

PRESS RELEASE

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PA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES CERTIFIES EMPLOYER CONTRIBUTION RATE FOR FISCAL YEAR 2019

Rate meets actuarially required rate for third consecutive year and is lower than previously projected

HARRISBURG, PA – The PA Public School Employees' Retirement System (PSERS) Board of Trustees met today and certified the annual employer contribution rate of 33.43 percent for fiscal year (FY) 2019, which begins on July 1, 2018.

The certified employer contribution rate for FY 2019 is less than the previously projected 34.18 percent due in part to positive FY 2017 economic and demographic experience, including investment outperformance. PSERS earned 10.14 percent for FY 2017, well above its earnings assumption of 7.25 percent, and added \$5 billion in net investment income with one of the most risk-balanced asset allocations in the country according to industry standards.

Today's certification of the employer contribution rate also marks the third consecutive year the employer rate provides 100 percent of the actuarially required rate necessary to begin to pay down the existing pension debt. In the past, various pieces of pension legislation suppressed the employer contributions paid to PSERS by the school employers and Commonwealth. FY 2017 marked the first time in fifteen years that the actuarially required rate was paid by school employers and the Commonwealth.

PSERS Executive Director Glen R. Grell commented on the importance of full actuarial funding, "The Commonwealth and school employers have made dramatic progress in addressing pension funding issues. While budgetary issues remain for the Commonwealth and school employers as the employer contribution rate remains high, paying the actuarially required rate is a vital step that will begin to address the already accumulated pension debt. Currently over 75 percent of the total pension contribution rate is for past service, a debt already earned that must be paid."

Grell continued, "All necessary sources of funding (full actuarial funding from employers, along with member contributions and investment income) are now in place to eventually bring PSERS back to fully-funded status over time. Positive results have already occurred in some areas. On a market value basis, PSERS' unfunded liability declined in FY 2017 as PSERS' total net position grew faster than its total pension liability. As a result, the funded ratio on a market value basis also improved."

Total employer contributions to PSERS of \$4.6 billion are estimated in FY 2019. 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. For FY 2017, PSERS' investments added approximately \$5 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 7.57 percent or approximately \$1.04 billion in FY 2019.

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Other business that occurred during the meeting included:

- During today's meeting the Board also certified and retained the current T-E member contribution rate of 7.50% and T-F member contribution rate of 10.30% for the next three-year period from July 1, 2018 to June 30, 2021. New members hired after July 1, 2011 share some of PSERS' investment risk. Their contribution rates may fluctuate every three years depending on the Fund's investment performance. The next measurement period for the "shared risk" provisions ends June 30, 2020.
- PSERS Executive Director Glen R. Grell certified the results of the recent election of the School Board member representative on PSERS Board. Mr. Eric O. DiTullio a member of the Seneca Valley School Board, was elected and will begin a three-year term in January 2018. Mr. DiTullio has been a member of the Seneca Valley School Board since 2009, and is currently serving as vice president after serving as president for three years. He also serves on the Midwestern Intermediate Unit IV Board. Mr. DiTullio studied engineering at Penn State and Point Park College and has been an estimator for industrial contractors for 25 years. Mr. Grell also thanked outgoing Board member Virginia Lastner for her dedication and commendable service on PSERS Board.
- PSERS Chief Investment Officer James H. Grossman Jr. reported that FY 2018 is off to a positive start. The Fund posted a positive 3.14 percent return for the fiscal first quarter ended September 30, 2017, adding approximately \$1.2 billion in net investment income to the Fund. Additional details on PSERS investment performance as of September 30, 2017 is available on PSERS' website at: <http://www.psers.pa.gov/About/Investment/Pages/default.aspx>
- Competitive Request for Proposal (RFP) results were announced for an Investment Book of Record (IBOR) consultant. Ernst & Young, LLP was awarded a five-year contract pending successful contract negotiations. RFP results were also announced for a consultant to support the implementation of Act 5 of 2017, new pension plan design. Charles W. Cammack Associates was awarded a five-year contract pending successful contract negotiations.
- PSERS Chief Financial Officer Brian S. Carl also reported that the Public Pension Coordinating Council awarded its Public Pension Standards Award to PSERS for 2017 in recognition of meeting professional standards for plan design and administration. Carl also noted that PSERS' FY 2017 Comprehensive Annual Financial Report is now available on PSERS' website at www.psers.pa.gov.

About the Pennsylvania Public School Employees' Retirement System

PSERS is the 16th largest state-sponsored defined benefit public pension fund in the nation. As of September 30, 2017, PSERS had net assets of approximately \$54.1 billion and a membership of nearly 256,000 active school employees and over 230,000 retirees.

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