

Pennsylvania Public School Employees' Retirement System (PSERS)

PSERS, founded in 1917, began operations in 1919 to oversee a statewide defined benefit pension plan for public school employees. PSERS' role expanded upon the passage of Act 5 of 2017 to include oversight of two new hybrid options consisting of defined benefit and defined contribution (DC) components and a stand-alone DC plan.

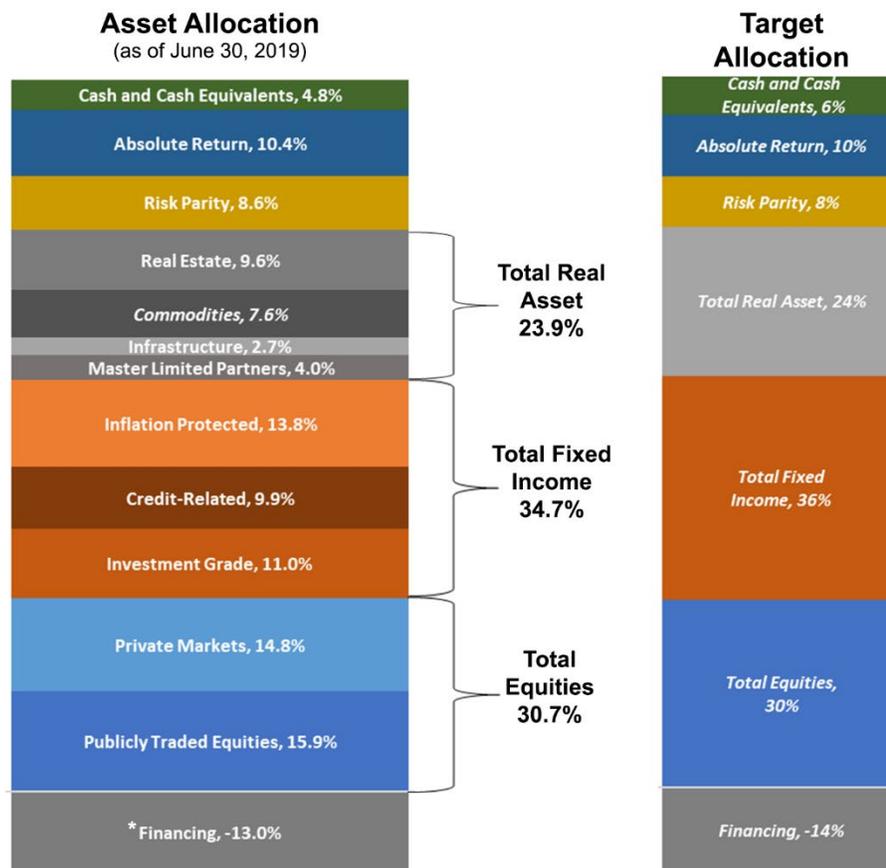
PSERS: At a Glance

<p>Members As of June 30, 2019</p>	<p>More than 500,000 Over 256,000 active members Over 237,000 retired members/beneficiaries Over 25,000 terminated vested members</p>
<p>Average Annuity Paid (annuitants, survivor, beneficiaries, disabled annuitants) As of June 30, 2019</p>	<p>\$25,498 per year</p>
<p>Total Net Assets as of June 30, 2019</p>	<p>\$59.1 billion</p>
<p>Funding Sources 20-year totals As of June 30, 2019</p>	<p>16% member contributions 28% employer contributions 56% investment earnings</p>
<p>Member Contribution Rate As of June 30, 2019</p>	<p>Member contributions range from 7.50% to 10.30% of payroll depending on their class of membership. Members will contribute an average of 7.61% in fiscal year 2020/2021.</p>
<p>Employer Contribution Rate</p>	<p>34.51% of payroll, beginning July 1, 2020 The FY 2020/2021 rate provides 100% of the actuarially required rate based on sound actuarial practices and principles.</p>
<p>Number of Employers As of June 30, 2019</p>	<p>773</p>
<p>Funded Status As of June 30, 2019</p>	<p>58.1% with an unfunded liability of \$44.1 billion</p>
<p>Investment Returns As of June 30, 2019, PSERS' fiscal year end; audited, annualized, net of fees</p>	<p>6.68% 1-year 8.71% 3-year 6.04% 5-year 9.02% 10-year 8.08% 15-year 8.25% 30-year</p>
<p>Investment Rate of Return Assumption As of June 30, 2019</p>	<p>7.25% annual investment return assumption</p>

PSERS Risk-Balanced Asset Allocation

PSERS is a long-term investor and manages the Fund with two key goals in mind: maximizing returns and minimizing risk over 10- to 30-year time horizons. To achieve those goals, the System built a diversified asset allocation aimed at hitting its return assumption of 7.25% while balancing risk if annual and cumulative returns fall above or below that mark. PSERS' diversified portfolio includes more than a dozen asset classes, such as equities, fixed income, real assets, risk parity and absolute return.

The PSERS Board, in consult with its investment professionals and consultants, implemented the diversification strategy following hard lessons learned from years of employers underfunding the System and from market losses incurred during the 2008-09 worldwide financial crisis. To prevent similar large market losses in the future, the Board prudently reduced the System's risk profile by decreasing its return dependence on equity markets in favor of increasing allocations to asset classes that are less correlated to equity market whims, such as inflation-linked bonds, commodities, and absolute return. In essence, the Board reduced risk by spreading its investment eggs into more baskets. Such an allocation may not provide for overly large investment gains during sustained equity bull market runs, but it minimizes major investment losses when equity markets run out of steam and crash.



*PSERS uses financing to increase economic exposure to diversifying asset classes that manages overall portfolio risk while maintaining an allocation designed to achieve the long-term goals of the System.