Public School Employees' Retirement System (PSERS)

PSERS is a governmental, mandatory, multi-employer defined benefit pension plan for Pennsylvania public school employees

Members As of June 30, 2015	616,829 259,868 active members 219,775 retired members/beneficiaries 137,186 vested/inactive members
Average Annuity Paid (annuitants, survivor, beneficiaries, disabled annuitants) As of June 30,2015	$25,119 per year
Total Fund Assets as of June 30, 2015	$ 51.9 billion
Funding Sources 20-year totals As of June 30, 2015	$15.4 billion (15.0%) member contributions $16.3 billion (16%) employer contributions $69.3 billion (69%) investment earnings
Member Contribution Rate As of June 30, 2015	Member contributions range from 5.25% to 10.30% of payroll depending on their class of membership. Members will contribute an average of 7.52% in fiscal year 2016/2017.
Employer Normal Cost (Annual Current Services Payment) As of June 30, 2015	8.31% of payroll The employer normal cost for new members (Class TE/TF) hired after July 1, 2011 is less than 3.00%.
Employer Contribution Rate	30.03% of payroll, beginning July 1, 2016 For the first time in 15 years, the FY 2016/2017 rate provides 100% of the actuarially required rate based on sound actuarial practices and principles.
Number of Employers As of June 30, 2015	784
Funded Status As of June 30,2015	60.6% with an unfunded liability of $37.3 billion
Economic Impact of Pension Benefits on Pennsylvania	In calendar year 2015, PSERS' pension disbursements totaled $6.3 billion and 90% of that amount, or $5.7 billion, went directly into state and local economies. According to a national study this spending multiplies and expands through Pennsylvania's economy into an economic impact of $10.2 billion.
Investment Returns As of June 30, 2015, PSERS' fiscal year end audited, annualized, net of fees	3.04% 1 year 8.52% 3-year 6.31% 10-year 8.45% 25-year
Investment Rate of Return Assumption As of June 30,2015	7.50% annual investment return assumption
FY 2016-2017 Administrative Budget Request	$45,115,000

Additional Information on PSERS Funding Sources

PSERS is funded through three sources: contributions from members, the employer contribution rate which is contributions from school employers and the Commonwealth, and investment returns.

Member Contributions

Member contributions range from 5.25% to 10.30% of payroll depending on their class of membership and when they joined PSERS. Members are expected to contribute an average of 7.52% of their salary to help fund their retirement benefit in fiscal year (FY) 2016/2017. Member contributions of approximately $1 billion are expected in FY 2016/2017.

As of July 1, 2011 new members bear some of the investment risk via the shared risk provisions of Act 120 of 2010.

Employer (School Employers and Commonwealth) Contributions

Both school employers and the Commonwealth pay a portion of the employer contribution rate. The Commonwealth directly reimburses the school employers for not less than 50% of the employer contribution rate. Total employer contributions for FY 2016/2017 are estimated at $4.1 billion.

On December 8, 2015 the PSERS Board of Trustees certified an employer contribution rate of 30.03% for FY 2016/2017, which begins July 1, 2016. Rate collars established under Act 120 of 2010 are no longer in effect as the increase in the pension component of the rate was less than the 4.50% rate collar.

Investment Returns

PSERS' rate of return for the FY ended June 30, 2015 was 3.04%, which added approximately $1.3 billion (net of fees) in investment income. The Fund had plan net assets of $51.9 billion at June 30, 2015.

Five Years of Funding Progress under Act 120 of 2010

Act 120 of 2010 increased funding to PSERS - Act 120 of 2010 continues to put PSERS on the path toward proper funding. During the past 15 years, various pieces of pension legislation artificially suppressed the employer contributions paid to PSERS by the Commonwealth and school employers. As a result, the largest contributor to the $37.3 billion existing pension debt is the cumulative effect of the intentional underfunding of PSERS. As a result for many years, the Commonwealth and school employers paid below the annual required contribution (ARC) that was necessary to pay down the unfunded liability. The ARC percentage received fell to a low of 27% before significant pension reform was enacted in 2010. Act 120 of 2010 made dramatic progress toward addressing the funding issue at PSERS. PSERS is expected to receive 80% of the ARC in FY 2016 and the FY 2016/2017 employer contribution rate fully meets actuarial funding obligations. After July 1, 2016 no additional pension debt will be added due to underfunding.

Act 120 rate collars no longer in effect - Act 120 of 2010 put rate collars in place to limit the amount the pension component of the employer contribution rate could increase over the prior year's rate. Over the past five years, Act 120 performed as expected and increased the employer contribution rate in measured increments to the level of the actuarially required rate. For FY 2016/17 the rate collars put in place under Act 120 no longer apply. Total employer contributions to PSERS of $3.4 billion are estimated in FY 2015/2016. While difficult budgetary issues remain for school employers and the Commonwealth, the employer contribution rates have reached a plateau that will slowly begin to pay down the principal on the existing pension debt beginning in FY 2017/2018.

Act 120 significantly reduced benefit costs - Act 120 of 2010 significantly reduced benefit costs for all new members joining the System. The annual benefit cost for new members joining PSERS is less than 3%. The annual benefit cost continues to decrease.

PSERS is approaching a turning point - As the annual savings from the reduced Act 120 benefit structure increase and higher employer contributions are paid by the Commonwealth and school employers, PSERS is approaching a turning point. In FY 2017/18, principal pay down on PSERS' unfunded liability begins and PSERS' funded ratio is projected to slowly improve after declining for many years.