schedule of Payments to Non-Investment Consultants
Year Ended June 30, 2025
(Dollar Amounts Greater than \$100,000)

Non-Investment Consultants	Fees	Services Provided
Luminare Administration	\$ 32,723,809	Postemployment healthcare benefits administration and claims adjudication
Vitech Systems Group, Inc.	\$ 7,580,417	Pension administration system services
Optum Rx, Inc.	\$ 7,320,770	Administration of postemployment healthcare benefits and prescription drug plan
The Segal Company, Inc.	\$ 3,799,132	Actuarial services and consulting for HOP and prescription drug plan
Gallagher Benefit Services, Inc.	\$ 1,427,273	Pharmacy benefit consulting services
OST Inc.	\$ 1,228,707	Information technology, training, testing, and consulting services
Tivity Health	\$ 856,615	Administration of the Silver Sneakers Fitness program
Buck Global, LLC	\$ 529,275	Pension benefit actuarial services