

PA Public School Employees' Retirement System

BUDGET REPORT

APPROPRIATIONS COMMITTEE

Fiscal Year 2026-27

A Component Unit of the Commonwealth of Pennsylvania



February 24, 2026

Honorable Jordan A. Harris
Democratic Chairman
House Appropriations Committee
512 E. Main Capitol
Harrisburg, PA 17120-2186

Honorable Scott Martin
Republican Chairman
Senate Appropriations Committee
281 Main Capitol
Harrisburg, PA 17120-3013

Honorable James B. Struzzi II
Republican Chairman
House Appropriations Committee
245 Main Capitol
Harrisburg, PA 17120-2062

Honorable Vincent J. Hughes
Democratic Chairman
Senate Appropriations Committee
545 Main Capitol
Harrisburg, PA 17120-3007

Chairmen and Members of the Appropriations Committees:

On behalf of the Board of Trustees, I am pleased to present the Fiscal Year (FY) 2026-27 Budget Report for the Public School Employees' Retirement System (PSERS). This report provides detailed analyses of the system's actuarial, financial, and investment operations. Copies of this report, the FY 2024-25 Annual Comprehensive Financial Report (ACFR), actuarial valuation reports, and other key documents are available on our website at pa.gov/PSERS.

As we approach the next fiscal year, I express my gratitude to Governor Josh Shapiro and the General Assembly for their continued budgetary commitment, which helps PSERS fulfill the promise of a secure retirement.

I am also grateful to Terrill J. Sanchez, who retired as PSERS' executive director in June with nearly 40 years of public service to the Commonwealth. In December, Uri Monson became the executive director after most recently serving as Pennsylvania's Secretary of the Budget. He brings nearly 30 years of experience in senior roles across federal, state, and local government. PSERS looks forward to the perspective he brings to support the retirement security of its more than 500,000 members.

For the benefit of those members, PSERS offers a variety of services to assist active and retired members. In FY 2024-25, PSERS handled 165,286 calls, responded to 58,611 emails and secure messages, and served 2,942 member walk-ins.

Fiscal year 2025-26 marked the successful completion of an independent audit using SOC 1 Type 2 standards, resulting in an unqualified opinion – the top level of assurance – confirming that the system's controls were sound and effective. The audit reflects PSERS' ongoing commitment to accountability, transparency, and sound financial management.



The same year marked a significant milestone in our bipartisan partnership. It was the 10th consecutive fiscal year that the PSERS Board certified the full employer contribution rate (ECR), as calculated by our actuary, and the General Assembly appropriated corresponding dollars. Full employer contributions, as allocated by the General Assembly and approved by the Governor, have strengthened PSERS' financial position and led to marked improvements: PSERS' funded ratio is approaching 67%, its highest level since 2011; the system earned \$7.3 billion in net investment income, yielding a 9.67% net return; the system's total net position grew 8% to \$83.7 billion; and the unfunded actuarial liability declined by \$1 billion to \$41 billion.

We are pleased that the current budget proposal recommends the allocation of the full ECR to maintain this progress.

PSERS' active membership continues to rebound, growing 5.6% to 261,669 members since the early COVID years, when membership dropped to a decade low of 247,873 in FY 2022-23. For its retired members, in FY 2025-26, PSERS disbursed \$7.7 billion in pension benefits to 254,735 annuitants and beneficiaries, with the average annuitant benefit increasing to \$26,522 annually. Nearly 90% of retirees remain in Pennsylvania, keeping benefit dollars in the state and supporting jobs, wages, and local economies.

For FY 2026-27, PSERS is requesting a \$65.5 million spending authority for the Defined Benefit (DB) Administrative Budget and a \$1.5 million spending authority for the Defined Contribution (DC) Administrative Budget, both of which are funded entirely from system assets, not the Commonwealth's General Fund.

Through prudent asset management in the last fiscal year, the DB Plan exceeded the 7.00% actuarial return target and reached a fair market value of \$82.6 billion. Further, the DC Plan, established under Act 5 of 2017, now serves 95,000 participants and holds \$557.5 million in assets. PSERS continues to expand financial education and investment guidance resources to support the growing number of participants in this plan.

PSERS' voluntary Health Options Program, funded solely by participant premiums, also remains a valuable resource. It serves nearly 124,000 retirees and dependents, including nearly 100,000 enrolled in its prescription drug plan, which has received national recognition for high-quality service. The Premium Assistance Program, funded through a portion of the ECR, provides a monthly subsidy of up to \$100 for 91,000 qualifying retirees.

All of these achievements would not be possible without your ongoing partnership and engagement. On behalf of the Board of Trustees, thank you for your dedication to Pennsylvania.

Sincerely,

Richard Vague
Chairman

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PSERS ORGANIZATION



Pennsylvania
Public School Employees'
Retirement System

Agency Description



Data as of June 30, 2025

*Net position includes pension, DC, and postemployment healthcare benefits

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

- Public accountability and transparency
- Staff growth and development
- Exceptional levels of service
- Respect for our members, stakeholders, and staff
- Stewardship of resources and investments

The Public School Employees' Retirement System (PSERS) is one of the oldest pension plans in the United States. Established in 1917, PSERS began operations in 1919 to serve the public school employees of the Commonwealth of Pennsylvania (Commonwealth). PSERS is a governmental, cost-sharing, multiple-employer pension plan to which public school employers, the Commonwealth, and school employees (members) contribute. PSERS was created by statute through the Public School Employees' Retirement Code (Retirement Code) as a traditional defined benefit plan; a qualified trust under Section 401(a) of the Internal Revenue Service Code (DB Plan; Fund). Upon the passage of Act 5 of 2017, effective July 1, 2019 (Act 5), PSERS was expanded to include the School Employees' Defined Contribution Plan, a separate qualified 401(a) defined contribution plan (DC Plan; Trust). Members hired on or after this date have the option to elect one of two membership classes that participate in the DB Plan and DC Plan or a membership class that participates only in the DC Plan.

PSERS is the 33rd largest among U.S. corporate and public pension funds, and the 21st largest state-sponsored public pension fund in the nation based on total plan assets according to a February 9, 2026, *Pension & Investments* survey.

As of June 30, 2025, PSERS' fiduciary net position was approximately \$83.7 billion, which includes a DB Plan net position of \$82.6 billion and a DC Plan net position of \$406.8 million.

As of June 30, 2025, PSERS had approximately 262,000 active members in the DB Plan and nearly 130,000 total participants enrolled in the DC Plan. Additionally, the annuitant membership was comprised of approximately 255,000 retirees and beneficiaries, who received pension disbursements totaling \$7.7 billion, on a cash basis. The average yearly pension benefit paid to annuitants was \$26,522. As of June 30, 2025, PSERS had 763 participating school employers.

In addition to retirement benefits, PSERS administers a Premium Assistance Program and a PSERS Health Options Program (HOP). The Premium Assistance Program provides a health insurance premium subsidy of up to \$100 per month for those retirees who qualify. As of June 30, 2025, there were approximately 91,000 participants in this program. PSERS HOP is a voluntary, statewide plan that provides group health insurance coverage for school retirees, their spouses, and eligible dependents. PSERS HOP is entirely funded through participating member premiums with approximately 122,000 annuitants and their dependents enrolled as of January 1, 2026.

Defined Benefit (DB) Plan Description

The DB Plan provides a guaranteed monthly pension for members who are vested. A member's maximum annual pension is calculated using their final average salary, membership class multiplier, and years of credited service.

PSERS membership class is defined by statute and is used to determine the member's benefit structure, including the member contribution rate. A member may only have one "active" membership class with PSERS and, by law, may have a one-time opportunity to elect to change their membership class within a statutory time frame.

The following membership classes have a DB component to their PSERS retirement:

- Class T-C: 1,814 active
- Class T-D: 119,164 active
- Class T-E: 45,428 active
- Class T-F: 11,645 active
- Class T-G*: 82,183 active
- Class T-H*: 478 active

**Class T-G and Class T-H also have a DC component.*

Defined Contribution (DC) Plan Description

Following the passage of Act 5, members hired on or after July 1, 2019, have the option to elect one of two membership classes that participate in the DB Plan and DC Plan (Class T-G and Class T-H) or a membership class that participates only in the DC Plan (Class DC).

The DC Plan retirement benefit is based on the amount of contributions made by the member and the employer, the investment performance on those contributions, and the fees, costs, and expenses deducted from the DC Plan account. Contributions have the potential to grow based on investment earnings but are not guaranteed against loss in declining investment markets.

Upon termination of service, members may request a lump-sum distribution of some or all of their vested balance in the DC Plan, or purchase an annuity. If the member's vested balance is greater than \$5,000, the member may delay distribution of their account, which will continue to be invested.

Participation in the DC Plan continues to grow. More than 30% of PSERS' active members have a DC component to their retirement benefit.

Board of Trustees

The Public School Employees' Retirement Board ("Board") is established by state law as an independent administrative board of the Commonwealth responsible for the administration and oversight of the PSERS plans. The Board's 15 trustees stand in a fiduciary relationship to the members by exercising exclusive control and management of the DB Plan and the post-employment health insurance programs, including the investment of its assets and the payment of benefits, and the DC Plan within applicable state and federal laws.

PSERS Board Members - February 2026

<p>Chair Richard Vague Governor Appointee</p>	<p>Vice Chair Susan Lemmo Elected Retired Member</p>
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Members

The Honorable Matt D. Bradford
Pennsylvania House of Representatives

The Honorable Jarrett Coleman
Pennsylvania State Senate

Eric O. DiTullio
Elected by Pennsylvania Public School Boards

The Honorable Marc Anderson
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

Jason Moore
Elected Active Certified Member

The Honorable Katie J. Muth
Pennsylvania State Senate

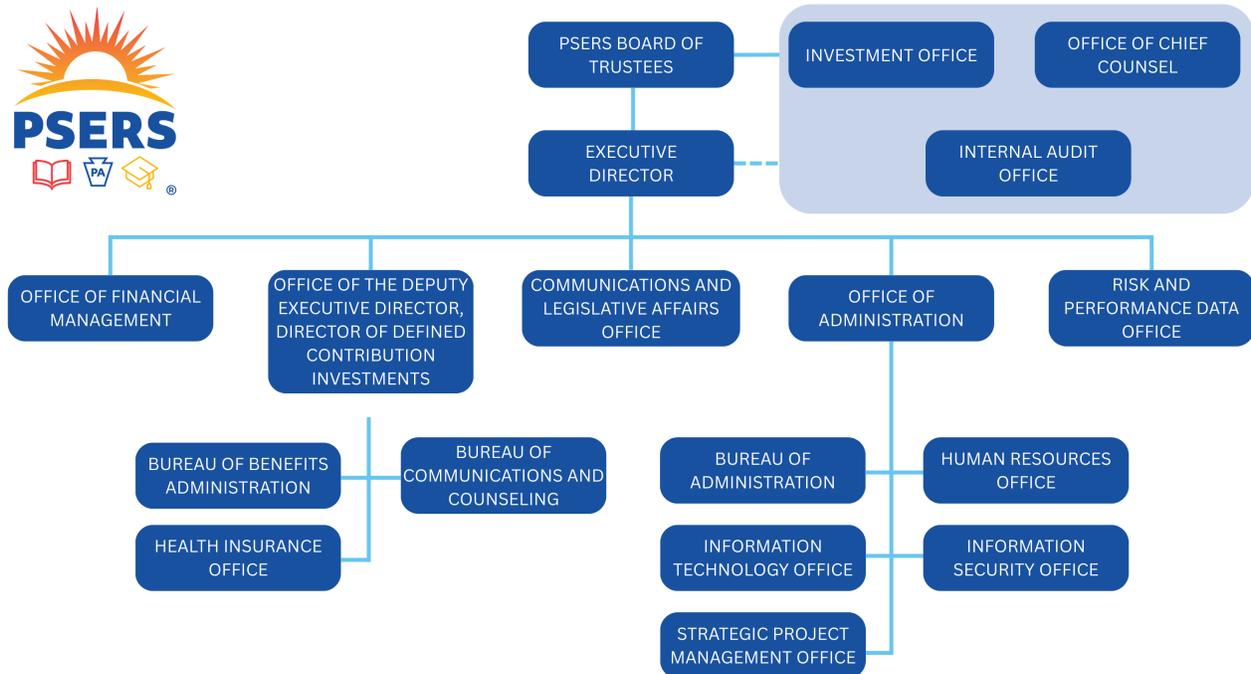
Brian A. Reiser
Elected Active Certified Member

The Honorable Dr. Carrie Rowe
Secretary of Education

Adam Serfass
Elected Active Certified Member

The Honorable Wendy Spicher
Secretary of Banking & Securities

Organizational Structure



Executive Office

The Executive Office is led by the Executive Director, who serves as the chief executive officer with overall responsibility for the management of the agency to achieve the objectives and strategic initiatives as established by the Board. The position’s primary duty is to lead PSERS’ employees in meeting the agency mission by partnering with our members to fulfill the promise of a secure retirement and being a trusted partner in delivering exceptional retirement services and benefits. This position is responsible for providing leadership, advice, and counsel to the Board; managing risk; and ensuring public trust and confidence in the agency.

Investment Office

Led by the Chief Investment Officer (CIO), the Investment Office is responsible for the investment activities of the System. In compliance with the investment policy established by the Board, PSERS’ investment assets are diversified across several asset classes, managed both internally by the Investment Office professionals and by external investment managers. The CIO serves as the Board’s liaison and senior staff administrator on managing and overseeing the investments of the System.

Office of Chief Counsel

Led by the Chief Counsel, this office provides legal services through a team of professionals in collaboration with PSERS’ Executive Director and the Board. The legal staff is responsible for representing the System in all administrative hearings and other litigation matters and providing counsel in a wide variety of matters, including the interpretation of the Retirement Code; form and legality of all contracts; corporate governance issues; and the structure and implementation of the varied financial investments. Also under the oversight and direction of the Office of Chief Counsel, the Chief Compliance Officer leads the PSERS’ Compliance Program to provide oversight and ensure compliance with applicable laws, regulations, policies, and ethical standards.

Organizational Structure (continued)

Internal Audit Office

Led by the Chief Audit Officer (CAO), the Internal Audit Office provides a wide range of independent internal auditing services for the Audit, Compliance and Risk Committee of the Board and executive management. It performs independent assessments of the systems of risk management, internal controls, and operating efficiency, guided by professional standards and using innovative approaches.

Office of Financial Management

Led by the Chief Financial Officer (CFO), this office oversees accounting and financial reporting for the agency in conformance with accounting principles generally accepted in the United States of America. The Office is also responsible for PSERS' budgetary matters, annuitant payroll, investment accounting, treasury-related operations, and taxation. This position oversees the General and Public Market Accounting Division, Investment Accounting and Budget Division, Annuitant Accounting Division, and Employer Accounting Division.

Communications and Legislative Affairs Office

Led by the Director of Government Affairs and Stakeholder Engagement, this office is responsible for effective collaboration and engagement with PSERS' many key stakeholders, including the General Assembly, and oversight of agency internal and external communications, including coordination with the Bureau of Communications and Counseling to develop a member communication plan and strategy. Staff within this office also maintains the agency's external website as well as serves as a liaison to members of the General Assembly in responding to legislative inquiries, performing legislative research, and coordinating agency responses to proposed legislation.

Risk and Performance Data Office

Led by the Chief Risk Officer, this office is responsible for the implementation and ongoing management of PSERS' enterprise risk management functions, including enterprise data management, governance, and analytics services needed to support operational performance management. More specifically, the office monitors and maintains PSERS' overall operational risk profile, as well as leads risk identification, assessment, and remediation consultation. The office also works across PSERS to establish data management standards, data governance policies, data standards, and data management procedures, while also improving the organization's reporting capabilities to enable operational performance monitoring related to key performance indicators, key risk indicators, and agency strategic goals. The office is also responsible for providing risk, performance, and data literacy training across the organization.

Office of Administration

Led by the Deputy Executive Director for Administration, this office provides comprehensive leadership to assist the Executive Director in accomplishing the agency's mission by maintaining oversight of PSERS' administrative and information technology and security-related services. This includes managerial responsibility for the following areas: information technology; information security; strategic project management; human resources; physical security; facilities; contracting and procurement; business continuity; safety; records management; and mail, imaging, and printing services.

Organizational Structure (continued)

Office of the Deputy Executive Director and Director of Defined Contribution Investments

Led by the Deputy Executive Director and Director of Defined Contribution Investments, this office provides comprehensive leadership and oversight to assist the Executive Director in accomplishing the agency mission by maintaining oversight of the Bureau of Benefits Administration, Bureau of Communications and Counseling, the Health Insurance Office, and the agency Appeals Coordinator. This includes managerial responsibility for PSERS' membership related benefit functions for the Defined Benefit (DB) plan, the Defined Contribution (DC) plan, and the post-employment healthcare programs, namely: member and employer communications; member retirement counseling; member and employer data administration; benefits determinations and processing; member appeals; knowledge management of benefit policies and procedures; post-employment health insurance programs including premium assistance; third-party contractor administration; and defined contribution contract investment management. This office also oversees seven regional offices, as shown below, located throughout the Commonwealth that provide services to both active and retired PSERS members and 763 public school employers. Among these services are regularly scheduled informational presentations on various topics relating to retirement benefits and programs.

Northwest

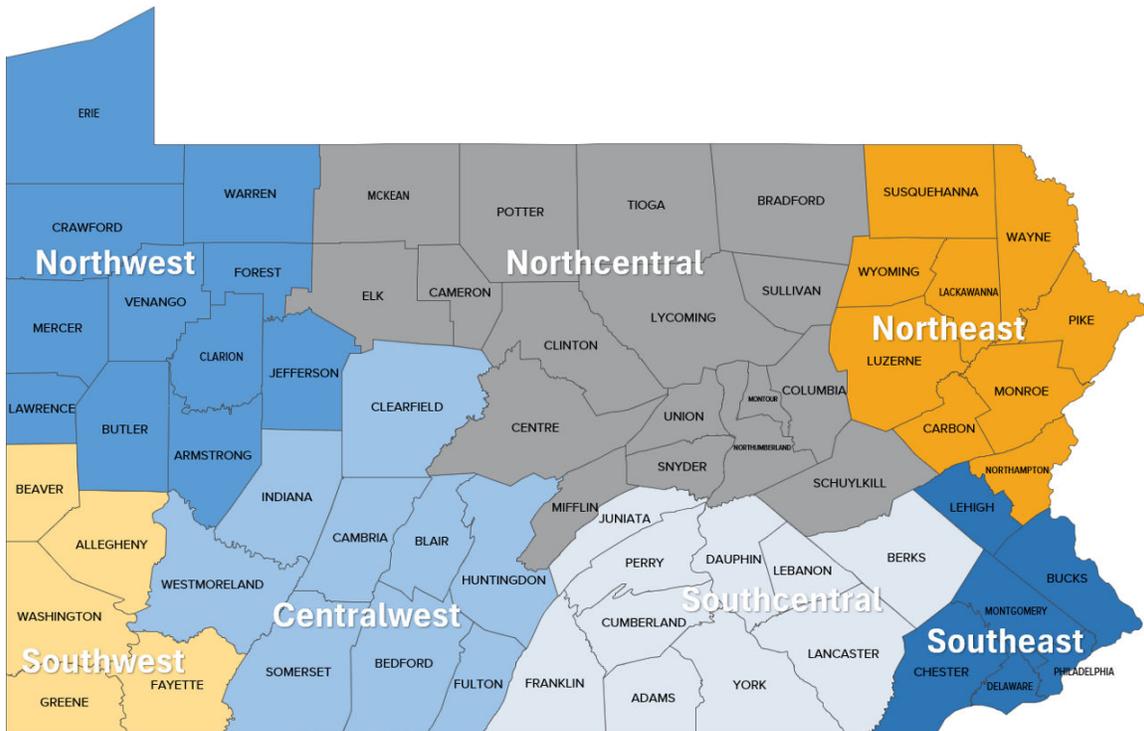
Franklin Penn Wood Center
464 Allegheny Boulevard, Suite C
Franklin, PA 16323-6210

Northcentral

300 Bellefonte Avenue, Suite 201
Lock Haven, PA 17745-1903

Northeast

417 Lackawanna Avenue, Suite 201
Scranton, PA 18503-2013



Southwest

300 Cedar Ridge Drive, Suite 301
Pittsburgh, PA 15205-1159

Centralwest

219 West High Street
Ebensburg, PA 15931-1540

Southcentral

5 North 5th Street
Harrisburg, PA 17101-1905

Southeast

605 Louis Drive, Suite 500
Warminster, PA 18974-2830

Members Help Fund their Own Retirement

In FY 2024-25, PSERS members contributed \$1.2 billion of pension contributions. 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 \$26,522, a benefit earned through a lengthy career averaging 23 years in public education.

	4.5% - 10.8% contribution rate to PSERS
	\$26,522 average annual benefit



Economic Impact on the Commonwealth

In FY 2024-25, PSERS pension disbursements totaled approximately \$7.7 billion, on a cash basis. Of this amount, nearly 90%, or \$6.9 billion, went to residents of Pennsylvania.

According to a January 2025 *Pensionomics* report by the National Institute on Retirement Security, the Commonwealth's pension benefit multiplier, which measures the economic impact of the retirees' spending of pension disbursements, is 1.39 based on its latest data from 2022. Applying this multiplier to the \$6.9 billion paid to Pennsylvanians in FY 2024-25 results in an economic impact of \$9.6 billion throughout the Commonwealth. The following page shows the breakdown of economic impact by county.

	\$9.6 Billion Economic Impact* in Pennsylvania
	\$3.5 Billion in wages and salaries from more than 54,000 jobs
	\$1.5 billion in federal and local tax revenues

**Pensionomics, National Institute on Retirement Security, January 2025 (based on most recent data from 2022)*

Serving Those Who Serve Others

Our team is dedicated to fulfilling the PSERS vision: To be a partner with our members to fulfill the promise of a secure retirement by striving to deliver exceptional retirement services and benefits.

Member Services

We offer a variety of member services, including education and counseling sessions held virtually and in person to assist our active and retired members in navigating their retirement options.



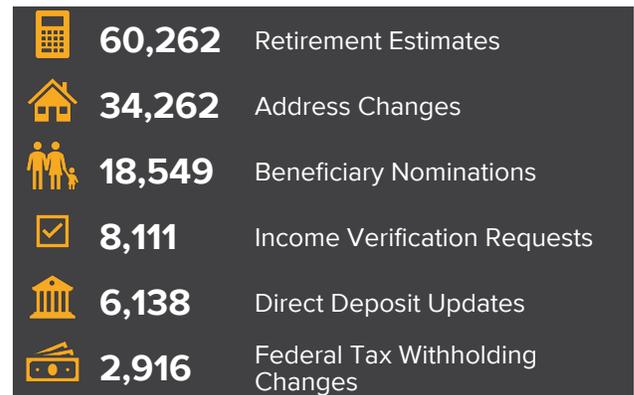
for FY 2024-25; *includes FY 2024-25 DB Plan and CY 2025 DC Plan data

Member Self-Service (MSS) Transactions

The Member Self-Service (MSS) Portal is an online platform that offers members a secure, convenient, 24/7 access to their retirement account information and important documents.

With the MSS Portal, members can also conduct many retirement plan-related transactions online instead of filling out paper forms or contacting PSERS staff. Members completed more than 130,000 transactions in MSS in FY 2024-25.

Common MSS Transactions



for FY 2024-25

Employer Services

We work closely with 763 PSERS-participating employers—our partners in the delivery of benefits. In addition to direct access to the Employer Self Service (ESS) online reporting portal, an assigned Employer Service Center (ESC) representative, and various online tools and resources, we:

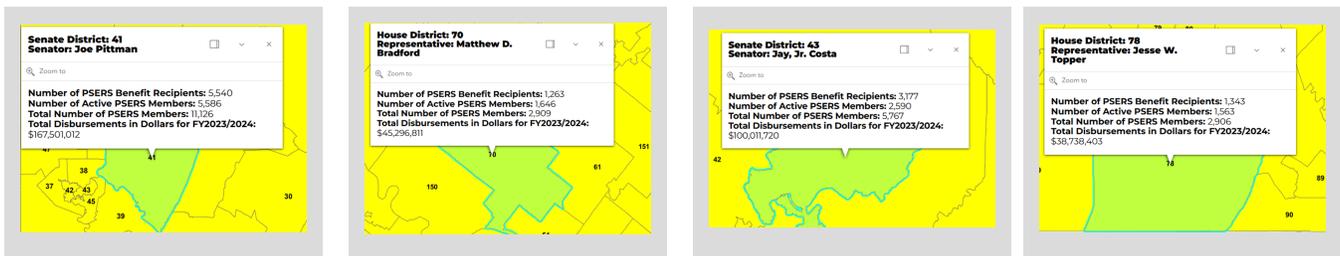


for FY 2024-25

PSERS by the Numbers: Statistics by Legislative District

PSERS provides benefit payment and membership data by legislative and congressional districts at pa.gov/PSERS, *About>Legislative Maps*.

PSERS’ 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 on the Commonwealth.



Commitment to Transparency

Board Endorses Enhanced Transparency Standards

As part of its commitment to transparency, the Board approved a resolution endorsing the Institutional Limited Partners Association’s (ILPA) quarterly reporting standards initiative for private markets assets. This ILPA initiative to improve recordkeeping transparency includes an enhanced fee and expense filing template and a new template to better monitor fund performance. PSERS’ investment staff collaborated with other institutional investors, consultants, and fund administrators to assist ILPA in developing these latest reporting standards.

Additionally, the Board adopted a new Investment Due Diligence Policy to strengthen internal transparency between trustees and staff. This policy provides trustees with electronic access to supplemental proprietary and confidential investment data used by staff to manage public and private assets. The Board also adopted a new Board Inquiry Policy that formalizes how trustees can request information about the system’s assets, liabilities, and operations.

Reports and Resources Available on the PSERS Website

<p>Investment Program</p> <ul style="list-style-type: none"> • Asset Allocation • Detailed Manager Fee Information • Quarterly Investment Performance 	<p>Board of Trustees</p> <ul style="list-style-type: none"> • Governance Manual • Resolutions • Minutes • Adjudications • Policies 	<p>Financial Publications</p> <ul style="list-style-type: none"> • Annual Comprehensive Financial Report • Quarterly Statements • Actuarial Valuation 	<p>Member & Employer</p> <ul style="list-style-type: none"> • Forms • Publications • Presentations • Estimate Calculators
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Legislation

Act 5A of 2025 (House Bill 1336)

Act 5A of 2025 (House Bill 1336) appropriated \$64,523,000 from the Public School Employees Retirement System (PSERS) Fund for expenses incurred by the PSERS Board to administer the fund for the 2025-26 fiscal year beginning July 1, 2025, and for the payment of any remaining unpaid bills incurred up to June 30, 2025, the close of the 2024-25 fiscal year.

Additionally, the Act appropriates \$1,405,000 from the PSERS Defined Contribution Fund restricted revenue account for expenses incurred by the PSERS Board for the administration of the Defined Contribution Plan authorized by Act 5 of 2017 for the fiscal year beginning July 1, 2025, and for the payment of any remaining unpaid bills incurred up to June 30, 2025, the close of the 2024-25 fiscal year.

Internal Controls and Oversight are Strong

FY 2024-25 marked the successful completion of an independent audit of PSERS' system's controls, as mandated by Act 128 of 2020, using SOC 1 Type 2 standards. The SOC audit provided a high level of reasonable assurance for the control objectives in scope, confirming that PSERS' controls were suitably designed and operating effectively throughout the testing period. Completion of this multi-year effort reflects PSERS' ongoing commitment to accountability, transparency, and sound financial management.

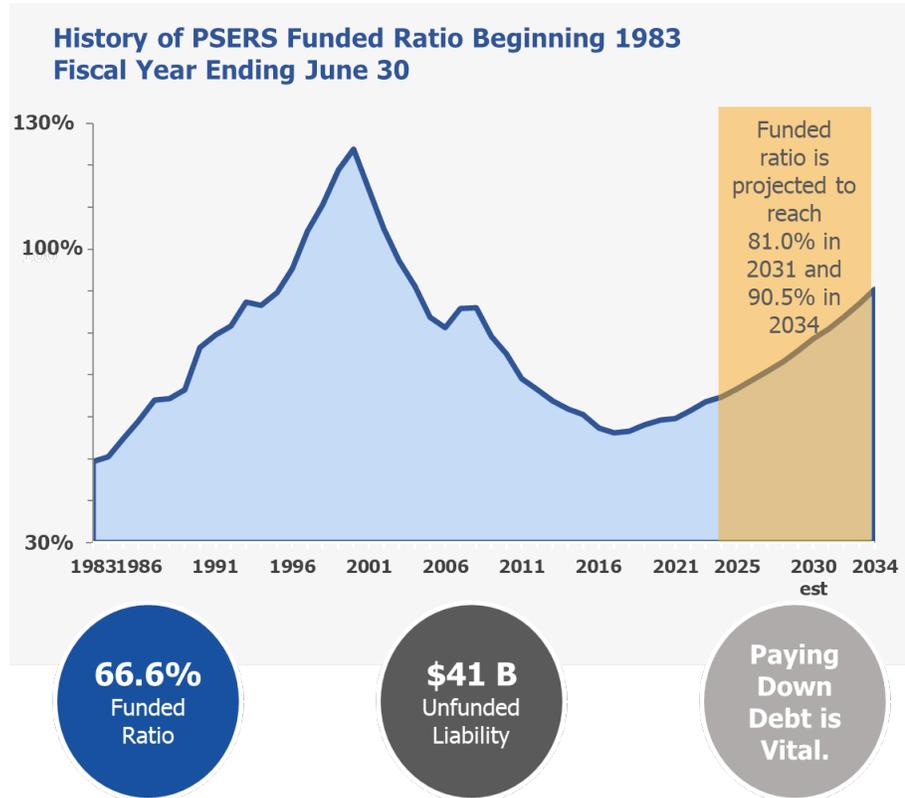
Litigation

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.

Full Contributions Make a Positive Difference



PSERS values the Commonwealth policymakers' and school employers' commitment to paying the full employer contribution rate. After 10 years of full funding, PSERS' funded ratio reached 66.6%.



FY 2025-26 is the 10th consecutive year PSERS received 100% of the actuarially determined contributions. These employer contribution rate payments, coupled with lower normal cost, strong employer payroll growth, strong investment returns, and lower manager fees, helped improve the System's funded ratio. PSERS' unfunded liability and funded ratio on an actuarial basis continue to improve.

The FY 2024-25 funded ratio raised to 66.6% from 64.8% of the prior year. Projections now reflect a steadily increasing funded ratio achieving 90.5% in less than a decade.

During the same time, debt (unfunded liability) decreased \$1 billion to \$41 billion and fee reduction reached \$1.2 billion – more than halfway to the \$2.2 billion goal set by PSERS' 30-year fee savings program started in 2017.

Paying the actuarially determined rate is vital to paying down the previously accumulated debt to reach full funding.

**2025 Statement of Fiduciary Net Position
As of June 30, 2025 (Dollar Amounts in Thousands)**

	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 \$72,272)	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

**2025 Statement of Changes in Fiduciary Net Position
As of June 30, 2025 (Dollar Amounts in Thousands)**

	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

More information on PSERS' fiduciary net position is available in the ACFR posted on the PSERS website: pa.gov/agencies/psers/transparency/financial-reports

PROPOSED FY 2026-27 BUDGETS



Pennsylvania
Public School Employees'
Retirement System

Proposed FY 2026-27 Administrative Budget

Table 2.1 displays the PSERS Administrative Budget Request for FY 2026-27, which consists of the personnel services, operating expenses, and fixed asset costs associated with administering the Defined Benefit Plan. The \$65,537,000 administrative budget is not funded from the Commonwealth’s General Fund, but rather from the earnings of the Fund itself. Historically, PSERS has maintained a conservative approach to its spending, keeping more funds available to invest for PSERS members.

The PSERS Administrative Budget Request for FY 2026-27 results in an increase of \$1,014,000 or 1.57% above the FY 2025-26 available budget. The majority of the increase is in personnel costs due largely to the Commonwealth’s new collective bargaining agreement, which includes a 2.00% general pay increase effective July 1, 2026, and a step increase of 2.25% effective January 1, 2027.

PSERS continues to be a leader among large U.S. public pension funds in its effective control of expenses while providing necessary services to its membership. During the last several years, the number of active and retired members electing to receive newsletters, statements of account, *Form 1099-Rs*, and other publications electronically has continued to grow, which saves the agency in postage, printing, and paper costs. During FY 2024-25, the agency reduced healthcare project management expenses, decreased equipment and software rental costs, and lowered consultant and legal fees, all of which preserved more of PSERS’ assets for the benefit of its members.

Table 2.1

	Enacted Budget FY 2024-25	Enacted Budget FY 2025-26	Budget Request FY 2026-27
Total Personnel Services	\$ 36,618,000	\$ 38,025,000	\$ 39,839,000
Operating Expenses and Fixed Assets			
Travel	\$ 178,600	\$ 188,300	\$ 205,300
Training & Conference Registration	227,300	202,000	220,400
Telecomm	408,000	415,000	400,000
Electricity	25,900	24,900	28,000
Consultant Services - Non EDP	1,728,500	1,199,400	1,400,300
Consulting - Maint & Support - (Post Implementation)	65,000	65,000	45,000
IT Con Mng Srvcs SW	75,400	800	2,800
Consulting - General IT Support	1,364,600	2,034,400	2,147,000
Consulting - Outsourced Infrastructure Svcs (PACS)	2,055,800	2,085,800	1,358,800
Subscription Based IT Arrangements	276,300	267,400	632,100
Legal Services/Fees	1,390,700	1,268,100	1,011,600
Specialized Services (includes HR Shared Svcs)	785,900	816,700	834,700
Other Specialized Services	404,000	335,700	286,900
Advertising	10,000	12,500	5,000
Medical, Mental & Dental Services	6,500	9,400	9,600
IT Shared Services	615,800	700,000	676,000
Software Licensing - Maintenance	1,370,700	1,132,300	1,469,900

Proposed FY 2026-27 Budgets

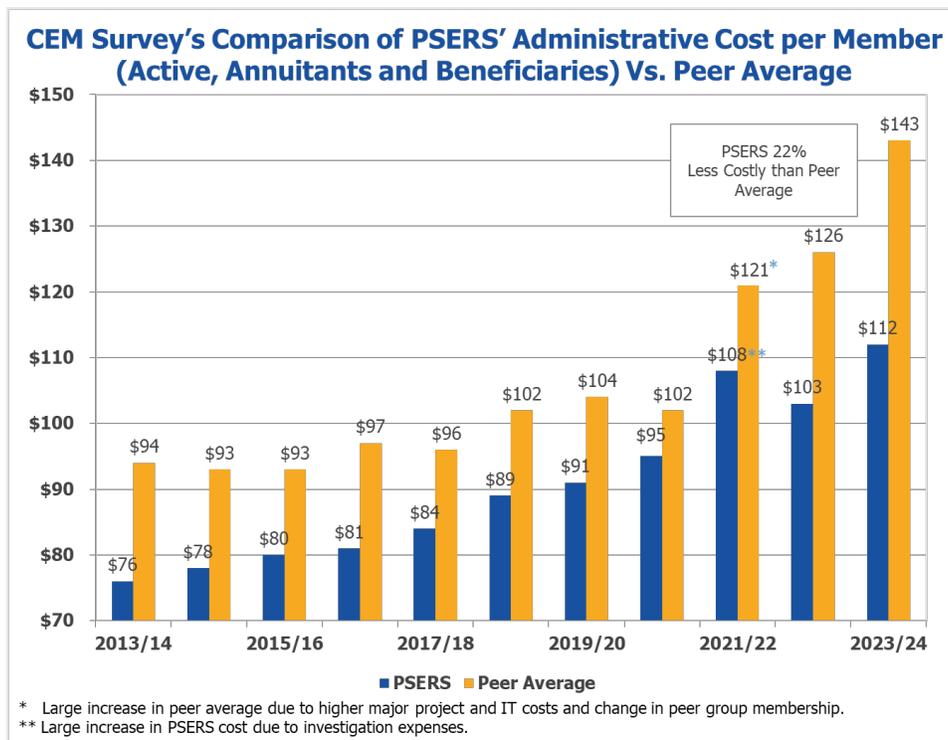
	Enacted Budget FY 2024-25	Enacted Budget FY 2025-26	Budget Request FY 2026-27
Hardware - Maintenance	73,300	18,400	18,400
Contracted Maintenance Non EDP	169,700	179,700	187,000
Contracted Repairs - Non EDP	15,500	15,500	15,500
Real Estate Rental	1,986,800	1,962,500	2,220,200
Vehicle Rental	7,200	14,700	17,600
Office Equipment Rental	149,400	150,000	140,000
Other Rentals	3,500	3,700	3,700
Office Supplies	129,100	129,600	130,200
Educational & Medical Supplies	5,400	30,900	4,800
Software License Non-Recurring	191,300	168,000	460,800
Software Licensing - Proc. - Recurring	537,000	579,800	628,000
Hardware Desktop	80,600	231,900	205,600
Furniture and Fixtures	54,000	38,300	43,500
Other Equipment	10,000	—	—
Motorized Equipment Supplies	22,500	22,500	23,200
Postage and Freight	615,000	606,000	607,000
Printing	210,900	225,300	221,700
Subscriptions	33,300	38,100	54,000
Member Dues	67,100	72,100	71,300
Conference Expense	76,200	80,200	62,500
Insurance, Surety & Fidelity Bonds	318,000	374,400	374,900
Other Operational Expenses	2,072,200	3,711,700	2,300,700
HW Network and Server	197,500	586,000	250,000
Automobiles	24,400	70,000	70,000
Software License	6,714,300	6,397,600	6,820,600
Office Equipment	31,800	33,400	33,400
Total Operating Expenses and Fixed Assets	24,785,000	26,498,000	\$ 25,698,000
Total Administrative Budget	\$ 61,403,000	\$ 64,523,000	\$ 65,537,000

DB Plan Administrative Costs are 22% Below Peers

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 31% fewer full-time equivalent staff per member than the peer group average yet increased our service score, particularly in targeted communications and call quality.

Chart 2.1 below illustrates that PSERS had a 22% lower pension administration cost per member than the average cost for its peer group (\$112/member vs peer average of \$143/member). By running an efficient and effective operation, PSERS saves the Commonwealth and school employers approximately \$15.8 million annually in administrative expenses compared to its peers while still providing exceptional service.

Chart 2.1



Waiver of Prior Year Remaining Budgets

PSERS received approval to waive all available balances from the FY 2024-25 Administrative Appropriation by extending the lapse date until June 30, 2026.

Proposed FY 2026-27 Defined Contribution (DC) Administrative Budget

Table 2.2 displays the PSERS Defined Contribution Administrative Budget Request for FY 2026-27. The requested \$1,499,000 amount represents an increase of 6.7% above the FY 2025-26 available budget. Personnel Services costs are expected to rise due to the pay and benefit increases in the current collective bargaining agreement. Operating and Fixed Assets expenditures are projected to rise by 23.0% due to the allocation of real estate rental expenses.

Table 2.2

	Enacted Budget FY 2024-25	Enacted Budget FY 2025-26	Budget Request FY 2026-27
Total Personnel Services	\$ 1,080,000	\$ 1,192,000	\$ 1,237,000
Operating Expenses and Fixed Assets			
Travel	3,000	3,000	2,500
Consultant Services - Non EDP	103,000	103,000	104,200
Legal Services/Fees	24,000	27,000	20,000
Insurance, Surety & Fidelity Bonds	32,000	32,000	35,000
Real Estate	—	—	50,300
Other Operational Expenses & Specialized Svcs	40,000	48,000	50,000
Total Operating Expenses and Fixed Assets	\$202,000	\$213,000	\$262,000
Total Administrative Budget	\$ 1,282,000	\$ 1,405,000	\$ 1,499,000

Directed Commissions Recapture Program

Directed Commissions Recapture is a program whereby a portion of commissions incurred by the DB Plan through investment trading activity is returned to PSERS. These funds can be used for the administration of the Fund or can be reinvested back into the asset allocation through a transfer to PSERS Retirement Account. Expenditures paid from the Directed Commissions Recapture Program Budget have the same internal approval process as any other expenditure made by the agency. There are no proposed expenditures to be paid through the use of directed commissions in FY 2026-27, and there were no actual expenditures from the past year paid through the use of directed commissions.

Table 2.3

	Budget FY 2024-25	Budget FY 2025-26	Budget Request FY 2026-27
Budgetary Reserve	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Total	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000

DEFINED BENEFIT (DB) PLAN

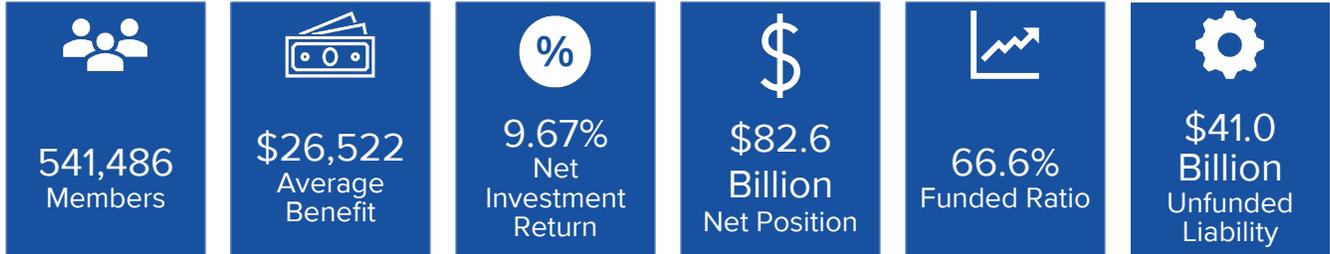


Pennsylvania
Public School Employees'
Retirement System

Defined Benefit (DB) Plan

PSERS DB Plan provides a retirement benefit is based on a formula. The formula includes a pension multiplier based on membership class, credited years of service, and final average salary. Class T-C, Class T-D, Class T-E, and Class T-F are defined benefit only plans. Class T-G and Class T-H have both a DB and DC component.

DB Plan Facts and Figures



Data as of June 30, 2025

Fiscal Year 2025 DB Member Service Highlights



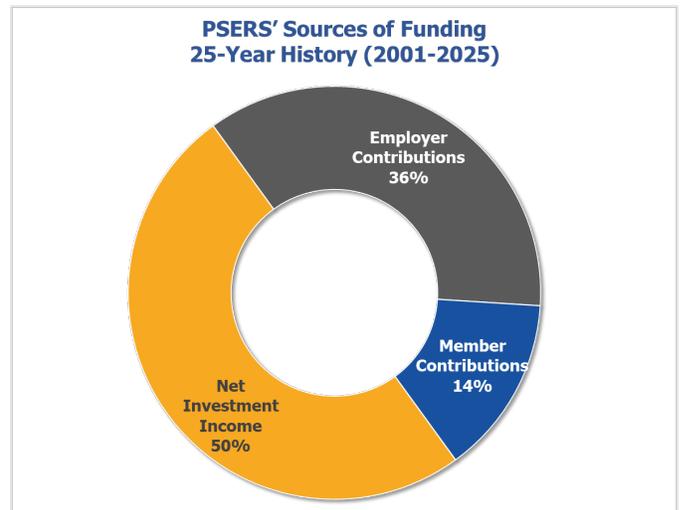
Funding

The DB Plan is funded through three sources:

1. Employer contributions (including the Commonwealth portion)
2. Member contributions, and
3. Investment earnings.

As depicted in Chart 3.1, for the 25-year period ended June 30, 2025, investment earnings provided 50% of DB Plan funding followed by 36% from employer contributions and 14% from member contributions.

Chart 3.1



Funding (continued)

Actuarial Valuation

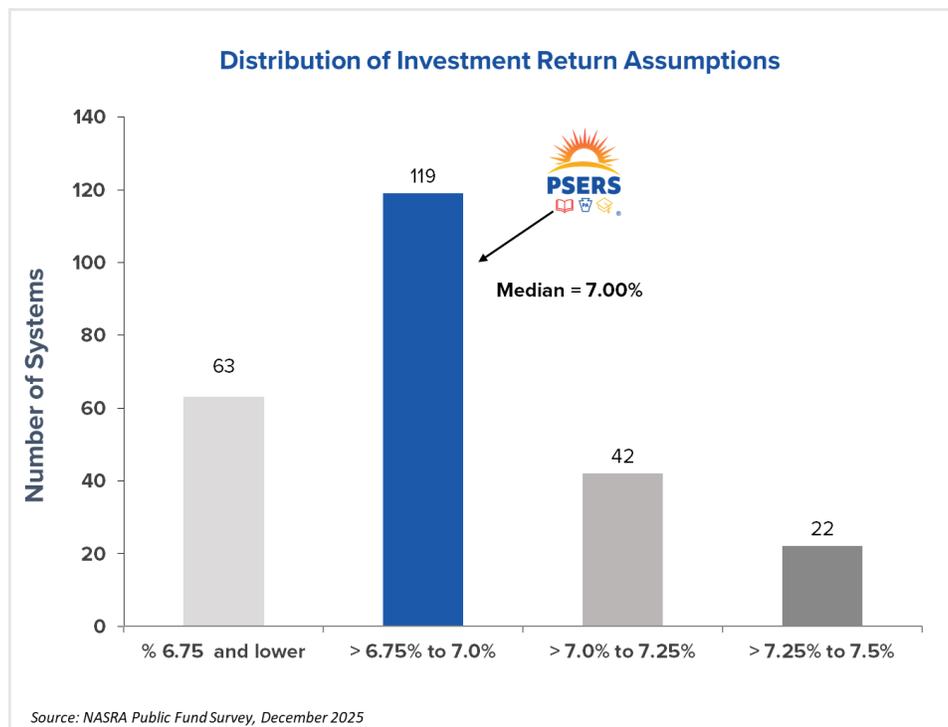
An independent actuarial valuation is performed annually to calculate the actuarial assets and liabilities of the DB Plan. The valuation also measures the progress of the pension system toward funding pensions for its active and retired members and determines the employer contribution rate.

The actuarial formula presumes that there will be a systematic flow of contributions at a specified level to pay for plan benefits and that the flow of contributions, together with investment earnings, will be sufficient to meet all benefit and expense requirements of the plan. The actuarial cost method for funding the DB plan is set forth in the Retirement Code and includes a five-year review of economic and demographic experience. The five-year actuarial experience study tests the validity of the underlying actuarial assumptions versus the actual experience of the DB Plan. That experience study is also used as a basis for formulating actuarial assumptions about what will occur in the future with respect to salary growth, investment returns, and demographic factors such as rates of retirement and death.

Actuarial Experience Study - June 30, 2020

Effective with the June 30, 2021, actuarial valuation, PSERS adopted several new demographic and economic assumptions as a result of the five-year actuarial experience study completed by PSERS' actuary. PSERS' investment rate of return assumption was changed from 7.25% to 7.00%; the salary growth assumption was changed from 5.00% to 4.50%; the inflation assumption was reduced from 2.75% to 2.50%; the payroll growth assumption was reduced from 3.50% to 3.25%; and the rates of withdrawal, disability, and retirement from employment among active members were updated and mortality rates were revised. Chart 3.2 displays PSERS' 7.00% return assumption in comparison to other funds in the public pension universe.

Chart 3.2



Funding (continued)

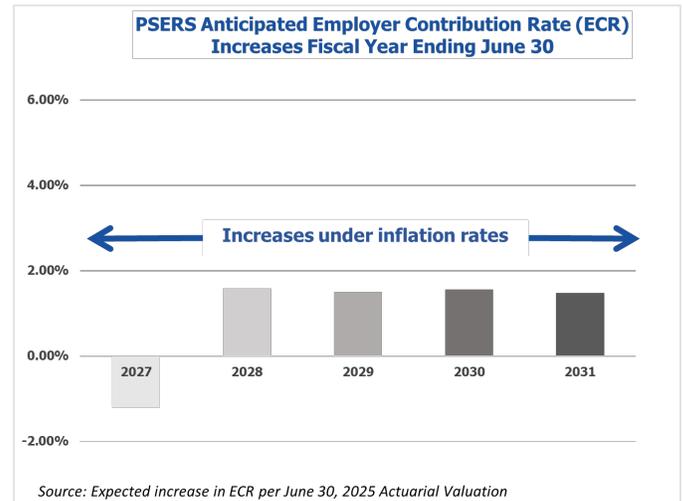
Employer Contributions

The Retirement Code vests the Board with the authority to certify the employer contribution rate (ECR) based on the actuarial formula. The Board certifies the ECR annually as part of the annual actuarial valuation performed by the actuary. The ECR is expressed as a percentage of payroll and is composed of three items: (1) the pension rate, including the pension normal cost and unfunded accrued liability; (2) the defined contribution rate; and (3) the premium assistance rate.

At its December 2025 meeting, the Board certified the ECR for fiscal year ending June 30, 2027, at 33.59%, an employer contribution estimate of \$5.664 billion. This rate consists of a 32.52% DB Plan rate, 0.51% DC Plan average rate, and 0.56% Premium Assistance rate. The ECR for the fiscal year ending June 30, 2026, is 34.00%, which consists of a 32.96% DB Plan rate, 0.42% DC Plan average rate, and 0.62% Premium Assistance rate. The estimated total employer contributions for the fiscal year ending June 30, 2026, is \$5.492 billion, reflective of the 34.00% contribution rate.

The FY 2026-2027 rate is decreasing by 41 basis points or 1.2% of the FY 2025-26 ECR. The decline in the ECR is primarily caused by PSERS’ employers’ strong payroll growth which is partially offset by actuarial experience losses. As displayed in Chart 3.3, the anticipated growth in the ECR is expected to be less than the actuarially-assumed inflationary rate of 2.5% for the next several years.

Chart 3.3



The Commonwealth allocates its contributions to PSERS as part of the Department of Education budget. Approximately 55% of the total employer contributions come from the Commonwealth, while employers contribute the remaining 45%. Table 3.1 shows the actual amount appropriated by the Commonwealth for FY 2025-26, along with the projected requested amounts for FY 2026-27 through FY 2029-30.

Table 3.1

Commonwealth’s Department of Education School Employees Retirement Appropriation (Dollar Amounts in Billions)

	2025-26	Projected			
		2026-27	2027-28	2028-29	2029-30
School Employees Retirement	\$ 3.252	\$ 3.336	\$ 3.449	\$ 3.566	\$ 3.669

As depicted, the Commonwealth’s share of contributions is expected to remain fairly level next fiscal year due to the decrease in the ECR from 34.00% in FY 2025-26 to 33.59% in FY 2026-27 being offset by a small increase in anticipated payroll.

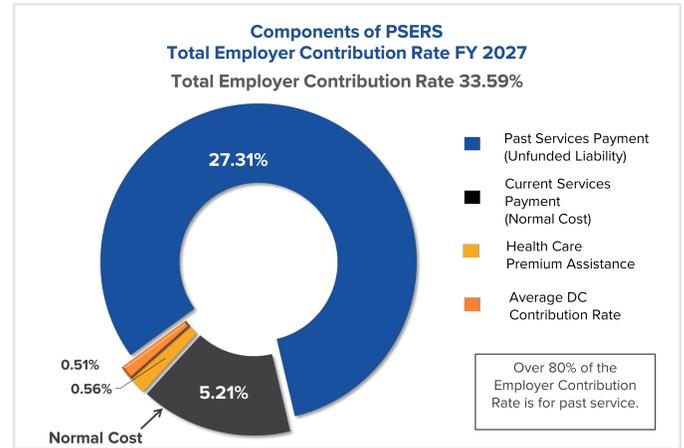
Funding (continued)

Components of ECR

Chart 3.4 displays the components of 33.59% ECR in FY 2026-27. The majority of the rate, over 80%, is dedicated toward paying the cost of debt payments for past service (unfunded liability).

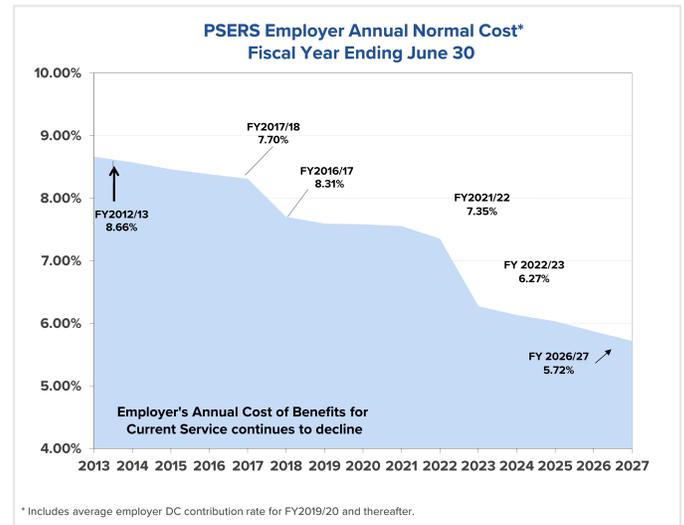
The employers' cost for current service, or the normal cost, is a much smaller portion of the contribution rate.

Chart 3.4



The cost of post-Act 120 of 2010 and post-Act 5 members is lower than pre-Act 120 members. As Chart 3.5 depicts, the employer normal cost decreases over time as Act 120 and Act 5 members replace retiring pre-Act 120 members. The employer normal cost of current benefits earned by Act 120 and Act 5 members is less than 3% of payroll, which is less than 65% of the normal cost for pre-Act 120 members. Additionally, Chart 3.5 projects the employer normal cost to be 5.72% in FY 2026-27, which is a 34% reduction from the 8.66% normal cost in FY 2012-13. The substantial decline from 7.35% in FY 2021-22 to 6.27% in FY 2022-23 was mainly due to the enrollment of Act 120 and Act 5 members and the new actuarial assumptions adopted by the Board.

Chart 3.5



Funding (continued)

Member Contributions

In FY 2024-25, PSERS members contributed \$1.189 billion. Total member contributions are estimated to be \$1.236 billion for the fiscal year ending June 30, 2026, and \$1.245 billion for the fiscal year ending June 30, 2027.

PSERS members contribute between 4.5% and 10.8% of their pay depending on their class of membership to help fund their own DB retirement benefit. The average contribution rate paid by the members for the current year (FY 2025-26) is 7.29%.

According to recent National Association of State Retirement Administrators (NASRA) data from December 2025, PSERS' member contribution rate is one of the highest among U.S. public pension plans that participate in Social Security.

Pursuant to Act 120 and Act 5, Class T-E, Class T-F, Class T-G, and Class T-H members are subject to a shared risk/shared gain contribution rate for the DB Plan. With a shared risk/shared gain contribution rate, Class T-E, Class T-F, Class T-G, and Class T-H members benefit when investments of the Fund are doing well and share some of the risk when investments underperform. Thus, the member contribution rate may increase or decrease by 0.50% or 0.75% within the specified range once every three years depending on the investment performance of PSERS. Because PSERS' investment performance exceeded the target range for the 10-year evaluation period ending June 30, 2023, the total DB member contribution rates decreased by 0.50% or 0.75%, depending on a member's membership class within PSERS for the period July 1, 2024, to June 30, 2027. This decrease brought the rate back to the base rate for these membership classes.

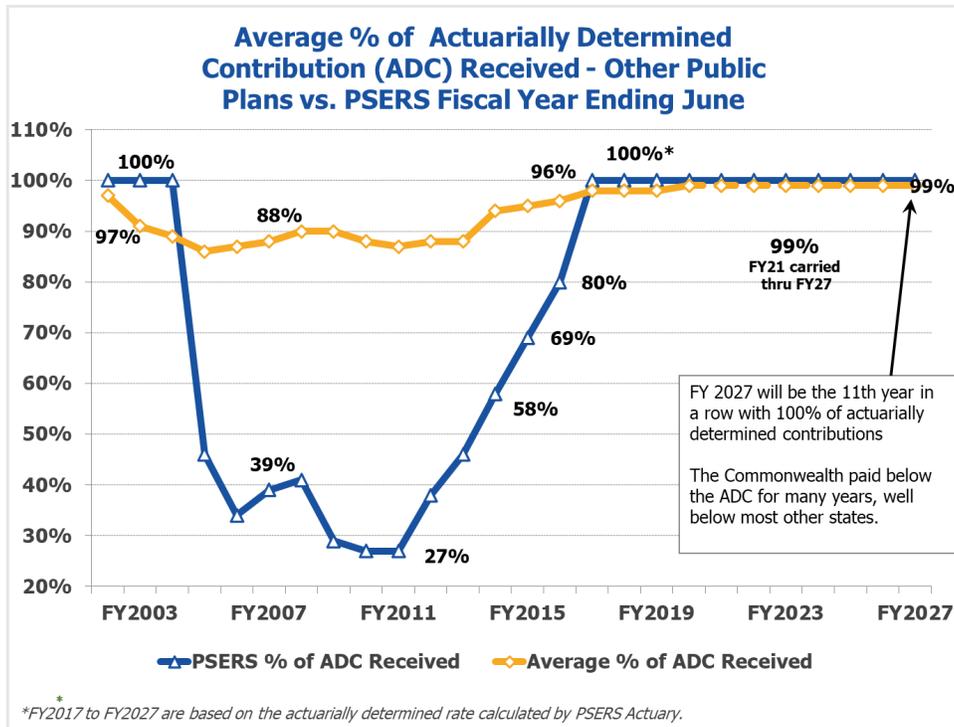
Funded Ratio and History

PSERS' funded ratio is measured by comparing the actuarial value of assets with the accrued liability. The accrued liability is the present value of benefits accumulated to date for both active and retired members.

The total funded ratio of the DB Plan, including Premium Assistance, is 66.6% as of June 30, 2025, an increase from 64.8% as of June 30, 2024. This funded ratio is based on an actuarial value of assets of \$81.45 billion and a total accrued liability of \$122.36 billion which equates to a \$40.91 billion unfunded liability.

Since July 1, 2016, employers have contributed 100% of the actuarially required contributions. As depicted in Chart 3.6, the gradual rate increases since 2011 have raised the ECR to the 100% annual required contribution (ARC) goal, now referred to as the actuarially determined contributions (ADC), starting in FY 2016-17. An ADC includes both the employer's normal cost and the amount required to amortize the unfunded actuarial accrued liability (UAAL) in an actuarially sound manner. This was the first major step needed for the DB Plan funded ratio to begin to improve. As a result of receiving 100% of the actuarially required contributions, PSERS' funded ratio began to increase in FY 2017-18 and has steadily improved through FY 2024-25.

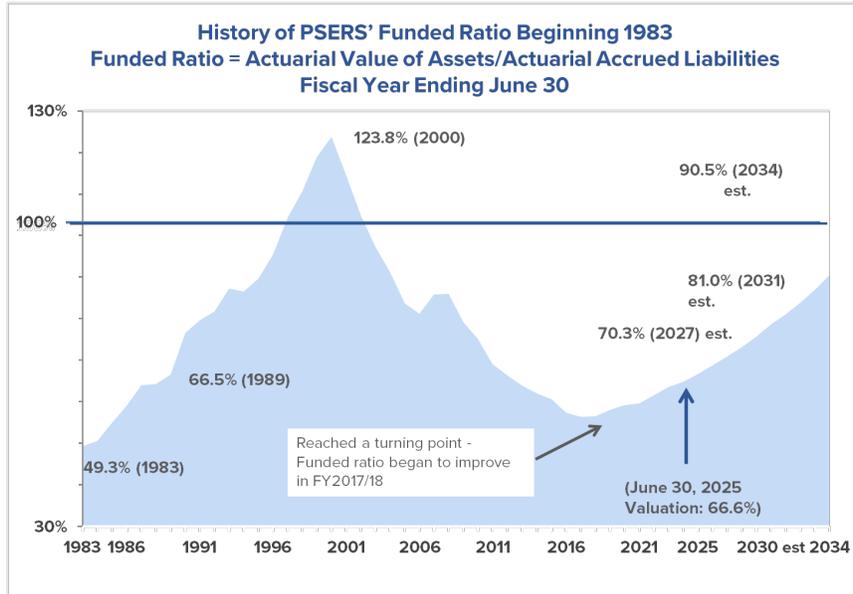
Chart 3.6



Funded Ratio and History (continued)

Strong payroll growth among PSERS employers and gains from actuarial data, coupled with sustained actuarial ECR funding and strong investment returns, have contributed to a \$1.1 billion decrease in the System’s long-term unfunded actuarial liability in FY 2024-25.

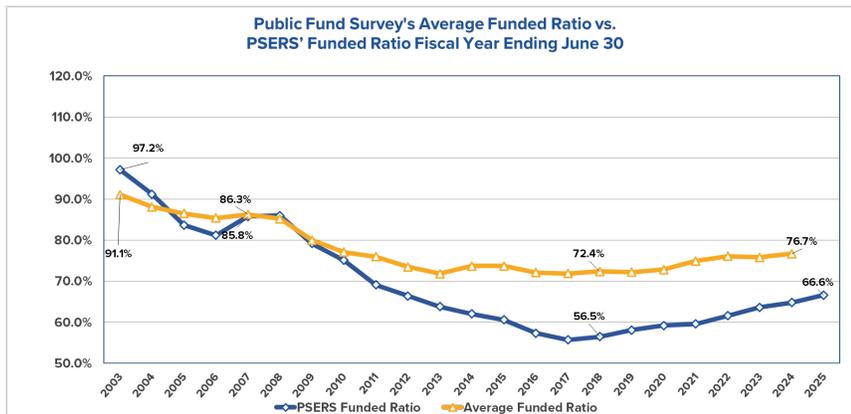
Chart 3.7



The decrease in the funded ratio from 2000 to 2017 as depicted in Chart 3.7 was the result of several factors including: the unfavorable investment markets from 2001-2003 and 2007-2009; funding changes enacted in Act 38 of 2002 and Act 40 of 2003 which resulted in the employer underfunding of the DB Plan; benefit enhancements from Act 9 and Act 38; the adoption of new demographic and economic assumptions in FY 2015-16; funding collars in Act 120, which continued the employer underfunding of the DB Plan; and actuarial losses.

PSERS’ funded ratio began to slowly improve in FY 2017-18 after declining for many years. Future projections now reflect a steadily increasing funded ratio reaching 90.5% in less than a decade. A comparison of PSERS’ funded ratio to the public fund projected weighted average funding ratio provided by NASRA is shown in Chart 3.8 below. The gap between PSERS funded ratio and the public fund average is shrinking.

Chart 3.8



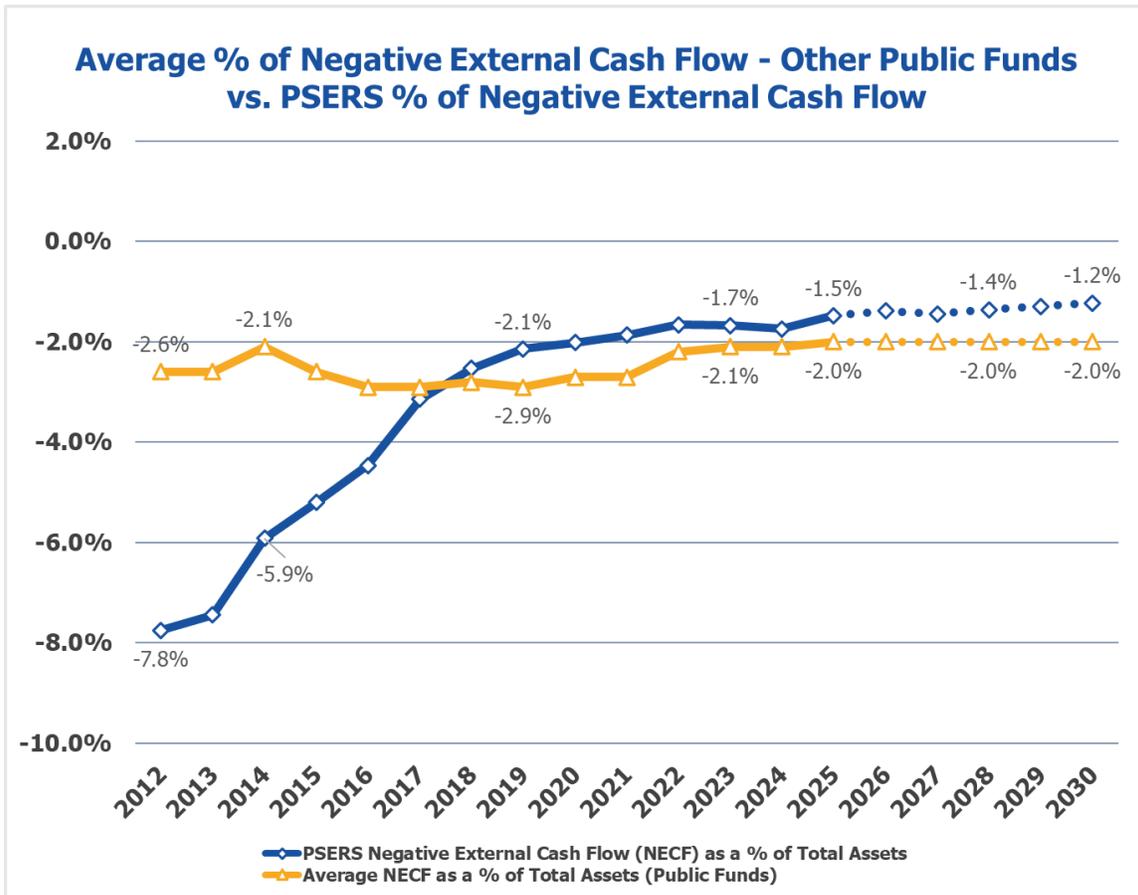
More information on PSERS’ funded ratio is available in the Actuarial Valuation posted on the PSERS website: pa.gov/agencies/psers/transparency/financial-reports

Financial Information

Negative External Cash Flow

Although negative cash flow (comprised of total deductions less member and employer contributions) is not uncommon for a mature pension plan, PSERS negative cash flow has been exacerbated by the previous underfunding and was significantly worse than that of our peers. Due to receiving 100% of actuarially determined contributions, PSERS cash flow shortfall has now stabilized and is more favorable than the public fund average.

Chart 3.9



DB PLAN INVESTMENTS



Pennsylvania
Public School Employees'
Retirement System

Investment Overview

Key Themes

- PSERS Defined Benefit returns have been solid and above the actuarial rate of return (7%-7.25%), over the 1-year (+9.7%), 3-year (+7.9%), 5-year (+9.4%) and 10-year (+7.5%) periods.
- In 2017 PSERS mapped out a 30-year fee savings program with the goal of \$2.2 billion reduction of fees. Seven years into the plan, PSERS has reduced fees by \$1.2 billion, more than half way to the total goal.
- PSERS successfully completed a SOC 1 Type 2 evaluation, demonstrating continued commitment to an improved control environment.

Investment Guidelines, Philosophy, and Risk Management

Investment Guidelines In Summary

The Board has established investment objectives for the Fund as follows:

- To generate returns to support the System's actuarial soundness so it may provide its members with benefits as required by law.
- To earn a long-term total return, net of fees and investment expenses, that equals or exceeds the Actuarial Assumed Rate approved by the Board.
- To earn a long-term total return, net of fees and investment expenses, that equals or exceeds the Policy Index approved by the Board.
- To prudently manage investment risks that are related to the achievement of investment goals.

Investment Philosophy

The PSERS Board of Trustees believes PSERS assets should be managed in accordance with PSERS unique liability stream, funding sources, cash flows, and portfolio size, focusing on the prudent accumulation of wealth over the long term to meet the retirement benefit obligations established by the plan sponsor to its members. Recognizing the uncertain nature of financial markets, PSERS' investment process relies on prudent asset allocation diversified across multiple dimensions including geography, quality, liquidity, and strategy. The investment staff recommends to the Board investment manager relationships across both private and publicly traded assets classes and then oversees the implementation of those recommendations as approved. The investment staff also manages certain asset strategies internally and ensures that assets are rebalanced to their allocation targets which are also approved by the Board.

Risk Management

Risk management is essential to the entire investment process. The goal of investment risk management is to find the appropriate balance between expected returns and the risks taken to generate those returns. An entirely risk-free investment portfolio that can meet all investment goals does not exist. Therefore, PSERS seeks to diversify across several return drivers while taking an appropriate level of risk to generate the long-term investment returns required to improve and maintain stable and cost-effective contribution rates.

The investment-related policies of the Board are available on the Investment page on PSERS' website: pa.gov/agencies/psers/transparency/investment-program/guide

Asset Exposure (as of June 30, 2025)

The Board maintains a disciplined and thorough process to establish a new asset allocation policy presently every three years while monitoring the implementation of any related adjustments ongoing. This process begins following the Board’s review and acceptance of the actuary’s annual report. PSERS’ investment professionals and general investment consultant collaborate to analyze potential asset allocations (using actuarial as well as capital market return assumptions) in order to identify those potential asset allocations that meet the long-term return and risk objectives of the Fund. The Board is then presented with various asset allocations choices with detailed analysis of probable long-term return and risk characteristics from which it will select a new Asset Allocation Policy for further implementation by staff.

The Board reassesses the long-term asset allocation targets of the System not less than every three years. In establishing the asset allocation plan, the Board will consult with its actuary, consultants, investment staff, and other sources of information it deems appropriate in formulating this allocation. The purpose of the asset allocation is to align strategic investment objectives with the long- term financial needs of the System.

Table 3.2: PSERS Asset Exposure and Target Asset Allocation Plan
effective December 1, 2024, as of June 30, 2025

Asset Class	Market Value (in millions)	Percentage of Net Asset Exposure	Target Allocation %	Target Allocation Range
Public Equity*	\$ 25,457.5	31.3 %	32.0 %	
Private Equity	10,149.6	12.5 %	12.0 %	
Total Equity	\$ 35,607.1	43.8 %	44.0 %	± 5%
Public Fixed Income*	\$ 19,317.1	23.8 %	27.0 %	
Private Credit	5,992.4	7.4 %	7.0 %	
Total Fixed Income	\$ 25,309.5	31.2 %	34.0 %	± 5%
Public Real Asset*	8,364.9	10.3 %	11.0 %	
Private Real Asset	9,708.0	12.0 %	11.0 %	
Total Real Asset	\$ 18,073.0	22.3 %	22.0 %	± 3%
Opportunistic & Other	\$ 845.0	1.0 %	— %	0 to 5%
Cash	\$ 2,952.1	3.6 %	4.5 %	
Enhanced Cash	726.0	0.9 %	— %	
Explicit Leverage	(2,359.8)	(2.9)%	(4.5)%	
Net Leverage	\$ 1,318.3	1.6 %	— %	10 to -10%
Net Asset Exposure	\$ 81,217.1	100.0%	100.0%	

*PSERS uses leverage to achieve increased economic exposure to diversifying asset classes to manage the overall portfolio risk while maintaining an allocation designed to achieve the long-term return goals of the System. Increased economic exposure is generally achieved through the use of either derivative positions or higher volatility funds. As of June 30, 2025, PSERS had total increased economic exposure of \$4.1 billion related to the following asset classes: Equity (\$0.7); Fixed Income (\$1.4 billion) and Commodities (\$2.0 billion). An allocation of 4.5% to Cash is included in the Target Allocation.

Asset Class Definitions are included within the investment-related policies of the Board available on the Investment page on PSERS’ website: pa.gov/agencies/psers/transparency/investment-program/guide

Defined Benefit (DB) Plan

Performance

Table 3.3 provides the System's total time-weighted investment returns for each major asset class and the total portfolio, including, where applicable and available, respective benchmark indexes used by asset class and median performance by asset class:

Table 3.3: Time-Weighted Investment Return by Asset Class

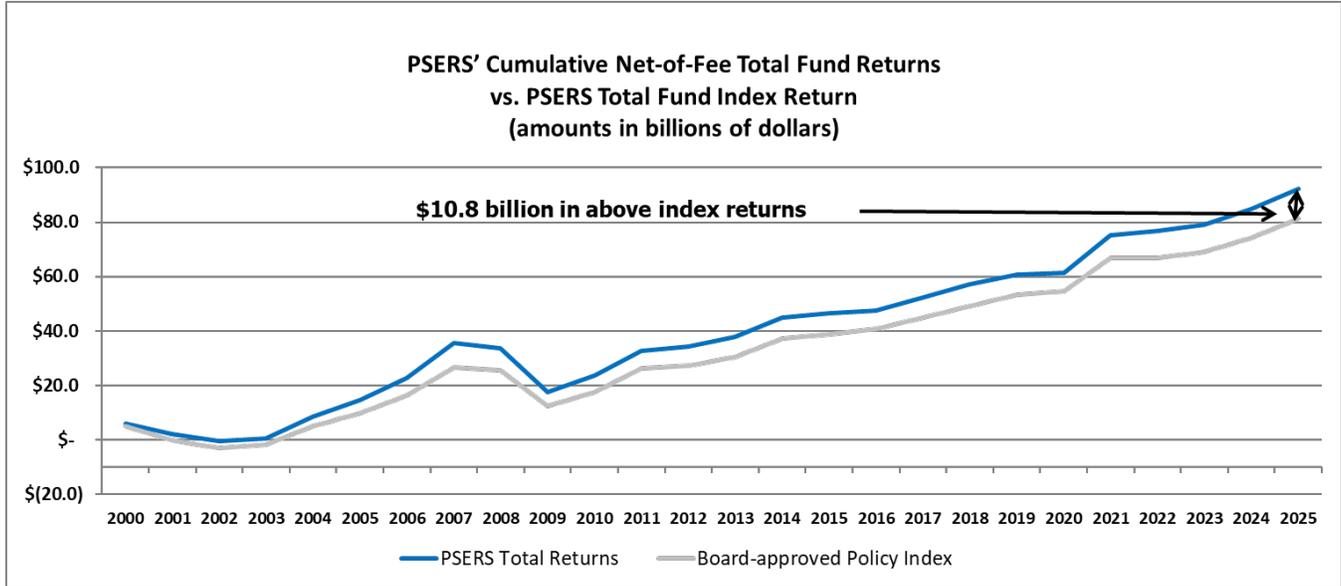
	1 Year	3 Year	5 Year	10 Year
PSERS Total Fund	9.67	7.09	9.36	7.48
Total Fund Policy Index	9.56	6.63	8.06	7.04
Median Public Defined Benefit Plan (DBP) Fund Universe (Verus Database)	10.08	8.72	9.10	7.43
60% Global Equity / 40% Barclays U.S. Aggregate Bond Index	12.14	11.35	7.87	6.87
Total Equity				
Public and Private Equity Exposure	10.95	11.28	14.80	11.03
PSERS Public Global Equity Composite	15.50	16.52	13.12	10.05
PSERS Total Private Equity Composite	1.62	2.90	15.99	11.91
Total Fixed Income				
PSERS Fixed Income Portfolios	5.88	3.11	1.90	4.25
PSERS Public Fixed Income Composite	5.22	1.67	-0.87	0.00
PSERS Private Credit Composite	7.82	7.83	10.40	7.42
Total Real Assets				
PSERS Real Assets Portfolios	12.68	5.84	9.51	5.87
PSERS Public Real Assets	18.06	8.85	9.91	2.87
PSERS Private Real Assets	6.81	2.67	11.17	0.00
PSERS Financing Composite				
PSERS Financing Composite	4.97	4.76	2.89	0.00
PSERS Cash and Cash Equivalents	4.96	5.12	3.38	2.26

Footnotes to the Total Portfolio are available on page 98 of [PSERS FY 2024-25 ACFR](#).

Performance (continued)

Chart 3.10 below demonstrates that over the past 24 fiscal years, PSERS has earned \$10.8 billion in additional investment returns above the Investment Policy Total Fund Index, net of fees.

Chart 3.10



PSERS general investment consultant calculates the total investment return of the System as well as the performance of each external investment management firm and each internal investment manager retained by the Board to invest the System’s assets. Performance is calculated using a time-weighted return methodology. For the one-year period ended June 30, 2025, the System generated a total net of fee return of 9.67%. This return was above the Total Fund Policy Index return of 9.56% by 11 basis points. Annualized total net of fee returns for the three-, five-, and 10-year periods ended June 30, 2025, were 7.09%, 9.36%, and 7.48%, respectively. The three-, five-, and 10-year returns ended June 30, 2025, exceeded the Total Fund Policy Index returns by 46, 130, and 44 basis points, respectively.

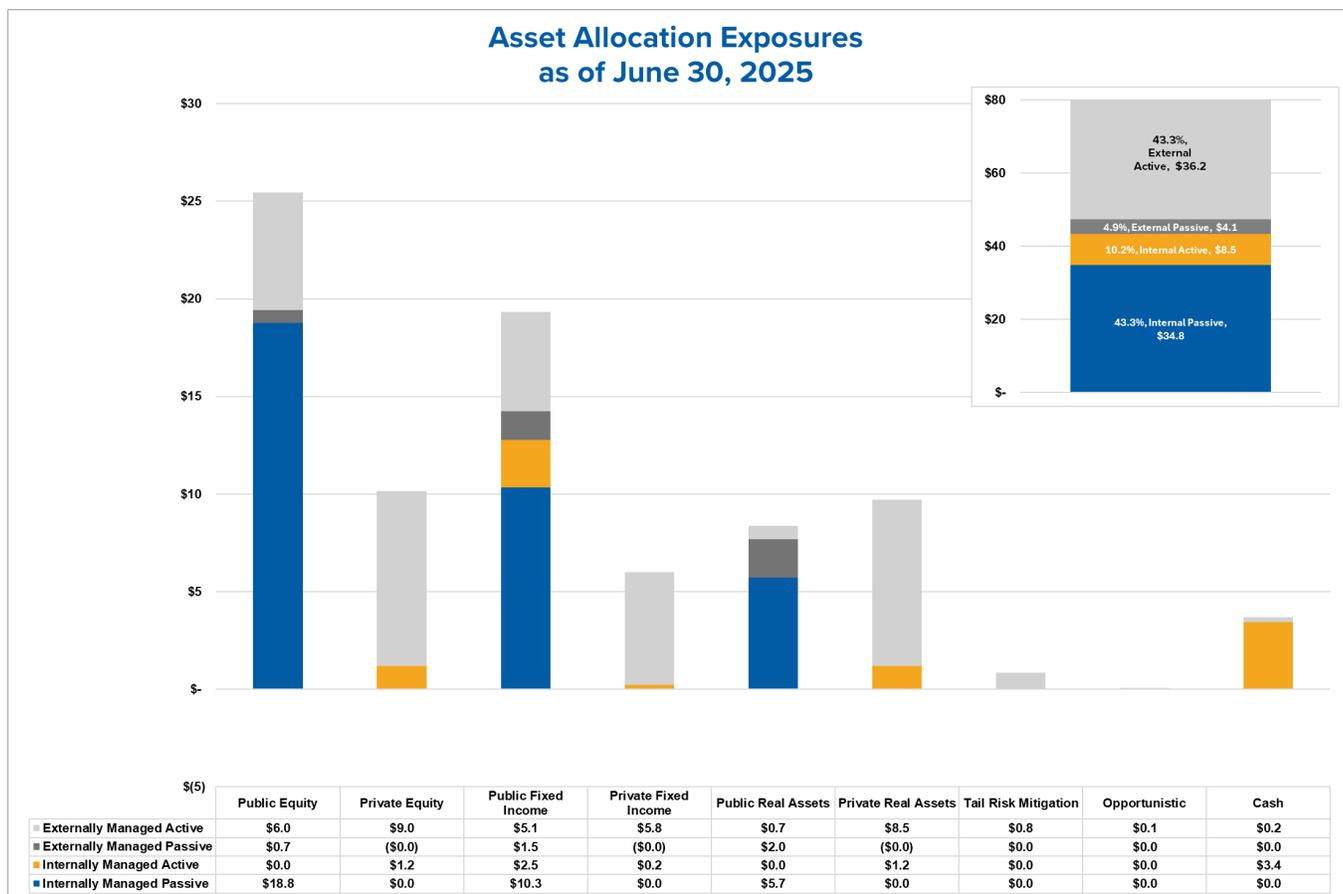
Managing Investment Fees, Expenses, and Carried Interest

A fundamental part of PSERS’ Asset Allocation implementation process is making key decisions regarding the use of active or passive strategies implemented by internal professionals or external investment managers. Management of investment fees and expenses is integrated into the process of making these key decisions.

PSERS’ ability to select a prudent combination of both internal and external managers, and both active and passive strategies, can help generate excess risk- adjusted, net of fee returns relative to the Policy Benchmarks.

Chart 3.11 displays the Asset Allocation as of June 30, 2025 split between internally and externally managed assets.

Chart 3.11



Investment Advisory Fees

As depicted in Table 3.4, “Total External Management” includes all fees paid to external investment managers as either a base fee or a share of profits earned (performance fee). “Total Internal Management” includes all staff salaries related to PSERS’ Investment Office as well as costs needed to support their work (e.g., vendor services, hardware and software, office supplies).

Table 3.4 summarizes total investment expenses for the fiscal year ended June 30, 2025.

Table 3.4: Investment-Related Fees and Expenses* Fiscal Year Ended June 30, 2025

(\$ amounts in thousands)

Asset Class	Base Fees	Performance Fees	Total Fees
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 Asset	6,764	—	6,764
Private Real Asset	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
Internal Management			34,580
Total Investment Management			390,316
Custodian Fees			2,535
Consultant & Legal Fees			4,820
Total Investment Expenses			\$ 397,671

*Includes Defined Benefit Pension Plan, Premium Assistance, DC, & Health Options Program.

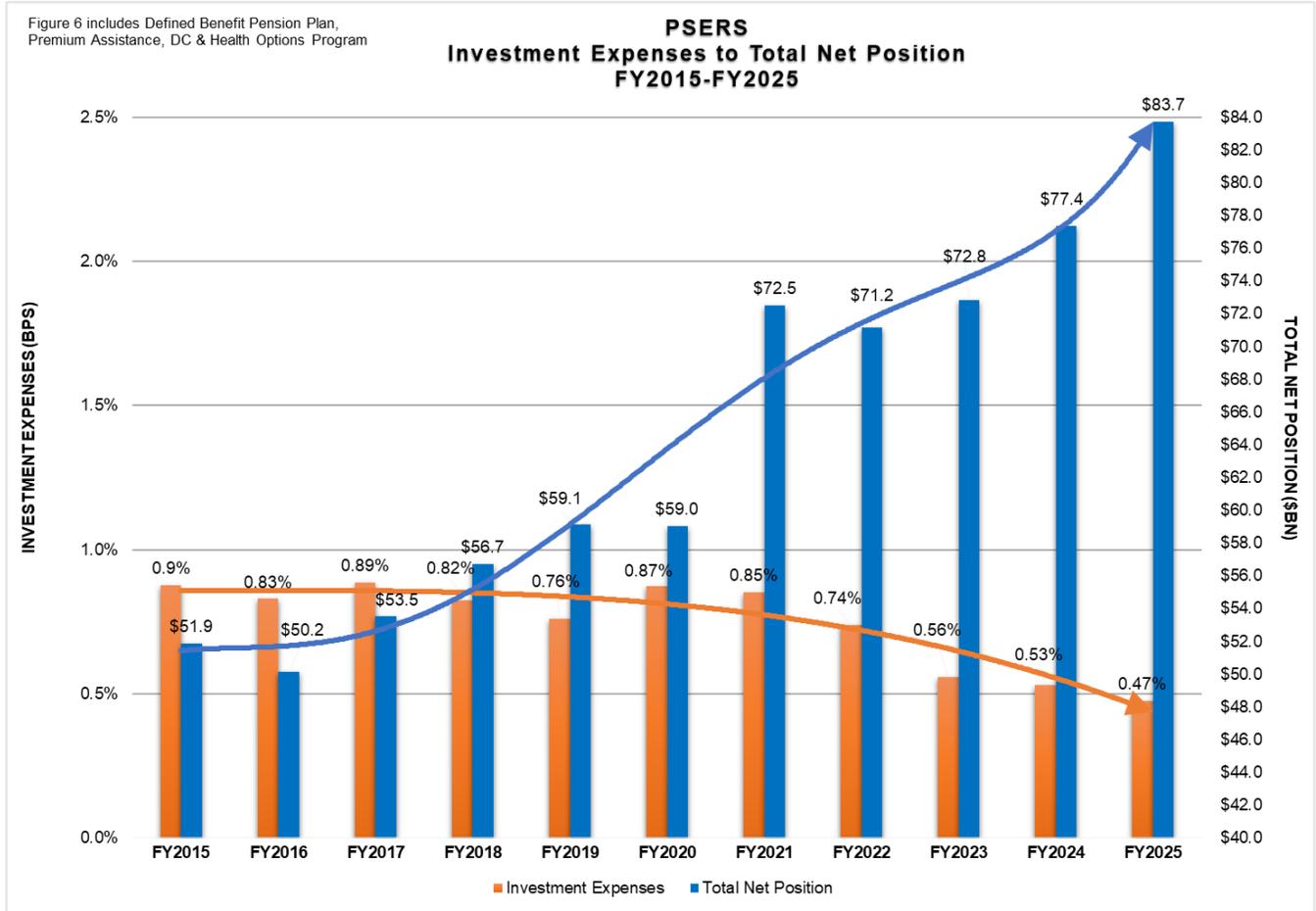
Detailed fees by individual manager are available on the PSERS website: pa.gov/agencies/psers/transparency/investment-program/psers-investment-managers-hiring-and-fees

Investment Advisory Fees (continued)

Increasing the number and size of portfolios managed internally has resulted in reducing PSERS' Total Investment Expenses in recent years. As Chart 3.13 illustrates, Total Investment Expenses have declined from FY 2014-15 to FY 2024-25, while Total Net Position has increased significantly from \$51.9 billion to \$83.7 billion.

Chart 3.12 shows the total investment expenses against total net position from fiscal year ended June 30, 2015 to June 30, 2025.

Chart 3.12



Private Markets Analysis

As of June 30, 2025, PSERS’ Total Private Markets portfolio generated a 10-year time-weighted return of 10.3% (net of all fees and expenses) equating to approximately \$7.6 billion of alpha compared to public markets based on the excess value methodology (EVM). As can be observed in the middle section of Table 3.5, over the same time period (assuming the same timing of cash flows in and out of the public market equivalent (PME) benchmark as PSERS portfolio), PSERS’ Total Private Markets portfolio generated Direct Alpha of 3%, a KS PME ratio of 1.1x, and excess value of approximately \$7.6 billion compared to a Global 60/40 portfolio (MSCI ACWI IMI / Bloomberg US Agg). It is important to note that individual asset class EVMs do not sum to Total Private Markets since each sub-asset class is being presented against its unique PME benchmark.

The bottom section of the table presents resulting excess value, based on modeled changes in net asset value (NAV) over this same 10-year period. PSERS’ actual excess value is highlighted in blue based on the 10-year ending NAV of \$26 billion. However, for illustrative purposes, also displayed is resulting excess value assuming both a plus/minus 10% change in PSERS June 30, 2025, ending NAV. As you can see, excess value remains positive under both scenarios.

Table 3.5 Private Markets 10-Year PME Summary as of June 30, 2025

Combined Portfolio Earns \$7.6 Billion more than Public Markets for 10-Year Period

10-Year Performance	Total Private Markets	Private Equity	Private Credit	Real Estate	Infrastructure
PME Benchmark*	60/40	MSCI ACWI IMI	Morningstar/ LSTA LLI	FTSE EPRA NAREIT	FTSE Developed Core 50/50
NAV (\$B)	\$26	\$10	\$6	\$6	\$4
Direct Alpha (%)	3%	2%	3%	3%	8%
KS PME	1.1x	1.1x	1.1x	1.1x	1.2x
EVM (\$M)	\$7,578	\$2,144	\$1,447	\$2,078	\$760
NAV Sensitivities	Resulting EVM (\$M)	Resulting EVM	Resulting EVM	Resulting EVM	Resulting EVM
1.10X	10,208	3,177	2,059	2,678	1,120
1.00X	7,578	2,144	1,447	2,078	760
0.90X	4,948	1,111	836	1,479	400

*PME Benchmarks: Total Private Markets – 60% MSCI ACWI IMI with USA Gross, Non-US Net Index and 40% Bloomberg US Aggregate Bond Index; Private Equity - MSCI ACWI IMI with USA Gross Net Total Return USD EOD Index; Private Credit - Morningstar LSTA US Leveraged Loan TR USD Index; Real Estate – FTSE EPRA NAREIT Custom Developed 100% Hedged to USD Net Tax Index; Infrastructure - FTSE Developed Core Infrastructure 50/50 100% Hedged to USD Net Tax Index

Direct alpha (expressed as a percentage) measures annualized excess return/loss achieved by an investor compared to an investment in an equivalent public index (>0.0% is desired). KS PME (expressed as a multiple) is a ratio which represents how many dollars an investor has earned compared to an investment in the equivalent public index (>1.0 is desired). The excess value or “EVM” method (expressed as a dollar-value) measures how many more/less dollars an investor has earned compared to an investment in the equivalent public index (Positive dollar-value desired).

For the 10-year period ending June 30, 2025, all three PME measures are in the “desired” range for both PSERS Total Private Markets combined and the four main underlying portfolios, respectively, demonstrating that positive value has been added above the respective PME benchmarks.

Defined Benefit (DB) Plan

Private Markets Analysis (continued)

Table 3.6 summarizes calendar year 2024 fees, operating expenses, and profit sharing for PSERS' Private Markets portfolios. As detailed below, PSERS' share of profits was \$2.1 billion for the year ending December 31, 2024, equating to PSERS retaining 89% of profits over this time period.

Table 3.6: Calendar Year 2024 Private Markets Fees, Expenses, and Profit Sharing
(\$ amounts in millions as of December 31, 2024)

External Private Markets	Managers Fees	Manager Operating Expenses	Total Managers Fees and Operating Expenses	Total Profits Including Carried Interest	PSERS Share of Profits	PSERS Percent of Profits	Paid Carried Interest	Accrued Carried Interest*
Private Equity	\$110	\$60	\$170	\$1,332	\$1,173	88%	\$159	\$(87)
Private Fixed Income	63	36	98	645	603	93%	43	17
Private Real Estate	58	52	110	204	196	96%	8	(49)
Private Infrastructure**	31	25	56	205	151	74%	54	4
External Private Markets Total	\$262	\$172	\$435	\$2,386	\$2,123	89%	\$264	\$(116)

* Represents an accounting accrual based on unrealized accounting gains. External managers do not receive accrued carry unless the gains are realized.

** Infrastructure includes both Private Infrastructure (\$3.01B NAV) and Private Commodities (\$0.28B NAV).

Table 3.7 summarizes the preceding five-calendar year fees, operating expenses, and profit sharing for PSERS Total Private Markets. As detailed below, PSERS' share of profits was \$11.5 billion for the five-year period ending December 31, 2024, resulting in PSERS earning approximately 7.6x for every profit dollar earned PSERS' external managers.

Table 3.7: Five-Year Private Market Fees, Expenses, and Profit Sharing
(\$ amounts in millions as of December 31, 2024)

External Private Markets	Managers Fees	Manager Operating Expenses	Total Managers Fees and Operating Expenses	Total Profits Including Carried Interest	PSERS Share of Profits	PSERS Percent of Profits	Paid Carried Interest	Accrued Carried Interest*
2024	\$262	\$172	\$435	\$2,386	\$2,123	89%	\$264	\$(116)
2023	264	164	428	1,911	1,720	90%	191	233
2022	249	128	377	2,861	2,629	92%	231	-44
2021	238	95	333	4,008	3,426	85%	582	776
2020	238	77	315	1,892	1,641	87%	252	128
5-Year Total	\$1,251	\$636	\$1,888	\$13,058	\$11,539	89%	\$1,520	\$977

Detailed fees by individual manager are available on the PSERS website: pa.gov/agencies/psers/transparency/investment-program/psers-investment-managers-hiring-and-fees

MWVBE (Minority/Women/Veteran-Owned Business Enterprises) Managers

As of June 30, 2025, PSERS had approximately \$3.9 billion of net asset value invested in public and private markets strategies managed by MWBE-designated firms. \$2.0 billion is invested within private markets across 11 managers, representing approximately 7.7% of PSERS total private markets net asset value (Table 3.8). \$1.9 billion is invested within public markets across three managers, representing 13.8% of PSERS total externally managed public markets net asset value (Table 3.9). Within PSERS internally managed Fixed Income and Cash portfolios, transactions with MWVBE-owned brokerage firms represented 32% of PSERS total trading volume for Fixed Income and Cash over the calendar year ending December 31, 2025.

Table 3.8: PSERS Private Markets - MWBE Manager Summary

As of June 30, 2025

	No. of Managers	NAV (\$M)	% of NAV
Private Equity			
MWBE Subtotal	10	\$ 1,810.70	17.5%
PE Total	69	10,329.00	
Private Credit			
MWBE Subtotal	1	100.00	1.6%
PC Total	23	6,116.90	
Private Real Estate			
MWBE Subtotal	1	109.40	1.8%
RE Total	26	5,928.50	
Private Infrastructure			
MWBE Subtotal	0	0.00	—%
Infra Total	9	3,598.10	
MWBE Total	11	2,020.10	7.7%
PSERS Private Markets Total*	111	\$ 26,232.30	

Source: Aksia LLC and PSERS Investment Office Staff; *Includes \$259.8 million in private commodities MWBE defined as firms (self-reported) with more than 33% ownership by women or under-represented minorities.

Table 3.9: PSERS External Public Markets - MWBE Manager Summary

As of June 30, 2025

	No. of Managers	NAV (\$M)	% of NAV
External Public Equity			
MWBE Subtotal	2	\$ 937.25	15.6%
External Public Equity Total	11	6,015.71	
External Public Fixed Income			
MWBE Subtotal	1	1,002.13	13.6%
External Public FI Total	11	7,343.31	
MWBE Total	3	1,939.38	13.8%
PSERS Private Markets Total*	24	\$ 14,021.21	

*Includes \$498.3 million of one Public Commodities manager and \$163.9 million of one Public Real Estate manager.

Commitment to Pennsylvania Financial Services Firms

(as of June 30, 2025)

PSERS has demonstrated continued commitment to Pennsylvania’s financial services industry by having assets managed by firms based in Pennsylvania or by firms with offices in Pennsylvania. Within private markets, as of June 30, 2025, PSERS had approximately \$1.5 billion of net asset value managed by 12 firms headquartered in Pennsylvania, representing approximately 5.6% of total private markets net asset value (Table 3.10). Within public markets, PSERS had \$247 million net asset value managed by a firm headquartered in Pennsylvania.

Table 3.10: PSERS Private Markets - Pennsylvania-Based Manager Summary

As of June 30, 2025

	No. of Managers	NAV (\$M)	% of NAV
Private Equity			
PA-Based Subtotal	9	\$ 1,126.70	10.9%
PE Total	69	10,329.00	
Private Credit			
PA-Based Subtotal	1	176.60	2.9%
PC Total	23	6,116.90	
Private Real Estate			
PA-Based Subtotal	2	122.30	2.1%
RE Total	26	5,928.50	
Private Infrastructure			
PA-Based Subtotal	1	35.70	1.0%
Infra Total	9	3,598.10	
PA-Based Total	12	1,461.30	5.6%
PSERS Private Markets Total*	111	\$ 26,232.30	

Source: Aksia LLC and PSERS Investment Office Staff; *Includes \$259.8 million in private commodities

Investments in Pennsylvania-Based Companies

The table below represents investments in companies and real estate across PSERS investment portfolios. It is inclusive of exposure across all investment managers regardless of where the investment manager is headquartered.

For the private markets asset classes, the first column reflects PSERS' pro-rata investment, while the second column represents the total underlying Pennsylvania Investment (PSERS plus all other fund investors) with the associated employment and payroll supported by those companies summarized by the final two columns.

Public Markets

PSERS invests in the stock and debt of Pennsylvania-based companies through the various U.S. Equity and Fixed Income portfolios. PSERS has always had investments in large national firms located in Pennsylvania.

Private Markets

Included within the Private Equity figures is the Pennsylvania Co-Investment Fund (PA Co-Investment Program), which had funded \$57.9 million, generated \$98.8 million of distributions, and held \$28.1 million of net asset value as of June 30, 2025. These investments are part of PSERS' broader Co-Investment framework and are subject to the applicable dollar limits and policy constraints set forth in the Private Markets Asset Class Policy, rather than a separate Pennsylvania-specific allocation.

Table 3.11 Statistics of Pennsylvania-Based Investments as of December 31, 2024
(\$ amounts in millions)

Asset Class	Total PA Market Value (PSERS Portion)	Total PA Market Value (Total Invested)	# of People Employed	Payroll
U.S. Equities	\$ 437.00	\$ 437.00	1,100,000	*
Fixed Income	33.2	33.2	*	*
Private Credit	481.79	4,143.89	5,748	\$ 179.06
Private Real Estate	723.98	22,916.10	468	18.38
Private Equity	2,646.12	69,967.37	233,817	622.40
Private Infrastructure	136.31	2,019.83	6,126	42.00
Total	\$ 4,458.40	\$ 99,517.39	1,346,159	\$ 861.84

* Statistics for publicly traded companies are estimated or not reported.

DEFINED CONTRIBUTION (DC) PLAN



Pennsylvania
Public School Employees'
Retirement System

Defined Contribution (DC) Plan

PSERS DC Plan provides a retirement benefit based on the amount of contributions in a participant's account and investment performance. DC contributions and earnings, if any, are available for withdrawal when terminating employment or retiring. Class DC is a defined contribution only plan. Class T-G and Class T-H have both a DB and DC component.

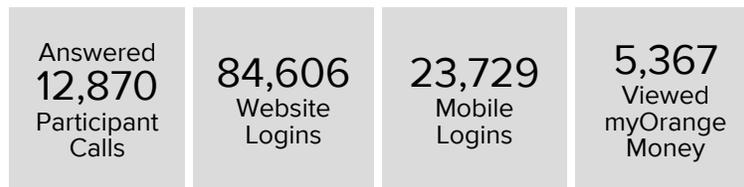
Facts and Figures



Data as of June 30, 2025

*ACFR for FY ended June 30, 2025 and 2024; active and inactive participants have a balance >\$0

Calendar Year 2025 DC Member Service Highlights



Funding

Members contribute between 2.75% to 7.5% to the DC Plan based on their membership class. The employer also contributes mandatory contributions based on the membership class. In addition to mandatory contributions, members may voluntarily contribute, on an after-tax basis, an additional percentage of their retirement-covered compensation to the DC Plan. Members may stop or change the percentage of after-tax voluntary contributions at any time.

	Member DC Contribution	Member DB Contribution	Total Member Contribution	Employer DC Contribution
Class T-G (default)	2.75%	5.50% base rate with shared risk/ shared gain contribution rate	8.25%	2.25%
Class T-H (elective)	3.00%	4.50% base rate with shared risk/ shared gain contribution rate	7.50%	2.00%
DC Only (elective)	7.50%	N/A	7.50%	2.00%

DC Investment Options as of June 30, 2025

DC Investment Options

The Board is responsible for overseeing the administration of the DC Plan, including establishing investment guidelines and the lineup of investment options that participants may elect, consistent with the Board's fiduciary obligations. The Board adopted an Investment Policy Statement for the DC Plan that provides guidance on the selection and monitoring of investment offerings and identifies areas and scope of delegation. The Board is required by law to provide not less than 10 investment options by three (3) or more providers.

At enrollment, member and employer contributions are automatically invested in a target date investment based on the member's estimated normal retirement age (67) as determined by their date of birth. A member may remain in the default target date investment or change how all or part of their DC account balance is invested at any time. Members may select different target date investments and/or choose from among nine additional investment options. The DC Plan offers a stable value account, eight mutual funds, and a 10-trust target date series. Three of the mutual funds are passively managed and the remaining five are actively managed. The DC Plan's largest holding is the 2060 Trust with 26.62% of plan assets.

Investment Elections	Expense Ratio	Fund Balance As of 6/30/25	# of Part. As of 6/30/25	Average Balance	Average Age	Percentage of Plan Assets
American Funds						
Europacific Growth R6 (1G)	0.470 %	\$ 765,776.23	298	\$ 2,569.72	38.14	0.14 %
BlackRock High Yield Bond K (1B)	0.480 %	\$ 200,151.42	160	\$ 1,250.95	38.42	0.04 %
Calvert Balanced Fund - Class R6 (1J)	0.610 %	\$ 355,981.25	116	\$ 3,068.80	44.3	0.07 %
Fidelity 500 Index Premium (1D)	0.015 %	\$ 9,577,055.94	1,068	\$ 8,967.20	39.47	1.77 %
Fidelity Extended Market Index Premi (1E)	0.035 %	\$ 1,281,500.24	388	\$ 3,302.84	38.37	0.24 %
Fidelity Real Estate Index Premium (1I)	0.070 %	\$ 185,514.45	135	\$ 1,374.18	39.34	0.03 %
ICMA-RC VT Plus R10 (1K) (MissionSquare PLUS)	0.520 %	\$ 264,698.46	87	\$ 3,042.51	44.78	0.05 %
PIMCO Real Return Instl (1F)	0.50% (0.45%)*	\$ 92,275.90	88	\$ 1,048.59	38.76	0.02 %
PIMCO Total Return Instl (1A)	0.51% (0.46%)*	\$ 114,188.97	97	\$ 1,177.21	38.25	0.02 %
T. Rowe 2020	0.200 %	\$ 4,373,151.69	1,523	\$ 2,871.41	72.53	0.81 %
T. Rowe 2025	0.200 %	\$ 8,641,527.50	2,303	\$ 3,752.29	66.16	1.60 %
T. Rowe 2030	0.200 %	\$ 19,581,053.78	3,950	\$ 4,957.23	61.3	3.62 %
T. Rowe 2035	0.200 %	\$ 29,010,708.16	5,369	\$ 5,403.37	56.33	5.36 %
T. Rowe 2040	0.200 %	\$ 35,924,918.31	6,805	\$ 5,279.19	51.45	6.64 %
T. Rowe 2045	0.200 %	\$ 45,148,378.26	8,729	\$ 5,172.23	46.39	8.35 %
T. Rowe 2050	0.200 %	\$ 54,857,118.06	10,050	\$ 5,458.42	41.54	10.14 %
T. Rowe 2055	0.200 %	\$ 68,947,976.82	10,924	\$ 6,311.61	36.47	12.75 %
T. Rowe 2060	0.200 %	\$ 144,015,581.60	16,265	\$ 8,854.32	30.67	26.62 %
T. Rowe 2065	0.200 %	\$ 117,606,865.22	27,990	\$ 4,201.75	24.97	21.74 %
Total		\$ 540,944,422.26	96,345			

*The figure in parenthesis represents the portion of fees participants pay directly to PIMCO for investment management. This fee excludes other investment expenses (i.e. interest expense from borrowing) incurred during investment transactions.

DC Investment Fees and Expenses as of June 30, 2025

DC Fees and Expenses

There are fees and expenses associated with all retirement plans and investment programs. These fees help pay for the administration and operation of the DC Plan, which includes a host of services provided to participants such as account maintenance, quarterly statements, online and phone-based account access, DC Plan communications, investment education, and many more. The main categories for fees are as follows:

- **Record keeping fees** pay for operation of the DC Plan by its contracted record keeper, Voya. \$31.90 - Voya's annualized fee (\$7.975 charged per quarter) is assessed to the participant's account within the DC Plan.
- **PSERS' administrative fees** pay for services provided by PSERS for the DC Plan, such as demographic and beneficiary maintenance, qualification, eligibility points, class elections and more. Currently, PSERS' administrative fees are covered by previously-appropriated funds and non-vested employer contributions, as authorized by the Retirement Code.
- **Investment fees** cover ongoing charges for operating expenses and managing the assets of the investment funds. Fees for each individual investment option are paid directly from participant accounts and are allocated daily. The total market value of the investment's portfolio and the net dollar value of each investment share or unit is calculated by the investment manager on a daily basis at the close of the stock market. Participants pay a portion of their annual cost daily through a reduction in the investment's rate of return before the share or unit price is declared. Approximately \$866,000 was charged in investment fees, primarily from target date investments which hold 98% of DC Plan assets.

The amount of any fees deducted from a participant's account will be shown on their quarterly statement from the third-party administrator.

DC investment fee information is available on the PSERS website and updated quarterly: pa.gov/agencies/psers/member-resources/defined-contribution-plan/investment-options

Entities that Service the PSERS DC Plan

PSERS provides oversight and management of the PSERS DC Plan's service contractors, plan design, administration, and governance, and assistance to participants in understanding their retirement benefits.	Record keeper, Voya® provides record keeping services, processes after-tax elections, tracks and processes investment elections directed by participants, accounts for contributions and distributions, produces participant statements, and assists with any other PSERS DC Plan administration directed by PSERS. Voya® also provides plan tools and resources including a customer service line, participant website, and mobile app and plan communication to help educate members about PSERS DC Plan participation, retirement planning, and benefits.	CAPTRUST Financial Advisors advise PSERS on PSERS DC Plan design, governance, investment policies, and investment selection.
Trustee/Custodian, Voya Institutional Trust Company and State Street Bank and Trust Company ensure that assets are held in a trust for the benefit of PSERS 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.	Actuaries and Auditors perform actuarial work and experience studies and annual financial audit and regular compliance audits.	PSERS Office of Chief Counsel provides legal advice to the PSERS DC Plan and specialized expertise, and may contract with outside counsel.
		Investment managers invest a certain percentage of the participants' assets, for each investment option, according to specific objectives, strategies and limits set forth in the PSERS DC Plan's adopted investment policy statement.

POSTEMPLOYMENT HEALTHCARE PROGRAMS



Pennsylvania
Public School Employees'
Retirement System

PSERS administers two postemployment healthcare programs, the Premium Assistance Program and the Health Options Program, for its annuitants.

Premium Assistance Program Facts and Figures

90,647 Participants	Paid \$110.5 Million in Benefits in FY 2024-25	\$133.4 Million Net Position	\$5.2 Million Investment Income
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Data as of June 30, 2025

Premium Assistance Program Description

By law, PSERS provides up to \$100 per month through the Premium Assistance Program to eligible annuitants to help cover the cost of their out-of-pocket healthcare costs. The Premium Assistance program began on July 1, 1992. The eligibility requirements for premium assistance are as follows:

- 24.5 eligibility points (for Class DC members, Medicare eligibility with at least 24.5 eligibility points and receipt of all or part of their vested DC account), or
- For all classes of membership except Class DC, 15 eligibility points if employment is terminated on or after attaining superannuation age and retirement occurs after superannuation age, or
- For Class DC, 15 eligibility points if employment is terminated on or after reaching age 67 and receipt of all or part of their vested DC account.
- 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.

Premium Assistance Program Funding

The Premium Assistance Program is funded by employer contributions. The contribution rate is calculated by PSERS’ actuary in accordance with the formula set forth in the Retirement Code. The contribution needed during FY 2026-27 is 0.56% of payroll.

For the year ended June 30, 2025, employers contributed \$103.4 million to the Premium Assistance Program, which earned a net investment income of \$5.2 million. During this period, PSERS paid Premium Assistance benefits equaling \$110.5 million and incurred administrative expenses of \$1.1 million.

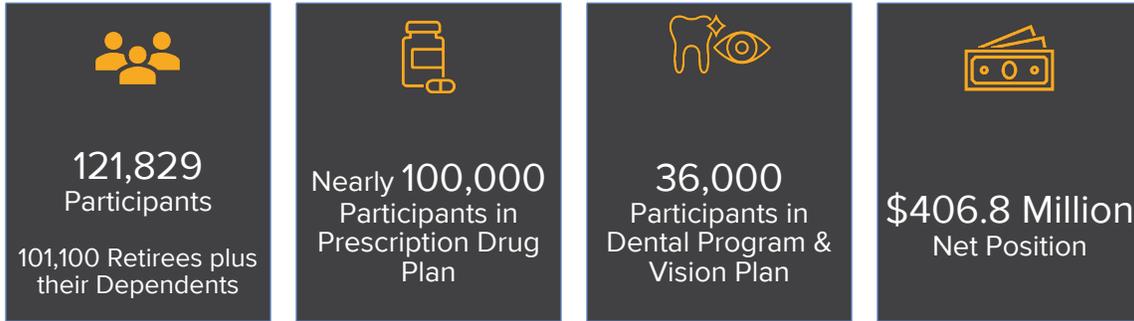
Premium Assistance Program Enrollment

As of June 30, 2025, there were 254,735 total annuitants receiving a monthly benefit from PSERS, Of those, 90,647 annuitants receiving premium assistance benefits, 83,877 were enrolled in HOP and 6,770 were participating in their former school employer’s health plan and had an out-of-pocket premium expense. A breakdown of annuitants by their premium assistance status is displayed below:

Table 5.1

June 30, 2025	Number	Percentage
Receiving Premium Assistance In HOP	83,877	32.9%
Receiving Premium Assistance In School Plan	6,770	2.6%
In HOP w/o Premium Assistance	15,768	18.8%
Eligible for Premium Assistance w/o Approved Expense	64,492	25.3%
Not in HOP and Not Eligible for Premium Assistance	83,828	32.9%
Total Retiree Population	254,735	

Health Options Program Facts and Figures



Data as of June 30, 2025; *Participants as of January 1, 2026

2025 Participant Highlights



Data for calendar year 2025; **FY 2024-25

Health Options Program Description

The Board sponsors a group health insurance program called the Health Options Program (HOP) for individuals who are annuitants, survivor annuitants, or the spouse or dependent of an annuitant or survivor annuitant, as authorized by the Retirement Code. The HOP commenced on January 1, 1994. As of January 1, 2026, there were 121,829 participants (101,100 retirees plus their dependents) in the HOP. The HOP is funded solely by and for eligible participants.

The HOP offers PSERS annuitants a full suite of health insurance plans, including self-insured Medicare supplement plans, Medicare prescription drug plans, and fully insured Medicare Advantage, Vision, and Dental Plans. All plans offered through the HOP provide a Pre-65 plan for individuals not yet eligible for Medicare. Each year participants of the HOP may change their health benefit coverage to meet changing needs. HOP seeks to provide the maximum level of medical benefits to PSERS retirees through our self-insured products by not pricing in margins unlike publicly traded commercial carriers.

The following is a summary of the standard self-insured Medicare Part D plans:

Table 5.2

Standard Benefit	2026	2025
Deductible	\$ 615	\$ 590
Out of Pocket Threshold	\$ 2,100	\$ 2,000
Minimum Cost sharing in Catastrophic Coverage Portion of the Benefit		
Generic	\$ —	\$ —
Other	\$ —	\$ —

These plan design limits and thresholds are tied to specific indices, including the average per capita Part D spending and the annual percentage increase in the Consumer Price Index.

Plans Available Through HOP

The HOP offers participants Medicare Supplement plans, Medicare Prescription drug plans, Medicare Advantage plans, and dental and vision plans. Participants under age 65 and not eligible for Medicare may elect to enroll in a high deductible health insurance plan with or without prescription drug coverage or a managed care plan.

An Invitation for Application (IFA) is issued annually for qualified insurance carriers to apply to offer a fully insured Medicare Advantage Prescription Drug (MAPD) group insurance plan and accompanying Pre-65 group insurance plan to PSERS’ retirees who participate in the HOP. These options were available to new enrollees or HOP participants electing to change coverage during the 2026 option selection period conducted in the fall of 2025.

HOP Funding

HOP income is projected to be \$684.5 million during the 2026 Plan (calendar) Year. A majority of this income comes from premium payments from participants. HOP premiums are typically deducted from the retiree’s monthly retirement benefit and transferred to the plan (claims administrator for the self-funded Options).

Other sources of funding are Medicare prescription drug payments (for participants enrolled in a Medicare prescription drug plan) from CMS and interest income. Table 5.3 displays the breakdown of these sources of income (Dollar amounts in millions):

Table 5.3

Income	Calendar Year 2026
Participant Premium Payments	\$459.5
CMS - Medicare Prescription Drug Payments	\$211.9
Performance Guarantee Receipts	\$0.1
Interest Income	\$13.0
Total	\$684.5

The HOP income pays for the benefits provided to HOP participants and expenses. Table 5.4 displays the breakdown of benefit expenses (Dollar amounts in millions):

Table 5.4

Benefit Expense	Calendar Year 2026
Self-funded Hospital, Medical & Major Medical Benefits	\$276.5
Self-funded Prescription Drug Benefits	\$317.7
Insured Managed Care and Dental Premiums	\$64.4
Total	\$658.6

In addition to the benefit expenses identified above, the HOP will pay \$11.8 million in enrollment and administrative expenses including reimbursing PSERS for its expenses. As of June 30, 2025, HOP had net position of \$406.8 million held in trust to pay the expenses of HOP for the exclusive benefit of participants.

HOP Enrollment

As of January 1, 2026, there are 121,829 participants (101,100 retirees plus their dependents) in the HOP. The total numbers of retirees by Option are:

Table 5.5

Individuals Eligible for Medicare	Retirees	Participants
HOP Medical w/ Medicare Standard Rx Option	49,910	61,171
HOP Medical w/ Medicare Plus Rx Option	27,969	33,299
HOP Medical Plan (no Rx)	11,594	12,990
HOP Plus Rx Only	75	91
HOP Standard Rx Only	159	198
HOP Value Medical Only	96	125
HOP Value Medical w/ Medicare Plus Rx Option	17	21
HOP Value Medical w/ Medicare Standard Rx Option	444	582
Highmark PPO/Legacy HMO	8,679	10,717
Keystone East HMO/IBC Legacy PPO	407	460
CBC PPO/Keystone Central Legacy HMO	664	843
UPMC PPO/Legacy HMO	778	992
Aetna PPO/Legacy HMO	196	223
Total Medicare Eligible	100,988	121,712
Individuals Not Eligible for Medicare		
HOP Pre-65 Medical Plan w/ Rx Coverage	82	86
HOP Pre-65 Medical Plan	24	25
Highmark PPO	1	1
CBC PPO/Keystone Central Legacy HMO	4	4
Aetna PPO/Legacy HMO	1	1
Total Not Eligible for Medicare	112	117
Total in HOP	101,100	121,829

HOP Plan Premiums

Paid By Individuals ELIGIBLE for Medicare

The premiums paid by participants eligible for Medicare generally vary by geographical area. The exceptions are the premiums for the HOP Medicare Rx Options. The tables showing the standard monthly premium rates for 2026 compared to the 2025 rates in Pennsylvania for single coverage are available on the PSERS website. HOP and Value Medicare Plans are generally competitively priced with Medigap Plans with similar benefit designs. With Premium Assistance, premiums for HOP’s Medicare Advantage Plans compare favorably to premiums of “commercial” Medicare Advantage plans.

HOP participants may select Standard or Plus Medicare Rx Option coverage without enrolling in the HOP Medical Plan or Value Medical Plan. The monthly premium rates for the Medicare Rx Options do not vary by region. Stand-alone prescription drug coverage does not qualify for Premium Assistance. HOP Medicare Rx options are competitively priced with commercial prescription drug plans (PDPs) with similar benefit designs. HOP Medicare Rx Options have a higher CMS Star rating than all options available to individual consumers in Pennsylvania.

Premiums Paid By Individuals NOT ELIGIBLE for Medicare

The premiums paid by participants not eligible for Medicare generally do not vary by geographical area. The exceptions are the regional managed care plans. The tables showing the monthly premium rates for 2026 compared to the 2025 rates in Pennsylvania for single coverage are available on the PSERS website.

HOP Premiums Compared to the PSERS Premium Assistance Benefit

Chart 5.6 displays the HOP monthly premiums paid by PSERS retirees for single coverage compared with the PSERS Premium Assistance benefit. 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 premiums for 2-person and family coverage would be at least twice the cost of single coverage. Premium Assistance is an offset for the PSERS retiree’s premium only.

As shown in Table 5.6, the percentage of Premium Assistance benefit coverage varies by region and plan.

Table 5.6

2026	North & Central PA	Southwest PA	Southeast PA	Companion Pre-65 Program
Value Medical Plan	\$102	\$115	\$117	\$990
Value Medical w/ Standard Rx Option	\$161	\$174	\$176	\$1,115
Value Medical w/ Plus Rx Option	\$244	\$257	\$259	\$1,115
HOP Medical Plan	\$216	\$229	\$239	\$990
HOP Medical w/ Standard Rx Option	\$275	\$288	\$298	\$1,115
HOP Medical w/ Plus Rx Option	\$358	\$371	\$381	\$1,115
Medicare Advantage Plans (Average)	\$302	\$333	\$363	\$2,530
Premium Assistance	\$100	\$100	\$100	\$100

HOP Voluntary Dental and Vision Programs

Beginning January 1, 2016, HOP offered a voluntary MetLife Dental Plan to members and dependents enrolled in the HOP Medical Plan or the Value Medical Plan (those enrolled in a Medicare Advantage Plan are not eligible for this program as most of these plans have dental coverage). Beginning January 1, 2021, HOP began offering the MetLife Dental and EyeMed Vision Option. As with the previous dental program, dental and vision coverage is not available on a standalone basis and participants must be enrolled in either the HOP Medical Plan or the Value Medical Plan.

Enrollment is limited to the initial offering or upon a qualifying event.

As of January 1, 2026, there are 39,874 participants (33,634 retirees plus their dependents) in the HOP voluntary dental and vision program. The total numbers of retirees by year since program inception:

Table 5.7

Dental Enrollment Per Year (As of January 1)	Retirees	Participants	Increase (Participants)
2026**	33,634	39,874	1%
2025**	33,060	39,464	9%
2024**	30,946	36,126	7%
2023**	28,973	33,614	16%
2022**	25,249	28,927	27%
2021*	17,456	22,829	21%
2020*	16,729	18,864	15%
2019*	14,482	16,436	25%
2018*	11,535	13,099	N/A

*Includes Dental Enrollment

**Includes Dental & Vision Enrollment