

# Press Release

**For Immediate Release  
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**PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
ANNOUNCES EMPLOYER CONTRIBUTION RATE FOR FISCAL YEAR 2009-2010**  
*Pension fund reports small rate increase for next fiscal year*

**HARRISBURG, PA** - The Public School Employees' Retirement Systems' (PSERS') Board of Trustees met today in Harrisburg and certified an annual employer contribution rate of 4.78 percent for the next fiscal year (FY), which begins July 1, 2009. The rate certified at today's meeting is a small increase from last year's rate of 4.76 percent.

PSERS' actuarial firm, Buck Consultants, presented the results of the annual actuarial valuation during today's board meeting. The 4.78 percent employer contribution rate is composed of 0.78 percent for health insurance premium assistance and a pension rate of 4.00 percent. Buck Consultants also reported PSERS' funded ratio increased from 85.8 percent to 87.9 percent due to funding methodologies and previous investment gains.

PSERS Chair Melva Vogler commented on the increase in next fiscal year's employer contribution rate and the potential for increased contributions in coming years.

"Unrecognized investment gains and the funding methodologies of Act 40 and Act 38 continue to suppress the employer contribution rate as evident by the rate certified today. While the rate currently remains low, the large increase projected in FY 2012/2013 is quickly approaching," said Ms. Vogler. "In addition, investment markets have significantly declined and PSERS, like other investors, is being impacted by the sharp downturn. It is very likely that PSERS could again report negative investment performance for the next fiscal year which will cause the employer contribution rate increase in FY 2012/2013 to rise even higher than the current projections."

Revised projections provided by the fund's actuaries, Buck Consultants, show an increase in the FY 2012/2013 rate spike from 11.23 percent to 16.40 percent.

PSERS Executive Director Jeffrey B. Clay also cautioned that, while the latest actuarial figures support only a small increase in the contribution rate, school employers should continue to prepare for the dramatic employer contribution rate increase forecast in four years.

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Mr. Clay stated that “while PSERS cannot collect employer contributions in excess of what is actuarially required by funding methodologies, some school districts on their own have begun to create a reserve in anticipation of the large rate increase projected in FY 2012/2013. Mr. Clay recognized the difficulty for school employers to create a reserve in the current economy, but stated “it would be very prudent for school employers to do so.”

During the meeting the fund’s actuaries reviewed the past fiscal year’s investment performance. PSERS annual investment rate of return assumption is currently 8.5 percent. This is the amount PSERS investment returns are expected to earn each year. Previously PSERS’ investments earned 19.67 percent in FY 2003/2004, 12.87 percent in FY 2004/2005, 15.26 percent in FY 2005/2006, 22.93 percent in FY 2006/2007, and most recently reported a negative 2.82 percent in FY 2007/2008.

“It is unrealistic to predict the Fund will be able to earn its way out of the projected rate spike given the current investment market conditions and the precarious state of the economy,” Clay said. “Previously PSERS made significant progress dropping the projected rate spike by earning outstanding investment returns for four years. It is highly unlikely given the current recession taking place in the U.S., that the Fund will be able to recreate those outstanding returns in the short-term.”

Employer contribution rate projections are available on the front page of PSERS’ website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

### **About the Funding Sources of PSERS**

The employer contribution rate is an actuarially determined rate that is the percentage of payroll the school employers are required to pay into the pension fund to accumulate assets to pay retirement benefits for its members when due. The Commonwealth reimburses the school employers for approximately half of the employer contribution rate.

The pension fund is also funded through investment earnings and member contributions. Members of the pension fund currently contribute an average of 7.29% (\$911 million total) of their salary to help fund their retirement benefits. Investment returns, however, are the greatest contributor to the pension fund. Over the last decade, nearly 77 percent of the pension fund was funded by investment returns, 14 percent by member contributions, and 9 percent from school employers.

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

PSERS is the 14<sup>th</sup> largest public defined benefit pension fund in the nation. As of September 30, 2008 PSERS had an investment portfolio of approximately \$54.7 billion and a membership of more than 272,000 active school employees and over 173,000 retirees. For more information visit PSERS’ website at: [www.psers.state.pa.us](http://www.psers.state.pa.us).

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