

# PRESS RELEASE

**For Immediate Release**  
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**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES  
CERTIFIES EMPLOYER CONTRIBUTION RATE FOR NEXT FISCAL YEAR**  
*Certified rate reaches the actuarially required rate; Act 120 rate collars no longer apply*

HARRISBURG, PA – The Public School Employees' Retirement System (PSERS) Board of Trustees met today and certified an annual employer contribution rate of 30.03 percent for fiscal year (FY) 2016-2017, which begins on July 1, 2016. The 30.03 percent employer contribution rate is composed of 0.83 percent for health insurance premium assistance and a pension rate of 29.20 percent.

PSERS Executive Director Glen R. Grell commented, "Today's certification of the FY 2016-2017 employer contribution rate continues to put PSERS on the path toward proper funding. For the first time in 15 years, the employer contribution rate provides 100% of the actuarially required rate based on sound actuarial practices and principles," said Grell. "After July 1, 2016 no additional pension debt will be added due to underfunding. The FY 2016-2017 employer contribution rate fully meets actuarial funding obligations."

During the past 15 years, various pieces of pension legislation artificially suppressed the employer contributions paid to PSERS by the school employers and Commonwealth. As a result, the largest contributor of the \$37.3 billion existing pension debt is due to the cumulative effect of the intentional underfunding of PSERS. During FY 2014-2015 alone, nearly \$1 billion was added to PSERS' existing pension debt due to the underfunding.

In addition to meeting the actuarially required rate, the rate collars put in place under Act 120 of 2010 no longer apply. 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 of 2010 performed as expected and increased the employer contribution rate in measured increments to the level of the actuarially required rate.

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“These past five years of large increases in the employer contribution rate have been extremely difficult budgetary years for school employers and the Commonwealth,” said Grell. “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 and begin to improve the funding ratio over the next few years.”

Total employer contributions to PSERS of \$4.1 billion are estimated in FY 2016-2017. The Commonwealth directly reimburses school employers for no less than 50 percent of the total employer contribution rate.

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2015, PSERS’ investments added approximately \$1.3 billion in net investment income to the Fund. PSERS members contribute from 5.25 percent to 10.30 percent of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.52 percent or approximately \$1 billion in FY 2016-2017.

### **About the Pennsylvania Public School Employees’ Retirement System**

PSERS is the 20<sup>th</sup> largest state-sponsored defined benefit public pension fund in the nation. As of September 30, 2015, PSERS had net assets of approximately \$48.8 billion and a membership of approximately 260,000 active school employees and nearly 220,000 retirees.

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