



Summary Annual Financial Report

Fiscal Years Ended June 30, 2021 & 2020



A Message From the Executive Director

November 5, 2021

On behalf of our Board of Trustees and PSERS pension professionals, I am pleased to present the Summary Annual Financial Report (SAFR) for the Pennsylvania Public School Employees' Retirement System (PSERS) for the fiscal year ended June 30, 2021 (FY 2021). This report summarizes the financial data and accomplishments from FY 2021 that are provided in greater detail in PSERS' Annual Comprehensive Financial Report (ACFR). The ACFR is online at psers.pa.gov.

Providing \$7.1 Billion in Benefits During a Pandemic

In FY 2021, PSERS distributed \$7.1 billion in total pension benefits. Of this amount, \$6.7 billion, or nearly 94%, went to retired members who reside in Pennsylvania. Those benefits bolster the Commonwealth's economy when retirees spend them in their local communities.

Receiving Full Funding

The ongoing budgetary commitment of Gov. Tom Wolf and the Legislature authorizing state and school employers to pay the full amount of the actuarially required contributions continues to help improve PSERS' funded status. From FY 2017 to FY 2021 PSERS received full actuarial funding from school employers and the Commonwealth after 15 previous years of underfunding. Full actuarial funding from employers, along with member contributions and investment income, are all necessary sources of funds that will pay down the unfunded liability and bring PSERS back to fully funded status.

PSERS Earns \$14.8 Billion in Net Investment Income

The net investment gain between July 1, 2020, and June 30, 2021, was the main factor which helped push the System's total net assets up by \$13.5 billion to an all-time high of \$72.5 billion. The time-weighted net rate of return on the System's investments was 24.58%.

HOP Prescription Drug Program Received CMS 5-Star Rating

PSERS Prescription Drug Employer Group Waiver Plan received the Federal Centers for Medicare and Medicaid Services (CMS) highest rating, 5 Stars, for this year for use in 2022. PSERS Prescription Drug Programs (PDP) is among only nine other plans in the U.S. to receive this award of excellence. CMS' Medicare Star Rating program rates Medicare Advantage (MA) and PDP based on a number of metrics around quality and performance. Rating criteria is based on a 1 to 5-point system. The ratings help members select the best plans for themselves or their families.

This marks the first time PSERS earned a 5 Star Rating in the 15-year history of offering a Medicare Part D program. The HOP PDP program has a history of earning high ratings of 4.0 to 4.5 rating annually since 2019 for overall service and quality of the prescription drug plan that retirees voluntarily pay for through monthly premiums.

PSERS' latest CMS Star rating was based in part on how our members rate the plan's services and care, and how well our plan helps our members use recommended and safe prescription medications.

Respectfully,

Glen R. Grell
PSERS Executive Director



From left: Jennifer A. Mills, PSERS Deputy Executive Director of Benefits & Director of Defined Contribution Investments; Glen R. Grell, PSERS Executive Director; Beverly Hudson, PSERS Deputy Executive Director of Administration

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About PSERS

PSERS was established on July 18, 1917, and officially began operations on July 1, 1919, to provide retirement benefits to public school employees of the Commonwealth of Pennsylvania.

PSERS' role expanded upon the passage of Act 5 of 2017 to include oversight of two new classes consisting of defined benefit (DB) and defined contribution (DC) components and a stand-alone DC class. PSERS currently serves over 500,000 active, terminated vested, and retired public school employees.

PSERS is administered by a staff of 365 and has 769 reporting units as of June 30, 2021. PSERS is headquartered in Harrisburg, Pennsylvania, and also has seven field offices in strategic areas of the Commonwealth to enable direct contact with the members and employers.

PSERS Defined Benefit (DB) Plan	PSERS Defined Contribution (DC) Plan
A member's pension benefit is determined by a formula that includes a pension multiplier, years of service, and final average salary and is fully funded during their working lifetime.	A member's retirement is based on member and employer contributions, the investment performance on those contributions, and the fees and expenses deducted from the member's DC account.
A DB pension is guaranteed, regardless of market fluctuations.	Member and employer contributions have the potential to grow based on investment earnings, but are not guaranteed against loss in declining investment markets.
Members in the DB Plan contribute between 4.50% and 10.30% of their pay to PSERS DB Plan depending on their class of membership. With the Shared Risk/Shared Gain provision, the contribution rate may change for some membership classes based on investment performance.	Members with a DC account contribute between 2.75% and 7.50% of their pay to PSERS DC Plan depending on the class of membership.

A Closer Look: PSERS' Active Members

As of June 30, 2021, PSERS had approximately 248,000 active members with an annual payroll of \$14.2 billion.

- The top five largest school employers are: Philadelphia City School District, Pittsburgh School District, Central Bucks School District, Allentown City School District, and North Penn School District.
- The average age of a PSERS active member is approximately 45 years with 12 years of service.
- The most years of service earned by a current active member is 56 years.
- The average salary of an active member increased from \$54,535 in 2020 to \$56,663 in 2021.



A Closer Look: PSERS' Retired Members

As of June 30, 2021, PSERS had approximately 243,000 retirees and beneficiaries who receive over \$531 million in pension and healthcare benefits each month.

- The average yearly benefit paid to retirees increased from \$25,753 in 2020 to \$25,992 in 2021.
- Over 72% of PSERS retirees receive an annual pension benefit of less than \$40,000.
- Six-figure pensions are rare, with fewer than 0.5% of PSERS retirees receiving an annual pension benefit over \$100,000 after serving an average of 37 years in public education.
- The oldest PSERS retiree is 107 years old.



About PSERS (continued)

A Closer Look: PSERS Defined Contribution Plan Participants

School employees who became new members of PSERS on or after July 1, 2019, can choose from three classes of membership: two consisting of defined benefit and defined contribution components and one that is a stand-alone defined contribution plan. As of June 2021, nearly 30,000 participants were enrolled in the DC plan and had a balance.

The Retirement Code requires the DC plan to provide no less than 10 investment options offered by three or more investment providers. Currently, the DC plan has eight providers offering 20 investment options. As of June 30, 2021, the total DC plan balance was over \$56 million.



PSERS DC Participant

Highest Participant Balance	Total Website Logins
\$52,754	19,706
Youngest Age of DC Participant	Oldest Age of DC Participant
14	86

PSERS HOP Prescription Drug Program Received Highest Rating from Centers for Medicare & Medicaid Services (CMS)

The PSERS Health Options Program (HOP) continues to see steady growth in enrollment and now has more than 121,000 PSERS retirees, spouses, and dependents enrolled as of June 30, 2021. Within the plan, there is a Dental Program offering which has eclipsed 27,000 enrollees. A Vision Program was added in January 2021 and has over 27,000 enrollees.

PSERS Prescription Drug Employer Group Waiver Plan received the Federal Centers for Medicare and Medicaid Services (CMS) highest rating, 5 Stars, for this year for use in 2022. PSERS PDP is among only nine other plans in the U.S. to receive this award of excellence. CMS' Medicare Star Rating program rates Medicare Advantage (MA) and Prescription Drug Programs (PDP) based on a number of metrics around quality and performance. Rating criteria is based on a 1- to 5- point system. The ratings help members select the best plans for themselves or their families.

This marks the first time PSERS earned a 5 Star Rating in the 15-year history of offering a Medicare Part D program. The HOP PDP program has a history of earning high ratings of 4.0 to 4.5 annually since 2019 for overall service and quality of the prescription drug plan that retirees voluntarily pay for through monthly premiums. PSERS' latest CMS Star rating was based in part on how our members rate the plan's services and care, and how well our plan helps our members use recommended and safe prescription medications.

This plan got
5
Medicare's highest
rating (5 stars)

HOP

HEALTH OPTIONS PROGRAM



WWW.HOPBENEFITS.COM



Budgetary and Financial Governance

PSERS Saves \$6.4 Million Annually in Administrative Costs

PSERS participates in an annual independent, international benchmarking survey evaluating its costs and service performance in comparison to other public pension funds. Based on the most recent survey, PSERS had a 13% lower pension administration cost per member than the average cost for its peer group. By running a lean and efficient operation, PSERS saves the Commonwealth and school employers approximately \$6.4 million annually in administrative expenses compared to its peers.

PSERS' administrative budget is not funded by taxpayers through the Commonwealth's General Fund, but from investment earnings of the Fund itself.

PSERS continues to be a leader among large U.S. public pension funds in its effective control of expenses while providing necessary services to its membership. In the past three years, the System has added significantly to the number of active and retired members electing to receive newsletters, statement of accounts, 1099-Rs and other publications and documents electronically, which saves the agency more than \$225,000 per year in postage, printing, and paper costs.

During FY 2021 specifically, the agency achieved substantial savings in postage, reduced contracted maintenance and repair services, decreased rental of equipment and software, and lowered purchases of computer hardware and other equipment, all of which keep more of PSERS assets available for the benefit of the Fund and its members. In addition to these savings, PSERS renegotiated the terms with its database management system vendor through the Commonwealth of Pennsylvania contract to reduce costs by \$125,000.

Litigation and Contingencies

In 2021, the System received subpoenas from various federal agencies regarding the certification of the shared risk member contribution rate in December 2020, as well as the purchase and valuation of certain directly held properties. PSERS is cooperating fully with the federal investigations and the PSERS Board has retained outside counsel to conduct an independent internal investigation of the shared risk calculation and the purchase and valuation of certain directly held properties. PSERS expects to incur legal costs and other expenses in connection with responding to the federal investigations and from conducting its own internal investigation. It is the opinion of management that the ultimate liability arising from such threatened, pending litigation and investigations will not have a material effect on the financial position of the System.



PSERS saves the Commonwealth and school employers approximately \$6.4 million annually in administrative expenses.

FY 2021 Customer Service Highlights



**Answered
185,115
Member Calls**



**Responded to
64,944
Member Emails
& Secure
Messages**



**Counseled
6,240
Members for
Retirement**



**Issued
2.8 Million
Monthly Benefit
Payments to
Members**



**Processed
9,614
Retirement
Applications**



**Prepared & Issued
266,584
1099-R's**

FY 2020 Customer Service Highlights - Comparative Data

**Answered
159,758
Member Calls**

**Responded to
61,251
Member Emails**

**Counseled
5,970
Members for
Retirement**

**Issued
2.8 Million
Monthly Benefit
Payments to Members**

**Processed
8,781
Retirement
Applications**

**Prepared & Issued
263,716
1099-R's**

Budgetary and Financial Governance (continued)

Member Self-Service Improvements

Members continued to benefit from improvements to the PSERS Member Self-Service (MSS) Portal, particularly during the pandemic. Even as offices were temporarily closed, the MSS Portal remained available and has proved to be a valuable resource.

Since being implemented in April 2018, more than 200,000 members have created their online account and conducted more than 280,000 transactions for themselves. The most common actions taken are to create their own retirement estimates, update their beneficiaries, update their address and generate their own income verification. MSS also allows members to “Go Green” and as a result, nearly 95% of all MSS accounts have opted to go paperless and receive information from PSERS electronically.

In December of 2020, secure messaging functionality was added which enables members to communicate with PSERS securely within the online portal with messages retained in their online account. More than 7,000 messages have been received since this was implemented with an average response time of less than two business days.

In an ongoing effort to improve MSS, PSERS will be adding multiple enhancements in late 2021 and 2022 including:

- A redesigned platform which will provide easier navigation on PCs and mobile devices.
- Additional information available in members’ accounts.
- More reports for employers.
- Ability to track status of applications submitted for a retirement estimate, retirement benefit, or refund.



PSERS Saves Over \$225,000 annually in Printing & Mailing Costs with Paperless Delivery

Since its inception in April 2018, members have completed nearly 280,000 transactions online through their MSS Portal instead of using paper forms. Commonly completed transactions include:

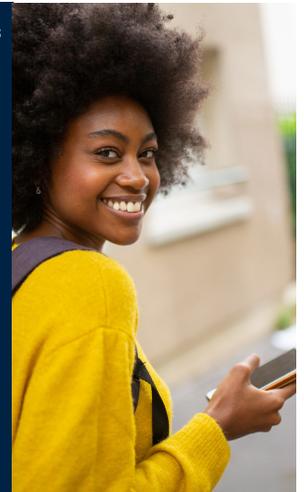
101,985 Retirement Estimates

84,388 Nominations of Beneficiaries

44,891 Income Verifications

36,840 Address Changes

(as of June 30, 2021)



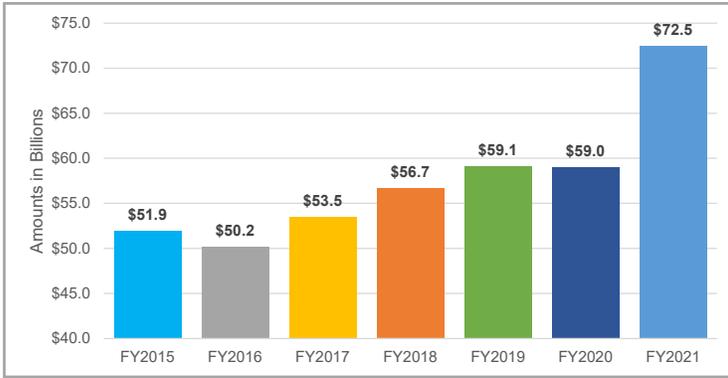
PSERS Adapted Quickly to Impacts of COVID-19 Pandemic

Since March 16, 2020, most PSERS employees have been working remotely from their homes, with limited visits to physical office locations. PSERS operations and processes quickly adjusted with staff working remotely with only brief interruptions to call center and walk-in, in-person assistance availability. Since then, overall, productivity has been maintained or even improved. Based on surveys conducted of persons attending online webinars, the majority of respondents preferred to have an in-person option for counseling. As a result, in-person counseling sessions began again in September 2021, while participating in these via a webinar will also continue to be an available option.

While all new retirees are required to set up direct deposit, PSERS had more than 11,000 annuitants receiving a monthly benefit via a paper check. PSERS faced a significant challenge due to issues with the U.S. Postal Service in the month of March 2021, resulting in these members experiencing significant delays in receiving their benefit. Normal email and phone call volumes more than doubled due to repeated and ongoing outreach by these impacted members. PSERS conducted a campaign urging these members to switch to direct deposit, netting over a 25% reduction in the number of members receiving a paper check moving forward.

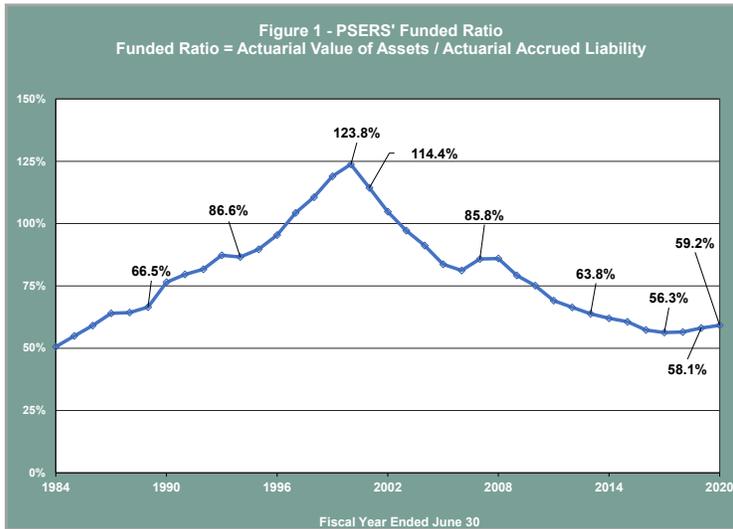
PSERS is in the process of progressing from an emergency work from home experience to a permanent model of telework on a part-time or full-time basis. Not only will this help to alleviate issues of having enough space to accommodate a growing staff, but opportunities are being explored where this could equate to potential cost savings as well.

Financial Highlights



PSERS' Net Position

PSERS' total net position increased by \$13.5 billion from \$59.0 billion at June 30, 2020, to \$72.5 billion at June 30, 2021. The increase at June 30, 2021, was due mostly to record net investment income plus member and employer contributions far exceeding deductions for benefit and administrative expenses.



PSERS' Funded Ratio

Funded ratio or funded status is a percentile measurement between the amount of assets/money the system has on hand at a given time compared to the amount of money the system needs to cover all promised benefits for the System's members.

An independent review of PSERS' assets and liabilities is performed annually. As part of this review, the progress toward funding PSERS' pension obligations (or funded ratio) is measured. PSERS' funded ratio increased from 58.1% at June 30, 2019 to 59.2% as of June 30, 2020, the most recent actuarial valuation, due to fully funded employer contributions, favorable demographic experience, and positive investment returns. The unfunded accrued liability on an actuarial basis declined from \$44.1 billion at June 30, 2019 to \$44.0 billion at June 30, 2020.

The results of operations for FY 2021 will be reflected in the actuarial valuation for the year ended June 30, 2021. Due to the normal lag time for completion of the actuarial valuation, the resulting funded status will be available at the end of the 2021 calendar year and will be reported in the financial statements for the fiscal year ending June 30, 2022 (FY 22). Based on the investment performance for the 10-year period ended June 30, 2021, remaining above the investment rate of return assumption during that time period, receiving full actuarially required contributions, and adopting new actuarial assumptions for the June 30, 2021 actuarial valuation, the funded ratio at June 30, 2021 is expected to remain flat.

Condensed Statements of Fiduciary Net Position June 30, 2021 and 2020 (\$ in millions)

	2021	2020
Member & Employer Receivables	\$ 1,734	\$ 1,742
Investments	72,161	57,774
Other Assets	8,728	5,386
Total Assets	\$ 82,623	\$ 64,902
Benefits Payable & Premium Advances	\$ 642	\$ 662
Other Liabilities	9,448	5,210
Total Liabilities	\$ 10,090	\$ 5,872
Net Position restricted for pension, DC, and postemployment healthcare benefits	\$ 72,533	\$ 59,030

Condensed Statements of Changes in Fiduciary Net Position Years ended June 30, 2021 and 2020 (\$ in millions)

	2021	2020
Member & Employer Contributions	\$ 5,991	\$ 5,877
HOP Participant Premiums & Other	471	472
Net Investment Income	14,764	1,007
Total Additions	\$ 21,226	\$ 7,356
Benefit Payments	\$ 7,631	\$ 7,365
Administrative Expenses	92	96
Total Deductions	\$ 7,723	\$ 7,461
Net Increase (Decrease)	\$ 13,503	\$ (105)
Net Position restricted for pension, DC, & postemployment healthcare benefits:		
Balance, beginning of year	\$ 59,030	\$ 59,135
Balance, end of year	\$ 72,533	\$ 59,030

Financial Highlights (continued)

PSERS Internal Controls and Reporting

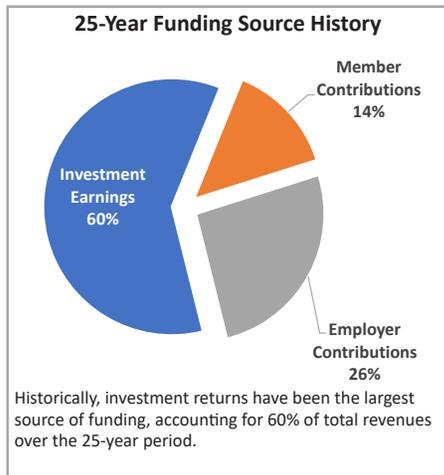
PSERS' management is responsible for and has implemented internal controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records. This report has been prepared in accordance with accounting principles generally accepted in the United States of America. The System maintains a full accrual accounting system. More specific accounting information is detailed in the Summary of Significant Accounting Policies (Note 2) in the notes to the financial statements found in the Financial Section of this report.

A system of internal controls provides reasonable, but not absolute, assurance that assets are properly safeguarded and that financial statements are reliable. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of the cost and benefits requires estimates and judgments by management. PSERS' management believes the internal accounting controls currently in place are adequate to meet the purpose for which they were intended and also believes the financial statements, supporting schedules, and statistical tables are fairly presented.

In addition, PSERS annually undergoes a very thorough internal controls assessment. This past year the in-depth assessment reviewed five areas of PSERS operations: Benefit Processing, Communications, Healthcare, Investments, and Financial Reporting. Each internal control assessment was based on five major components. The five components included: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

As required by the Commonwealth, PSERS submitted the assessment and monitoring plan in a timely manner to the Commonwealth's Office of Budget. No significant deficiencies were identified in this past year's internal control assessment. In August 2021, the Board approved a SOC1 Type 2 Audit Study and directed staff to issue the Notice of Forthcoming Procurement for the SOC1 Type 2 Audit to provide an internal control audit of the System in compliance with Act 128 of 2020.

PSERS Funding Sources



PSERS is funded through three sources:

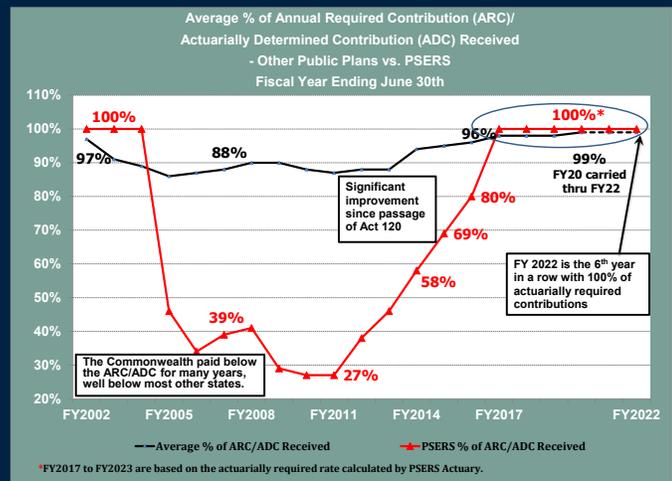
- Contributions from employees (members)
- Employer contributions, which includes contributions from school employers and the Commonwealth
- Investment earnings from the System

Total member contributions slightly increased from \$1.08 billion in FY 2020 to \$1.1 billion in FY 2021 and increased from \$1.06 billion in FY 2019 to \$1.08 billion in FY 2020. The increase in both years was mainly due to an increase in member contributions from active member payroll.

Employer contributions increased from \$4.8 billion in FY 2020 to \$4.9 billion in FY 2021 due to a slight increase in the total employer contribution rate from 34.29% in FY 2020 to 34.51% in FY 2021. Net investment income increased from \$1.0 billion in FY 2020 to \$14.8 billion in FY 2021, which is consistent with the increase in the time-weighted investment rate of return from 1.12% for FY 2020 to 24.58% for FY 2021.

Pension Funding Progress

Prior to Act 120, PSERS' Annual Required Contribution (ARC) percentage of contributions received under Governmental Accounting Standards Board (GASB) standards was only 27%. As a result of the Act 120 funding increases, on July 1, 2016, PSERS began receiving 100% of actuarially required contributions based on sound actuarial practices and principles for the first time in 15 years. This marked a significant milestone in PSERS' contribution history and established a path to full funding. PSERS received the actuarially required contributions from FY 2017 to FY 2021, and the large annual employer contribution rate increases that occurred from FY 2012 to FY 2018 are now complete. Employer contribution rate increases in the future are expected to be in line with inflation, barring major market fluctuations and major changes to the state law.



Investment Highlights

PSERS Posts 24.58% Net Investment Return in FY 2021

In the years following the Great Recession of 2008-2009, PSERS' Board and investment professionals made significant changes to the Fund's investment asset allocation, including further refining its investment strategy and increasing the diversification of assets. In particular, PSERS actively reduced its risk profile by significantly decreasing its equity exposure and by moving portions of the Fund's assets into asset classes that are less correlated to the equity markets. In fact, the returns generated over the past 10 years were done so with one of the lowest risk profiles, as measured by standard deviation of investment returns, among public pension funds in the country as well as one of the highest investment return to risk ratios.



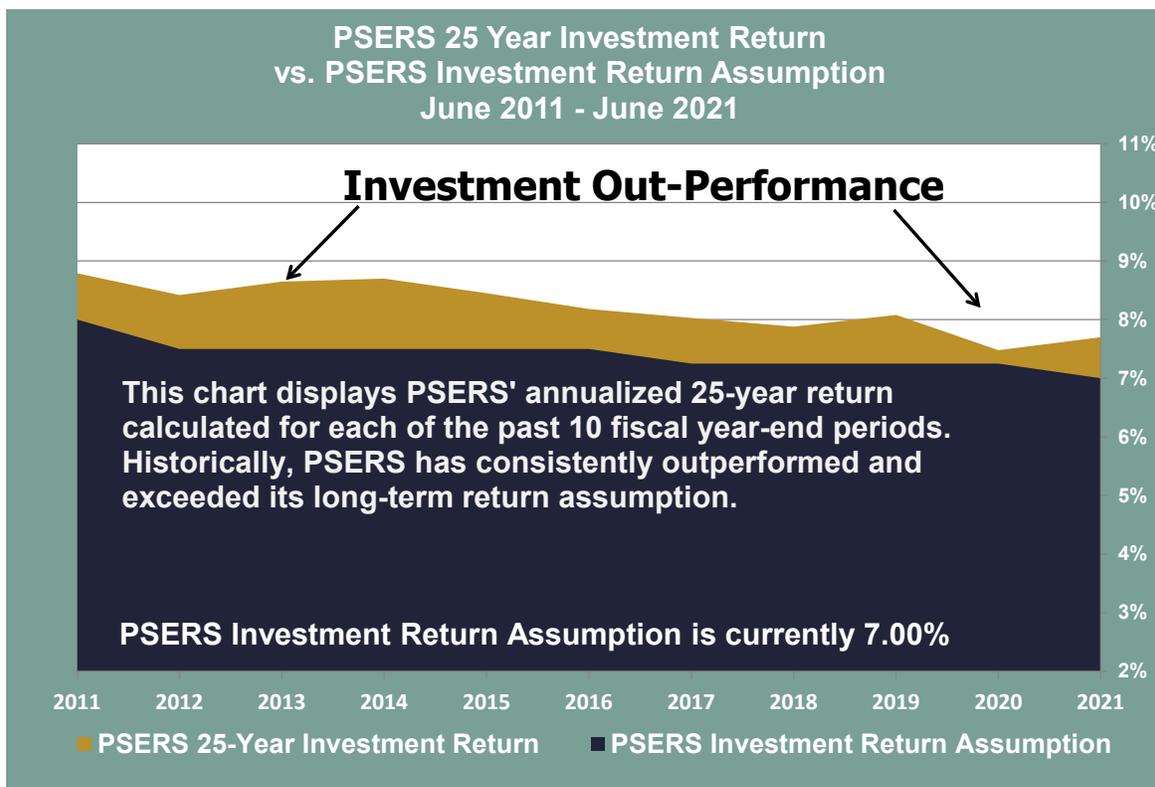
Income from the investment portfolio represents the major source of revenue to the System, accounting for 60% of total revenues over the twenty five-year period from FY 1997 to FY 2021. During FY 2021, net investment income was a record \$14.8 billion. The investment portfolio, which is one part of the System's net position, totaled \$72.2 billion, at fair value, as of June 30, 2021. For FY 2021, the time-weighted net rate of return on the System's investments was 24.58%. For the past 10 years, the Fund's annualized net of fee return was 8.04%, comfortably above the actuarial assumed rate of return of 7.00%. The System has built a diversified allocation to allow it to collect risk premiums over the long-term. In the short-term, no one can predict what will happen, and the System expects to go through years where returns are below 7.00%, perhaps significantly below.

PSERS posted annualized net of fee returns of:

- One-year: 24.58%, added \$14.8 billion in cumulative net investment income
- Five-year: 10.10%, added \$29.1 billion in cumulative net investment income
- 10-year: 8.04%, added \$43.2 billion in cumulative net investment income

Long-Term Investment Performance Exceeds PSERS' Return Assumption

Long-term returns continue to remain above PSERS' return assumption. PSERS posted a positive return of 7.70% for the 25-year period ended June 30, 2021. PSERS maintains a well-diversified asset allocation that can withstand the volatility in the markets, provide enough liquidity to meet cash flow obligations (primarily monthly benefit payments), and meet PSERS' earnings assumption over the long-term.



Investment Highlights (continued)

Risk-Balanced Asset Allocation

The Board reviews the long-term asset allocation targets of the System annually. The Board consults with its actuary, consultants, Investment Office professionals, and other sources of information it deems appropriate in formulating the asset allocation plan. The level of risk assumed by the System is largely determined by the Board's strategic asset allocation plan. The Board, in determining its long-term asset allocation, takes the following factors into consideration:

- The System's investment time horizon;
- The demographics of the plan participants and beneficiaries;
- The cash flow requirements of the System;
- The actuarial assumptions approved by the Board;
- The funded status of the System;
- The Board's willingness and ability to take risk; and,
- The employers' (Commonwealth and school districts) financial strength.

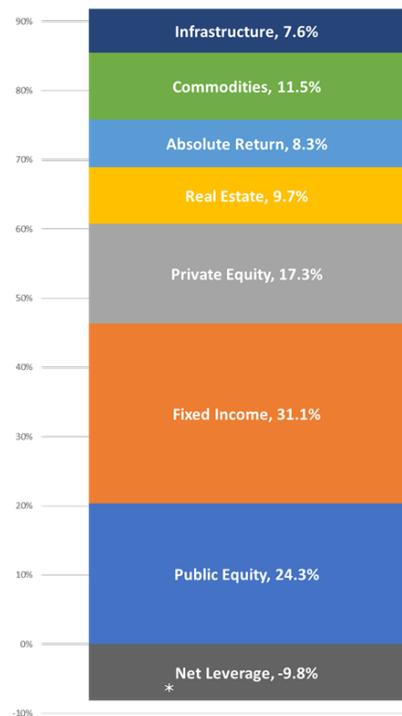
In approving the asset allocation for the System that is recommended by Investment Office professionals and PSERS' general investment consultant, the Board considers capital market expectations for expected return, volatility, and asset class correlations as prepared by its general investment consultant.

Given the historically significant net cash outflows, the Board has prudently reduced the risk profile of the System since the financial crisis in 2008. It has done so by decreasing its return dependence on the equity markets and increasing its risk exposures to asset classes that are less correlated to equity markets such as inflation-linked bonds, commodities, and absolute return. The goal of such an allocation is to generate the desired return profile with less volatility. While such an allocation will not provide for a large upside in returns, it is expected to minimize downside risks to the System's assets in the event of a large equity market drawdown as experienced during the financial crisis in 2008.

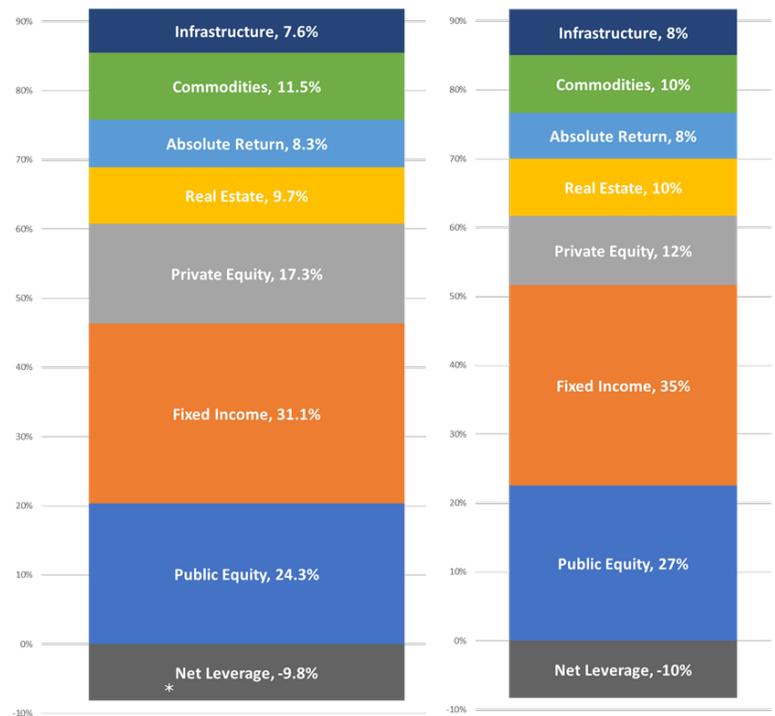
External Cash Flow History

Over the past 20 fiscal years, the System has paid out \$50.7 billion more in benefits than it has received in member and employer contributions (i.e., the System has experienced negative external cash flow). The average negative external cash flow was approximately \$2.5 billion per year during this period. This annual funding deficiency has amounted to 1.9% or more of beginning net assets each year and represents the amount of investment return needed each year to make up the shortfall (i.e., if the System earned 3.0% in a given year with a 3.0% external cash flow shortfall, then the net assets of the System will be unchanged). The negative annual external cash flow has improved significantly since fiscal year 2012 due to the implementation of Act 120 in 2010 (see chart to the right). Act 120 provided for increased employer contributions to the actuarially required contribution levels. Due to receiving 100% of actuarially required contributions for the fifth consecutive year, the System's cash flow shortfall is now more favorable than the public fund average and will continue to improve over the next several years.

Asset Allocation
(as of June 30, 2021)

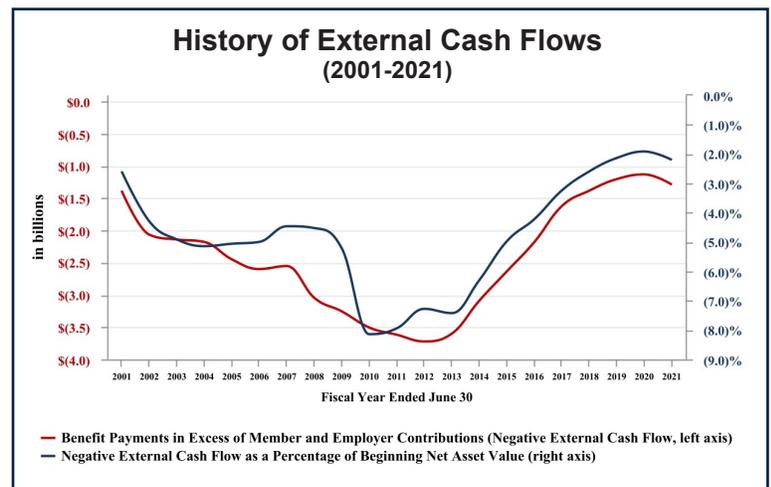


Target Allocation



*Leverage is utilized at the asset allocation level to provide additional exposure to diversifying asset classes. Total Leverage is allocated at -13%; Total Leverage is netted against the System's Cash allocation of 3% for a Net Leverage allocation of -10%.

History of External Cash Flows
(2001-2021)



PSERS Manages \$40.3 Billion Internally

PSERS uses both internal investment professionals and external investment managers to invest its assets. As of June 30, 2021, PSERS employed 57 internal investment professionals with a variety of professional credentials including: Chartered Financial Analysts, Certified Public Accountants, Masters of Business Administration, Chartered Alternative Investment Analyst, and a Professional Risk Manager.

During FY 2021, PSERS increased the amount of asset exposures managed internally from \$26.8 billion to \$40.3 billion of the System's exposures. Asset classes such as U.S. equities and publicly-traded infrastructure are entirely managed in-house by PSERS investment professionals. Other asset classes such as non-U.S. equities, fixed income, private markets, commodities, and real estate are partly managed in-house by PSERS investment professionals.

PSERS' Investment Professionals Certifications and Education

Investment management is a dynamic profession that continuously adapts to new technologies and evolving professional standards. PSERS investment professionals demonstrate their commitment to continuing education through completion of recognized investment industry designation programs and degree programs.

PSERS Investment Office Professional' Certifications & Education

23 Chartered Financial Analysts (CFA)
8 Certified Public Accountants (CPA)
13 Chartered Alternative Investment Analysts (CAIA)
5 Certified Treasury Professionals (CTP)
4 Financial Risk Managers (FRM)
2 Professional Risk Managers (PRM)
1 Certified Property Manager (CPM)
1 Certified Financial Planner (CFP)

45 Bachelor's Degrees
22 Master's Degrees (MBA)
2 Juris Doctor

Numbers as of June 30, 2021

PSERS In-House Management Saves Over \$40 Million Annually



PSERS Investment Office continued the process of filling vacant positions with very capable investment professionals which will allow PSERS to continue its efforts to bring additional assets in-house, provide additional depth to the investment team, and/or enhance risk management, compliance, and operational practices. The expansion of professional staff allows the Investment Office to support the large amount of assets managed in-house at a significantly lower cost than if those assets were managed externally. The Investment Office currently manages approximately 51%, or \$40.3 billion of the gross assets (inclusive of leverage), in-house. The estimated savings from managing those assets in-house is over \$40 million per year.

PSERS Commitment to Improving Transparency

Investment Book of Record Project Phase One Completed

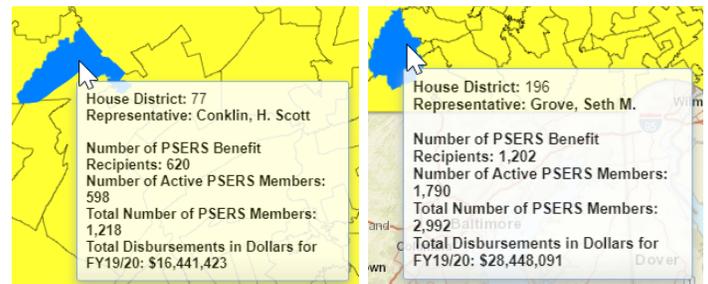
The Operations team in the Investment Office successfully completed phase one of the migration, PSERS' Investment Book of Record (IBOR). The IBOR project started in December 2017 and is slated to be completed in 2022. The IBOR is a technological solution designed to deliver the current best available view of investment data suitable for investment decision-making, incorporating the current status and forward projections of portfolio investment holdings and cash position, as well as reference data and derived analytics supporting the investment decision-making process. Benefits sought from the IBOR include, among other things, modernization of processes, increased transparency, and increased functionality.

On December 6, 2019, PSERS Board of Trustees approved an investment transparency policy that codified many of the agency's long-standing methods of providing investment records to the public, press and policymakers in accordance with existing state laws, Commonwealth directives and best practices in government finance. The policy stresses that PSERS will abide by its legal and fiduciary obligations when using the agency's website and other means to release investment returns, fee data, and budgetary and actuarial data. PSERS provides extensive investment information on its website www.psers.pa.gov. For example, detailed reports providing investment performance by manager and detailed fee information have been added to PSERS website.

PSERS By the Numbers: Statistics by Legislative Districts

PSERS benefit payments and membership data by U.S. Congressional districts, PA State Senate districts, and PA State House districts. Data is updated on a fiscal year (July 1-June 30) basis.

PSERS partnered with the Governor's Office of Administration, Office of Information Technology, Geospatial Services to create interactive, web-based maps that visualize PSERS benefit payments and membership by location. The interactive maps utilize the latest geospatial technology to present several statewide views of PSERS positive economic impact to the Commonwealth.



PSERS Data by U.S. Congressional Districts

PSERS Data by PA State Senate Districts

PSERS Data by PA State House Districts

Reports & Resources on PSERS website include:



For a closer look at PSERS Investments, visit the "Investment Program" section at psers.pa.gov.

Investment Program:

- Carried Interest Report
- Quarterly Investment Performance
- Detailed Manager Fee Information

Board of Trustees:

- Board Resolutions
- Transparency Policy
- Adjudications

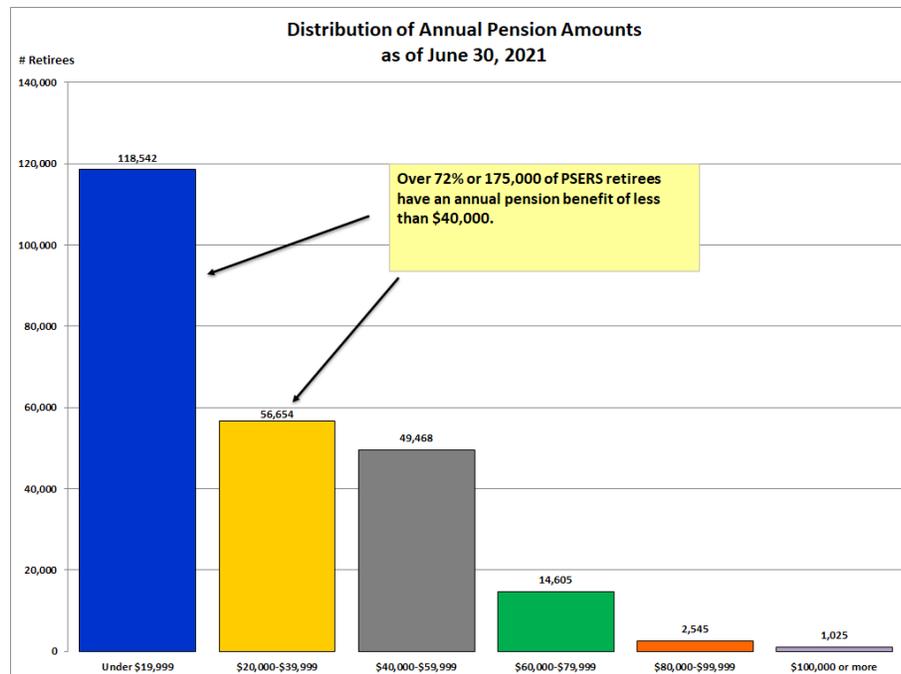
Financial Reports:

- Annual Comprehensive Financial Report (ACFR) & Summary Annual Financial Report (SAFR)
- Quarterly Financial Statements
- Budget Hearing Reports & Budget Report Highlights
- Actuarial Valuation
- Financial Asset Listing
- Employer Contribution Rates
- PA Pension Benefit Payments Map

Pension Benefit Amounts

The average PSERS retiree receives a modest annual pension of \$25,992 after 23 years in public education. During their career, members make mandatory contributions between 7.50% and 10.30% of their pay depending on their class of membership to help fund their own retirement benefit. In accordance with Act 120, new members as of July 1, 2011, and thereafter are funding the majority of the cost of their benefit. This is in contrast to many non-public (private) pension plans. In over 90% of such plans, members do not contribute and the employers bear 100% of the cost of the benefit, according to IRS data.

Six-figure pensions are rare. At June 30, 2021, there were 1,025 retired members receiving an annual benefit over \$100,000 out of a total 243,000 PSERS retirees. These six-figure pension retirees spent an average of 37 years working in their public education careers and contributing to their benefit.



Awards for Financial Reporting

Government Finance Officers Association (GFOA) of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting - The Certificate of Achievement awarded by the GFOA is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. PSERS has received a Certificate of Achievement for 38 consecutive years from FY 1983 to FY 2020.

GFOA Popular Annual Financial Reporting Award - GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to PSERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2020, which PSERS refers to as its Summary Annual Financial Report. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. PSERS has received a Certificate of Achievement for five consecutive years from FY 2016 to FY 2020.

Public Pension Coordinating Council Public Pension Standards Award - The Public Pension Coordinating Council has awarded its Public Pension Standards Award to PSERS for 2020. This award is in recognition of meeting professional standards for plan design and administration.

PSERS Board of Trustees as of June 30, 2021

Secretary of Education of the Commonwealth of Pennsylvania (ex officio)

Secretary Noe Ortega

Secretary of Banking and Securities of the Commonwealth of Pennsylvania (ex officio)

Secretary Richard Vague

Treasurer of the Commonwealth of Pennsylvania (ex officio)

Honorable Stacy Garrity

Chief Executive Officer of the Pennsylvania School Boards Association, Inc. (ex officio)

Mr. Nathan G. Mains

One member appointed by the Governor of the Commonwealth of Pennsylvania for a term of three years

Mr. Joseph M. Torsella (term expires 01/01/24)

Three members elected from among the Active Certified Contributors of the System for a term of three years

Mr. Jason M. Davis (term expires 12/31/22)

Ms. Susan C. Lemmo (term expires 12/31/21)

Mr. Christopher Santa Maria (term expires 12/31/23)

One member elected from among the Active Non-Certified Members for a term of three years

Ms. Deborah J. Beck (term expires 12/31/21)

One member elected from among the annuitants of the System for a term of three years

Ms. Melva S. Vogler (term expires 12/31/22)

One member elected by the members of Pennsylvania Public School Boards from among their number for a term of three years

Mr. Eric DiTullio (term expires 12/31/23)

Two members appointed by the Speaker of the House from the Pennsylvania House of Representatives, one representing the Majority Party and one Representing the Minority Party

Honorable Francis X. Ryan (term expires 12/31/22)

Honorable Matthew D. Bradford (term expires 12/31/22)

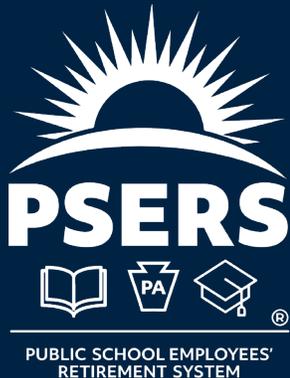
Two members appointed by the President Pro Tempore of the Pennsylvania Senate, one representing the Majority Party and one Representing the Minority Party

Honorable Katie J. Muth (term expires 12/31/22)

Honorable Patrick M. Browne (term expires 12/31/22)

PSERS Board Education and Training Program

Act 5 of 2017 required PSERS Board of Trustees to receive 8 hours of investment-related education each year. We are pleased to report that in 2020, PSERS 15 Board members and their 15 designees completed nearly 585 hours of investment-related education and ethics training. On average, each board member and designee received nearly 20 hours of education, far exceeding the education requirement.



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