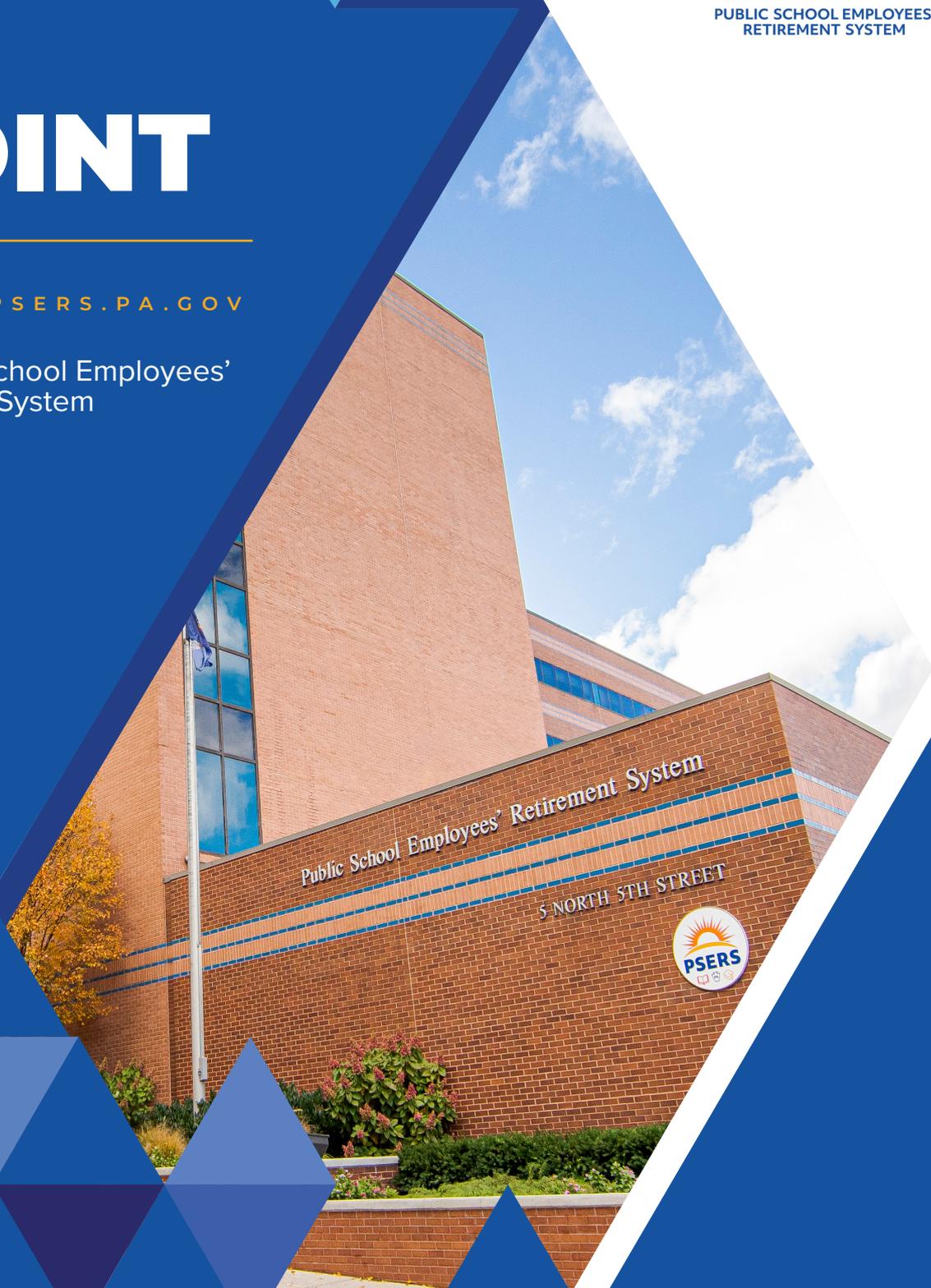
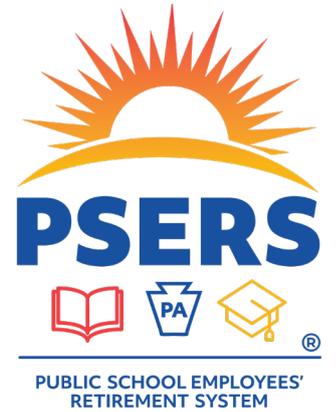


FY 2024-25

PSERS ON POINT

WWW.PSERS.PA.GOV

PA Public School Employees'
Retirement System





For over 100 years,
PSERS has provided
secure retirements to
public school employees
in Pennsylvania.

With PSERS, you're on your way!

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Make a Positive
Difference

14 PSERS Saves
\$6.4 Million
Annually

MESSAGE FROM THE EXECUTIVE DIRECTOR



“On behalf of PSERS and its 500,000 members, I thank policymakers for their ongoing commitment to authorizing full actuarial determined employer contributions. This necessary funding helps improve PSERS’ financial health and keeps the fund on the path to a secure future.”

I am pleased to present the *PSERS on Point – Budget Report Highlights for 2024-25*. As we embark on a new year that will undoubtedly challenge our agency as we progress with our new strategic plan, it is encouraging to have such positive information to share with our stakeholders and policy makers.

As our agency has sought to better position itself to meet the future needs of our 500,000 members, the Public School Employees’ Retirement Board of Trustees formally adopted an all-new strategic plan. It was created with a strong sense of purpose and built upon the foundation of our reimagined mission, vision, and values.

As part of our mission to partner with our members to fulfill the promise of a secure retirement, the Public School Employees’ Retirement System (PSERS) distributed \$7.46 billion in total pension benefits in fiscal year 2022-23. Of this amount, \$6.7 billion, or 90%, went to retired members residing within Pennsylvania. These hard-earned benefits directly support the retirements of our members in communities throughout the Commonwealth and play a pivotal role in stimulating local economies.

On behalf of PSERS and its 500,000 members, I thank policymakers for their ongoing commitment to authorizing full actuarial determined employer contributions. This necessary funding helps improve PSERS’ financial health and keeps the fund on the path to a secure future.

Full actuarial funding from employers, along with member contributions, and investment income are each important funding sources as we continue to pay down the unfunded liability and improve our funded status.

PSERS’ members help fund their own retirement benefits by making contributions throughout their qualifying employment. The Shared Risk/Shared Gain Contribution Rate is mandated by Act 120 of 2010 and Act 5 of 2017. Under those laws, certain member contribution rates for the defined benefit plan may fluctuate up or down every three years depending on a periodic review of the Fund’s net investment performance.

Beginning July 1, 2024, members who began their public school careers after 2011 will pay up to 0.75% less for their retirement benefits, returning to their base rate. This reduction was caused by net investment returns exceeding a statutory threshold in the calculation of the Shared Risk/Shared Gain Contribution Rate.

Income from the investment portfolio represents the major source of revenue to the System, accounting for 53% of total revenues over the 25-year period from FY 1999 to FY 2023. The investment portfolio, which is one part of the System’s net position, totaled \$71.7 billion, at fair value, as of June 30, 2023. For FY 2023, the time-weighted net rate of return on the System’s investments was 3.54%.

We are all excited to embark on this journey over the next few years. We are confident that we have the right staff, leaders, and a compelling plan in place to achieve positive outcomes for our members.

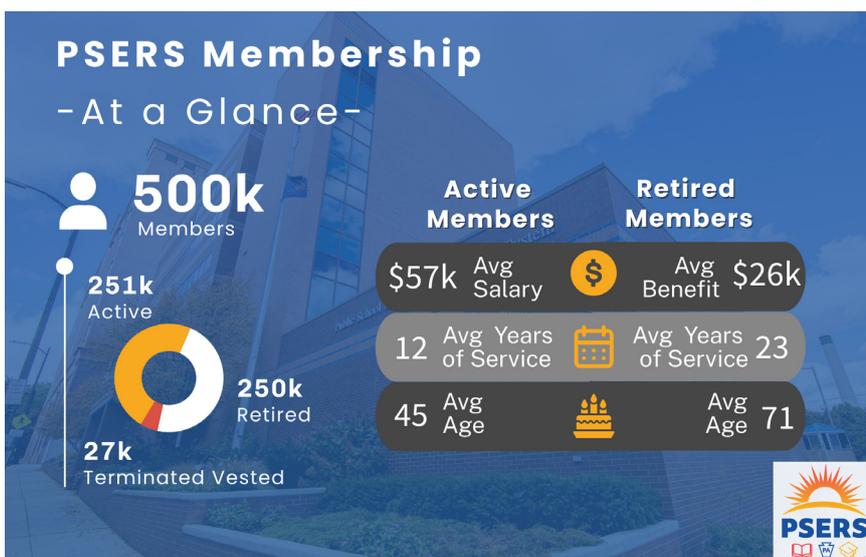
Respectfully,

Terrill (Terri) J. Sanchez

PSERS Executive Director

ABOUT PSERS

INTRODUCTION



The Public School Employees’ Retirement System (PSERS), established in 1917, is one of the oldest pension plans in the United States. PSERS is a governmental, cost-sharing, multiple-employer pension plan to which public school employers, the Commonwealth, and school employees (members) contribute.

Upon the passage of Act 5 of 2017, PSERS’ role expanded to include oversight of two new classes consisting of defined benefit (DB) and defined contribution (DC) components and a stand-alone DC class. PSERS currently serves over 500,000 active, terminated vested, and retired public school employees.

PSERS also sponsors the Health Options Program (HOP) which continued to maintain enrollment and had just under 124,000 PSERS retirees, spouses, and dependents enrolled as of December 31, 2023. Within the plan, there are three Medical and three Medicare Part D Rx plan offerings, a Dental Program and Vision Plan offering, each of which had 36,126 enrollees as of December 31, 2023. HOP also offers a Silver Sneakers Fitness program.

PSERS is administered by a staff of 382 and has 770 reporting units as of June 30, 2023. PSERS is headquartered in Harrisburg, Pennsylvania, and also has seven field offices in strategic areas of the Commonwealth to enable direct contact with the members and employers.

OUR MISSION

To be a partner with our members to fulfill the promise of a secure retirement.

OUR VISION

To be a trusted partner in delivering exceptional retirement services and benefits.

OUR VALUES

- P**ublic accountability and transparency
- S**taff growth and development
- E**xceptional levels of service
- R**espect for our members, stakeholders, and staff
- S**tewardship of resources and investments

OUR NEW STRATEGIC PLAN

PSERS Board of Trustees formally adopted a strategic plan framework for the agency at its August 2023 Board meeting. The strategic plan represents months of hard work by both members of the Board and staff to better define and plan the work that the agency is committed to doing each and every day.

To ensure that PSERS' strategic plan was created with a sense of purpose and built upon a strong foundation, we revisited and ultimately revised PSERS' mission, vision, and values statements. These changes reflect our continued dedication to partner with our members, employers, employees, and other stakeholders to provide a secure retirement benefit that will be there for members when they need it.

The entire agency is excited to embark on this journey over the next few years. Despite the challenges that may lie ahead, PSERS is confident that its talented and motivated staff, along with thoughtful leadership and planning can deliver on these goals.

OUR STRATEGIC PRIORITIES

The Board identified six strategic priorities that are supported by 25 initiatives, many of which are either already under way or will begin soon. These clear priorities and initiatives provide the focus we need to efficiently work together on the right things at the right time.



MEMBERS HELP FUND THEIR OWN RETIREMENT

During their career, members make mandatory contributions between **4.5% and 10.8%** of their pay depending on their class of membership to help fund their own retirement benefit.

As of July 1, 2011 and thereafter, members are funding the majority of the cost of their benefit.

The average yearly DB benefit paid to annuitants was \$26,197, a benefit earned through a lengthy career averaging 23 years in public education.

- **Nearly 72% of PSERS retirees receive less than \$40,000 per year in benefits.**
- Six-figure pensions are rare, with fewer than 0.5% of PSERS retirees receiving an annual pension benefit over \$100,000. These 1,013 six-figure pensioners with PSERS spent an average of 38 years working in their public education careers and contributing to their benefit.

ESTIMATES SHOW THAT THE IMPACT OF PSERS PENSION DISBURSEMENTS IN PENNSYLVANIA INCLUDE:*

\$9.2 Billion

Economic Impact In Pennsylvania

\$3.4 Billion

In Wages And Salaries From
55,000+ Jobs

\$1.2 Billion

In Federal and Local Tax
Revenues.

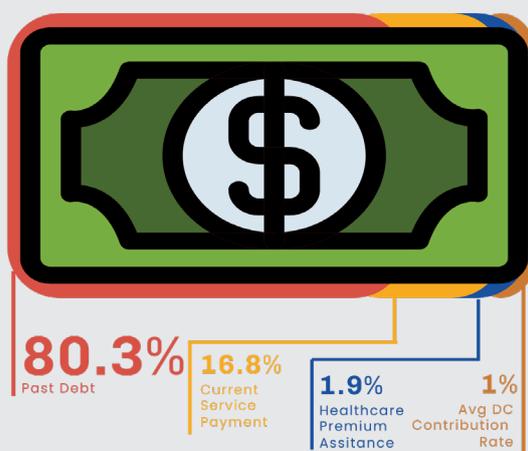
*Pensionomics The National Institute on Retirement Security, January 2023 (based on most recent data from 2020)

EMPLOYER CONTRIBUTION RATE UPDATE

EMPLOYER CONTRIBUTION RATE FOR 2024-25: 33.9%

Employer Contribution Rate Breakdown

The majority of the employer contribution rate in FY 2024-25 covers debt payments for past service (unfunded liability). The remaining 20% pays for the current “normal cost” benefit cost earned by active members, and Healthcare Premium Assistance and the DC Plan.



PSERS Board certified the FY 2024-25 employer contribution rate at 33.9%, which represents the second year-to-year decline for school employers in more than a decade.

The ECR sets the shared costs local school employers and the Commonwealth pay toward retired and current employees’ benefits.

The rate decrease, the second since 2008-09, was caused in large part by PSERS’ employers strong payroll growth and favorable demographic changes involving mortality and retirement experience, according to the Board’s actuarial firm, Buck. Those same factors and sustained actuarial ECR funding contributed to a \$1.6 billion decrease in the System’s long-term unfunded actuarial liability, the largest decline since 2006-07. It’s important to note, while the rate has decreased, the total dollar value paid against the liability has increased largely due to higher than expected payroll growth. Those changes, in turn, raised PSERS actuarial funded status by 2% to 63.6% in the recently ended 2022-23 fiscal year, according to Buck.

The decreases in the FY2024-2025 and FY2023-2024 ECR’s are not typical and rates are expected to rise again slowly. Future increases, however, will start from the lower FY2024-25 base ECR. This means projected ECR increases are expected to remain lower than previous projections over the next few years.

FULL CONTRIBUTIONS MAKE A POSITIVE DIFFERENCE

PAYING THE ACTUARIALY DETERMINED RATE IS VITAL



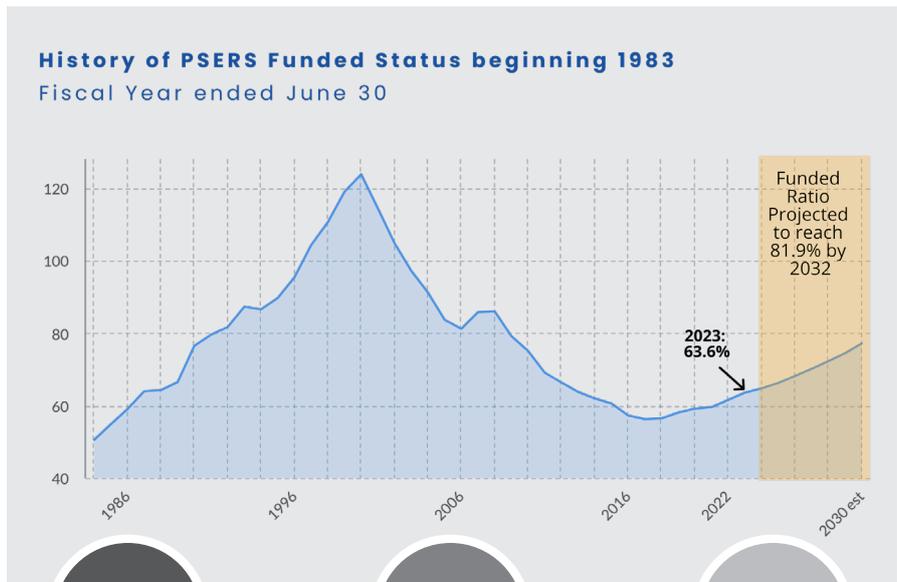
PSERS APPRECIATES THE COMMONWEALTH POLICYMAKERS' AND SCHOOL EMPLOYERS' COMMITMENT TO PAYING THE FULL EMPLOYER CONTRIBUTION RATE.



FY 2023-24 was the eighth consecutive year PSERS received 100% of the actuarially determined contributions.

These employer contribution rate payments, coupled with lower normal cost and strong employer payroll growth helped improve the System's funded status.

PSERS' unfunded liability and funded status on an actuarial basis continue to improve.



63.6%

Funded Status Improves

The actuarial funded status improved from 62.1% to 63.6% as of June 30, 2023, and over the last five fiscal years has improved from 56.5% to 63.6%.

\$42.3 Billion

Debt Decreases

The unfunded accrued liability (debt) decreased to approximately \$42.3 billion in FY 2023 due to a net actuarial experience gain, strong employer payroll growth, and favorable demographic changes. This represents the largest decline in the unfunded accrued liability since FY 2006-07.



Vital to Pay Down Debt

While the employer contribution rate remains high, paying the actuarially determined rate is a vital step that has begun to pay down the previously accumulated pension debt and get the Fund to a fully funded status.

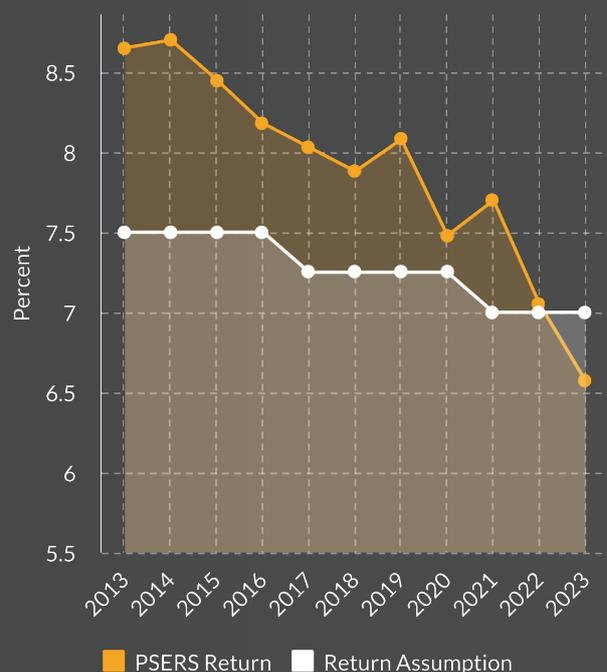
BUILT FOR THE LONG HAUL

PSERS built a diversified asset allocation that positions the Fund to earn its return assumption of 7.00% over the long term (i.e., 25 to 30 years) although annual fluctuations will occur. PSERS believes the best way to achieve its long-term objectives is to maintain a diversified portfolio.

During FY 2023, investment market volatility proved to be challenging. PSERS achieved a fiscal year return of 3.54% which was below the Fund’s long-term earnings assumption of 7.00%. Pension plans like PSERS are well-diversified and built to generate long-term returns, so single years that do not meet this long-term assumption are not expected to have a significant impact on the System’s funded status.

As shown in the chart to the right, PSERS 25-year return over a 10-year period, has historically outperformed the actuarial investment rate of return. Throughout much of the 1990’s and 2000’s, PSERS investment performance exceeded its investment rate of return assumption. However, the most recent 25-year period return through June 30, 2023 was 6.57%, which is 43 basis points below the current assumption. PSERS investments still outperformed a blended 60% ACWI (IMI) Index and 40% Bloomberg Bond Index benchmarks by 0.99% annualized (5.58% vs. 6.57%) over the same period. Overall, long-term investment performance has resulted in declining employer contribution rates and/or contribution rates lower than the annual normal cost of benefits.

PSERS 25 YEAR INVESTMENT RETURN VS RETURN ASSUMPTION
JUNE 2013-2023



DIVERSIFIED ASSETS

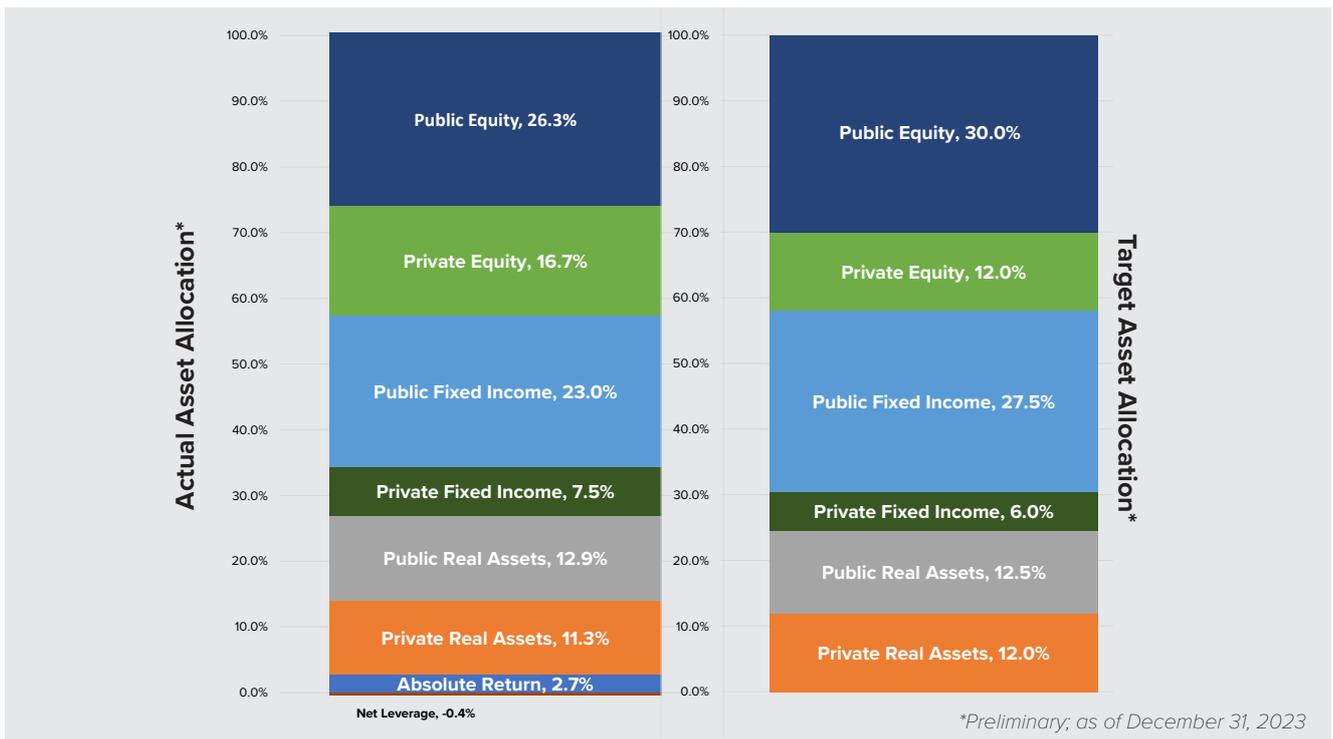
LIMIT RISK IN VOLATILE MARKETS

The Board periodically reviews the System’s long-term asset allocation targets. The Board consults with its actuary, consultants, Investment Office professionals, and other sources of information it deems appropriate in formulating the asset allocation. The level of risk assumed by the System is largely a result of the asset allocation. When determining the asset allocation, the Board considers the following factors:

- The System’s investment time horizon
- The demographics of the plan participants and beneficiaries
- The cash flow requirements of the System
- The actuarial assumptions approved by the Board
- The funded status of the System
- The Board’s willingness and ability to take risk
- The employers’ (Commonwealth and school districts) financial strength

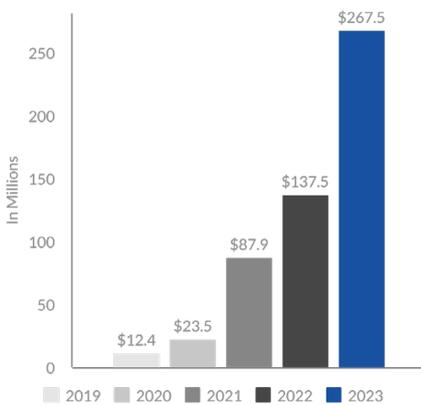
In approving the asset allocation for the System, the Board considers capital market expectations for expected return, volatility, and asset class correlations for each asset class, as prepared by its general investment consultant.

In August 2022, the Board adopted an updated Strategic Asset Allocation. The Board’s strategic asset allocation approval establishes the guidelines for how PSERS’ investment professionals and external managers invest the fund’s assets to meet its long-term retirement obligations to the System’s members. The Board’s allocation changes, including an increase to investment grade fixed income and reductions to net leverage and absolute return strategies, are expected to be implemented prudently over time.



DC PLAN HIGHLIGHTS

School employees who became new members of PSERS on or after July 1, 2019, can choose from three classes of membership: two consisting of defined benefit (DB) and defined contribution (DC) components and one that is a stand-alone DC plan.



\$267.5 Million

DC Plan Net Position* Balance
(up from \$137.5 million as of 12/31/2022)

* includes assets held at Voya and BNY Mellon



\$129.9 Million

TOTAL MEMBER CONTRIBUTIONS



\$104.4 Million

TOTAL EMPLOYER CONTRIBUTIONS

INVESTMENT OPTIONS

The Retirement Code requires the DC plan to provide no less than 10 investment options offered by three or more investment providers. Currently, the DC Plan lineup includes six classes and a portfolio of target funds, totaling 19 investment options from which participants in the DC Plan may choose to adequately diversify their portfolio.



51,593

TOTAL WEBSITE LOGINS
SINCE 1/1/2023

10,657

TOTAL MOBILE LOGINS
SINCE 1/1/2023

8,884

TOTAL PARTICIPANT CALLS
SINCE 1/1/2023

DC PLAN MEMBERSHIP



73K

PSERS DC Plan
Participants



+16K

since 12/31/2022



as of 12/31/2023

MEMBERSHIP IN PSERS DC PLAN CONTINUES TO GROW, WITH 73,000 PARTICIPANTS - MORE THAN 30% OF PSERS TOTAL ACTIVE MEMBERSHIP - ENROLLED IN THE DC PLAN, EITHER AS PART OF ONE OF THE CLASSES WITH DB AND DC COMPONENTS OR THE STANDALONE DC PLAN.

Participants in the PSERS DC Plan can manage their DC investments through their online account. PSERS encourages its members to take control of their retirement by understanding the unique retirement benefits made available with their PSERS membership to help make informed decisions about their future.

91

Age of Oldest Participant - 91

\$

Highest Participant Balance - \$131,528.03

CUSTOMER SERVICE ENHANCEMENTS

MEMBER SELF-SERVICE (MSS) PORTAL

Since implementation in 2018, more than 250,000 members registered their MSS accounts and used these accounts to conduct nearly 500,000 transactions for themselves.

PSERS members can now update their banking information and change their federal withholding through our secure online portal.

PSERS is also in the process of moving to a cloud-based pension administration system which is anticipated to enhance system performance and provide the opportunity for improved services to our members and employers.

Work is underway to enable members to submit a refund application online, expediting the process and reducing the need for manual intervention, and then eventually to allow members to submit their retirement application online as well.



Members can securely manage their direct deposit information online!

FY2023 Customer Service Highlights (Defined Benefit Plan)

Answered 140,038 Member Calls	Responded to 76,614 Member Emails & Secure Messages	Counseled 6,552 Members for Retirement
Issued 2.9 Million Monthly Benefit Payments to Members	Processed 9,658 Retirement Applications	Prepared & Issued 277,019 Form 1099-R's

Paperless Delivery

Nearly 91% of all members on MSS elected to receive information from PSERS electronically. This has generated **more than \$275k/annually and \$2 Million in cumulative savings** since inception in 2018.



Common transactions on MSS:

229,978
Retirement Estimates

98,781
Address Changes

75,736
Income Verifications

32,403
Nominations of Beneficiaries

The PSERS Promise:

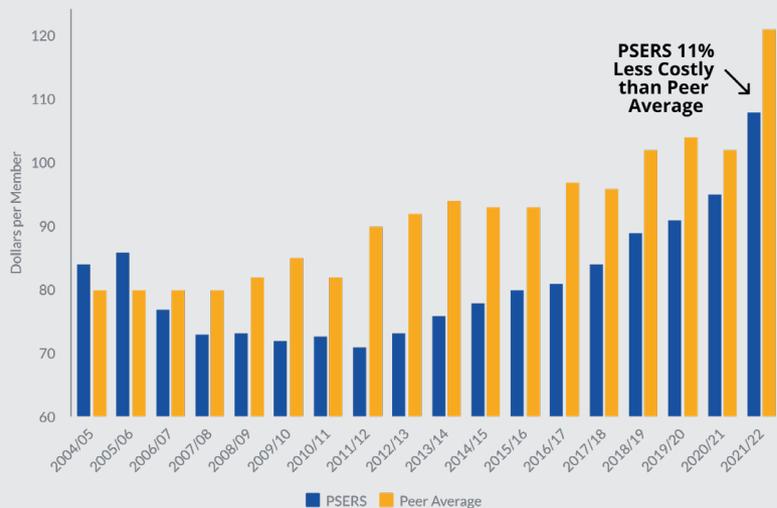
Members are at the heart of everything we do.

To improve their experience with PSERS, we've identified several key initiatives to enhance customer satisfaction. After identifying staffing efficiencies, we plan to significantly invest in staffing our call center and regional offices to reduce call wait times, increase the quality and timeliness of communications, and provide more personalized attention to each member. We are accomplishing this without increasing overall agency complement.



PSERS participates in an independent, international benchmarking survey evaluating its costs and service performance in comparison to other similar public pension funds. Based on the results of the most recent survey, PSERS has 32% fewer full-time equivalent staff per member than the peer group average.

PSERS SAVES \$6.4 MILLION ANNUALLY



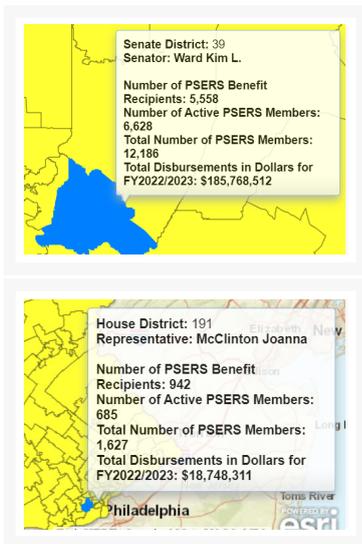
This chart illustrates that PSERS had an 11% lower pension administration cost per member than the average cost for its peer group. By running a lean and efficient operation, PSERS saves the Commonwealth and school employers approximately \$6.4 million annually in administrative expenses compared to its peers.

COMMITMENT TO TRANSPARENCY

PSERS BY THE NUMBERS

STATISTICS BY LEGISLATIVE DISTRICTS PSERS BENEFIT PAYMENTS AND MEMBERSHIP DATA BY:

- ✔ PA State Senate Districts
- ✔ PA State House Districts
- ✔ U.S. Congressional Districts



Data is updated on a fiscal year (July 1-June 30) basis. PSERS partnered with the Governor’s Office of Administration, Office of Information Technology, Geospatial Services to create interactive, web-based maps that visualize PSERS benefit payments and membership by location.

The interactive maps utilize the latest geospatial technology to present several statewide views of PSERS positive economic impact to the Commonwealth.

Maps available at [psers.pa.gov About>Legislative Maps](https://psers.pa.gov>About>Legislative Maps).

REPORTS & RESOURCES ON PSERS WEBSITE



INVESTMENT PROGRAM

- ✔ Carried Interest Report
- ✔ Detailed Manager Fee Information
- ✔ Quarterly Investment Performance

BOARD OF TRUSTEES

- ✔ Board Resolutions
- ✔ Transparency Policy
- ✔ Adjudications
- ✔ Board & Committee Minutes
- ✔ Model Governance Framework

FINANCIAL PUBLICATIONS

- ✔ Annual Comprehensive Financial Report (ACFR) & Summary Annual Financial Report (SAFR)
- ✔ Quarterly Financial Statements
- ✔ Budget Hearing Reports & Budget Highlights
- ✔ Actuarial Valuation
- ✔ Employer Contribution Rates
- ✔ Quarterly Travel Report
- ✔ PA Pension Benefit Payments Map
- ✔ Financial Asset Listing

BUDGET SUMMARY

PSERS’ administrative budget is not funded from the Commonwealth’s General Fund. It is funded from the investment earnings of the Fund and member and employer contributions. PSERS’ FY 2024-25 budget submission contains an Administrative budget request of \$61,403,000 and a Defined Contribution budget request of \$1,282,000. PSERS also manages non-appropriated funds that cover costs for Investment-Related Expenses, the Health Insurance Account, the Health Options Program, and Directed Commissions. PSERS’ FY 2024-25 budgets, including non-appropriated funds, total \$108,333,000.

APPROPRIATION	GOVERNOR’S RECOMMENDED BUDGET (IN THOUSANDS)
ADMINISTRATIVE	\$ 61,403
INVESTMENT-RELATED EXPENSES	\$ 40,682
DEFINED CONTRIBUTION	\$ 1,282
HEALTH INSURANCE ACCOUNT* (PREMIUM ASSISTANCE)	\$ 1,285
HIA HEALTH OPTIONS PROGRAM*	\$ 1,681
DIRECTED COMMISSIONS	\$ 2,000
TOTAL	\$ 108,333

**Represents PSERS administrative costs including personnel, travel, and allocations of pension administration system, rent, utilities, audit fees, etc.*

Awards for Financial Reporting

Government Finance Officers Association (GFOA) of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting - The Certificate of Achievement awarded by the GFOA is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. PSERS has received a Certificate of Achievement for 40 consecutive years from FY 1983 to FY 2022.

GFOA Popular Annual Financial Reporting Award - GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to PSERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2022, which PSERS refers to as its Summary Annual Financial Report. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. PSERS has received a Certificate of Achievement for seven consecutive years from FY 2016 to FY 2022.

Public Pension Coordinating Council Public Pension Standards Award - The Public Pension Coordinating Council has awarded its Public Pension Standards Award to PSERS for 2022. This award is in recognition of meeting professional standards for plan design and administration.

BOARD OF TRUSTEES

FEBRUARY 2024 PSERS BOARD MEMBERS

CHAIR

Richard Vague
Governor Appointee

VICE CHAIR

Susan Lemmo
Elected Retired Member

MEMBERS

The Honorable Matt D. Bradford
Pennsylvania House of Representatives

Dr. Pamela Brown
Elected Active Certified Member

Jason M. Davis
Elected Active Certified Member

Eric O. DiTullio
Elected by Pennsylvania Public School Boards

The Honorable Torren Ecker
Pennsylvania House of Representatives

The Honorable Stacy Garrity
Treasurer of Pennsylvania

Nathan G. Mains
Chief Executive Officer of the Pennsylvania School Boards Association, Inc.

Ann Monaghan
Elected Active Non-Certified Member

The Honorable Dr. Khalid N. Mumin
Secretary of Education

The Honorable Katie J. Muth
Pennsylvania State Senate

Brian A. Reiser
Elected Active Certified Member

The Honorable Greg Rothman
Pennsylvania State Senate

The Honorable Wendy Spicher
Secretary of Banking & Securities

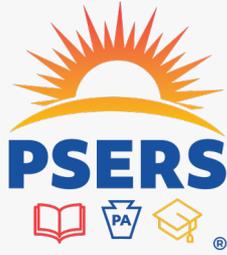
Board Education and Training Program

Act 128 of 2020 required PSERS Board of Trustees to receive 10 hours of investment-related education and one hour of ethics training each year. In 2023, PSERS' 15 Board members and their 15 designees collectively completed 634 hours of investment-related education and ethics training. On average, each board member and designee received over 21 hours of education, far exceeding the education requirement.

Public Board Meetings are Live Streamed

All PSERS public board and committee meetings are open to the public and live streamed.

Visit our website to stay up to date on upcoming board meetings and view minutes and resolutions from previous meetings.



PSERS ON POINT

CONTACT



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