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, 2019 (FY 2019). This report summarizes the financial data and accomplishments from FY 2019 that are provided in greater detail in PSERS’ Comprehensive Annual Financial Report (CAFR). PSERS’ CAFR is available online at psers.pa.gov.

PSERS 100th Anniversary
This past July 1, 2019, marked the 100th anniversary since PSERS officially began operations by providing retirement benefits for public school employees throughout Pennsylvania. PSERS has paid out retirement benefits uninterrupted for 100 years. Through good times and bad, PSERS employees’ dedication and commitment to our members has never wavered since our System began. PSERS’ members remain our priority and we continue to operate the System for their exclusive benefit.

Providing $6.7 Billion in Benefits
In FY 2019, PSERS distributed $6.7 billion in total pension benefits. Of this amount, $6.3 billion, or nearly 93%, went to retired members who reside in Pennsylvania. These pension benefits are a significant economic driver that benefit the economy of the Commonwealth.

Receiving Full Funding
For the third consecutive year, PSERS received full actuarial funding from school employers and the Commonwealth after 15 previous years of underfunding the actuarially required amount. This is an essential step to bring PSERS back to fully funded status. Full actuarial funding from employers and the Commonwealth, along with members’ contributions and investment income, are all necessary sources of funds that will pay down the unfunded liability of the System.

Implementation of PSERS Defined Contribution Plan
The defined contribution plan enacted under Act 5 of 2017 was successfully implemented on July 1, 2019. School employees who become new members of PSERS on or after July 1, 2019, can choose from two hybrid plans consisting of defined benefit (DB) and defined contribution (DC) components or a stand-alone DC plan. As a part of this major implementation, PSERS not only modified its own systems but also worked with all of the public school employers across the Commonwealth to ensure a smooth transition for employer reporting and remittance.

PSERS professionals remain dedicated to maintaining the high quality and excellence standards of PSERS DB and DC plans in the years to come.

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; Joseph E. Wasiak Jr., PSERS Deputy Executive Director of Administration

November 07, 2019

PSERS Celebrates 100 Years of Service!
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 currently serves over 500,000 active, terminated vested, and retired public school employees.

PSERS has 347 employees and is headquartered in Harrisburg, Pennsylvania. PSERS also has seven field offices in strategic areas of the Commonwealth to enable direct contact with the membership and employers.

Under PSERS’ DB plan, a member’s pension benefit is determined by a formula that takes into account a pension multiplier, years of service, and final average salary. A member’s pension benefit is fully funded during their working lifetime and members contribute between 5.25% and 10.30% of their pay depending on the class of membership to help fund their own retirement benefit.

A Closer Look: PSERS’ Active Members

As of June 30, 2019, PSERS had nearly 256,000 active members and 773 school employers with an employer annual payroll of $13.8 billion.

- The average age of a PSERS active member is 45 years with 12 years of service.
- The most years of service earned by a current active member is 58 years.
- The average salary of an active member is $53,458.

A Closer Look: PSERS’ Retired Members

As of June 30, 2019, PSERS had over 237,000 retirees and beneficiaries who receive over $509 million in pension and healthcare benefits each month.

- The average yearly benefit paid to retirees is $25,498.
- Nearly 73% of PSERS retirees receive an annual pension benefit of less than $39,999.
- Six-figure pensions are rare, with fewer than one-half of 1% of PSERS retirees receiving an annual pension benefit over $100,000 after serving an average of 38 years in public education.
- The oldest PSERS retiree is 110 years old.
PSERS Celebrates 100 Years

July 1, 2019, marked the 100th anniversary since PSERS officially began operations. The theme of this year’s CAFR is a celebration of all of PSERS’ employees throughout our history who made PSERS’ 100th anniversary possible. In addition, the CAFR includes current and past employee photos and a historical timeline.

Special thanks to PSERS employees for their dedication and excellent service to our members!

Introducing PSERS New Logo!

On July 1, 2019, PSERS transitioned to a new logo for the System. PSERS’ logo celebrates the dawn of a new era, that includes implementing a defined contribution plan and continuing our commitment to providing secure retirement benefits to Pennsylvania public school employees.
Budgetary and Financial Governance

PSERS Saves $6.2 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 $6.2 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. Historically, PSERS has underspent its approved budget, keeping more funds available to invest for PSERS’ members.

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. Within the past 18 months, 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 $200,000 per year in postage, printing and paper costs.

During FY 2019 specifically, the agency achieved a substantial decline in overtime, reduced consultant and legal fees, decreased election and data storage services, and lowered subscriptions, all of which helped to maintain more investment earnings for the benefit of the Fund. Finally, PSERS continued its ongoing efforts to recover funds from securities class action litigation. The System received $5.8 million in settlements from these cases in FY 2019.

FY 2019 Customer Service Highlights

Answered 160,885 Member Calls
Responded to 29,174 Member Emails
Counseled 6,312 Members for Retirement
Issued 2.8 Million Monthly Benefit Payments to Members
Processed 8,795 Retirement Applications
Prepared & Issued 259,234 1099-R’s

FY 2018 Customer Service Highlights - Comparative Data

Answered 156,184 Member Calls
Responded to 17,856 Member Emails
Counseled 6,447 Members for Retirement
Issued 2.7 Million Monthly Benefit Payments to Members
Processed 9,084 Retirement Applications
Prepared & Issued 257,281 1099-R’s
Budgetary and Financial Governance (continued)

Member Self-Service Improvements

PSERS has been highly successful in its efforts to have members take advantage of the new Member Self-Service (MSS) Portal. Since being implemented in April 2018, more than 140,000 members have created their online account and conducted more than 141,000 transactions for themselves. The most common action taken was to update their nomination of beneficiaries. MSS also allows members to “Go Green” and as a result, 96% of all MSS accounts have agreed to go paperless and receive information from PSERS electronically. This paperless opportunity has netted approximately $300,000 in cumulative savings since inception in FY 2018.

Looking ahead, PSERS will be introducing multi-factor authentication requirements for members and employers using PSERS’ online systems in an ongoing effort to ensure the protection of members’ data. Additional enhancements coming in 2020 include more mobile friendly design and secure messaging functionality.

Upcoming enhancements to the PSERS pension administration system will include additional customer service functionality for improved call center interactions and modifications to enable the calculation of benefits for Class T-G and Class T-H members who have a hybrid defined benefit/defined contribution retirement benefit.

PSERS Health Options Program Prescription Drug Plan Earned High Rating

The PSERS Health Options Program (HOP) Prescription Drug Employer Group Waiver Plan earned a 4.5 star rating (out of 5 stars) from the Centers for Medicare and Medicaid Services (CMS) for the 2019 calendar year. PSERS is committed to keeping the HOP prescription drug program affordable, offering meaningful member choice, and holding vendors accountable to provide our members with best-in-class service.

Each year, CMS evaluates applicable health and prescription drug plans based on a plan’s quality and performance. CMS uses a 5-star rating system that helps beneficiaries know how well a plan is doing. The star rating is a quality rating system of 14 measures of Medicare beneficiaries’ experience with their drug plans. Star ratings can be used by beneficiaries to compare a plan’s performance with other plans. PSERS’ HOP Prescription Drug Plan scored very high in its recent CMS evaluation in the following areas: Quality Improvement, Rating of Drug Plan, and Obtaining Needed Prescription Drugs.

For more information on the HOP program, visit hopbenefits.com.
Financial Highlights

The fair value of the System’s fiduciary net position totaled $59.1 billion as of June 30, 2019. PSERS’ total net position increased by $2.4 billion from $56.7 billion at June 30, 2018, to $59.1 billion at June 30, 2019 and the unfunded liability, on a market value basis, declined by $1.2 billion. The increase in net position was due mostly to net investment income plus member and employer contributions exceeding deductions for benefit and administrative expenses.

PSERS’ Net Position

An independent review of PSERS’ assets and liabilities is performed annually. As part of this review, the progress toward funding PSERS’ pension obligations is measured. This measurement is referred to as the funded ratio or funded status. The most recent review reports that PSERS is 56.5% funded with an unfunded liability of $44.9 billion on an actuarial basis as of June 30, 2018. The June 30, 2018, valuation recognized the last year of losses from the Great Recession under the System’s ten-year asset smoothing. As a result, the funded ratio in the June 30, 2019, valuation and thereafter is expected to improve.

PSERS Funded Ratio

Condensed Statements of Fiduciary Net Position
June 30, 2019 and 2018 ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member &amp; Employer Receivables</td>
<td>$1,670</td>
<td>$1,590</td>
</tr>
<tr>
<td>Investments</td>
<td>57,729</td>
<td>55,902</td>
</tr>
<tr>
<td>Other Assets</td>
<td>5,466</td>
<td>3,635</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$64,865</strong></td>
<td><strong>$61,127</strong></td>
</tr>
<tr>
<td>Benefits Payable &amp; Premium Advances</td>
<td>$655</td>
<td>$643</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>5,075</td>
<td>3,755</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$5,730</strong></td>
<td><strong>$4,398</strong></td>
</tr>
<tr>
<td><strong>Net Position restricted for pension, DC, and postemployment healthcare benefits</strong></td>
<td><strong>$59,135</strong></td>
<td><strong>$56,729</strong></td>
</tr>
</tbody>
</table>

Condensed Statements of Changes in Fiduciary Net Position
Years ended June 30, 2019 and 2018 ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member &amp; Employer Receivables</td>
<td>$5,666</td>
<td>$5,388</td>
</tr>
<tr>
<td>HOP Participant Premiums &amp; Other</td>
<td>442</td>
<td>430</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>3,635</td>
<td>4,718</td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td><strong>$9,743</strong></td>
<td><strong>$10,536</strong></td>
</tr>
<tr>
<td>Benefit Payments</td>
<td>$7,237</td>
<td>$7,143</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>100</td>
<td>91</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td><strong>$7,337</strong></td>
<td><strong>$7,234</strong></td>
</tr>
<tr>
<td><strong>Net Increase</strong></td>
<td><strong>$2,406</strong></td>
<td><strong>$3,302</strong></td>
</tr>
<tr>
<td><strong>Net Position restricted for pension, DC, &amp; postemployment healthcare benefits:</strong></td>
<td><strong>$59,135</strong></td>
<td><strong>$56,729</strong></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$56,729</td>
<td>$53,427</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$59,135</td>
<td>$56,729</td>
</tr>
</tbody>
</table>
Financial Highlights (continued)

PSERS Investment Expenses Declined as Assets Continued to Grow
Investment expenses decreased by $17.9 million from $467.7 million in FY 2018 to $449.8 million in FY 2019 mainly due to a decrease in management fees of $23 million in the “absolute return” and “fixed income” portfolios. The decrease in absolute return fees is mainly attributable to the renegotiation of fee terms and lower performance fees earned in FY 2019. The decrease in fixed income fees is due to a decrease in performance fees. The decreases are partially offset by increases in management fees in the international equity asset class. As a percentage of total benefits and expenses, investment expenses decreased from 6.1% in FY 2018 to 5.8% in FY 2019.

As a percentage of total benefits and expenses, investment expenses have decreased from a high of 8.2% in FY 2013 to 5.8% in FY 2019 as investment expenses have declined from $557.6 million in FY 2013 to $449.8 million in FY 2019. During this same period, net assets increased $10.4 billion from $48.7 billion to $59.1 billion.

New Fee Reduction Plan to Save $2.4 Billion
PSERS investment professionals and its investment consultants developed and presented an investment fee savings plan at the August 2018 PSERS Board Meeting as directed by the Board. PSERS investment professionals took a two-pronged approach to generate fee savings. The first was to establish a plan to renegotiate management fee arrangements to create a better alignment of interests between PSERS and each investment manager. The second was to expand internal management and bring additional assets in-house at a lower cost than external management. Together, the projected fee savings are $2.4 billion compounded over 30 years, which represent a 9.6% annual reduction in base management fees. The detailed fee reduction plan is posted on the investment page of PSERS website psers.pa.gov.

PSERS Funding Sources

<table>
<thead>
<tr>
<th>20-Year Funding Source History</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Earnings</strong> 56%</td>
</tr>
<tr>
<td><strong>Member Contributions</strong> 16%</td>
</tr>
<tr>
<td><strong>Employer Contributions</strong> 28%</td>
</tr>
</tbody>
</table>

Historically, investment returns have been the largest source of funding, accounting for 56% of total revenues over the 20-year period from FY 2000 to FY 2019.

PSERS is funded through three sources:

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

Total member contributions slightly increased from $1.03 billion in FY 2018 to $1.06 billion in FY 2019. The increase was mainly due to an increase in member contributions from active member payroll.

Employer contributions increased from $4.4 billion in FY 2018 to $4.6 billion in FY 2019 due to the increase in the total employer contribution rate from 32.57% in FY 2018 to 33.43% in FY 2019.

Net investment income decreased from $4.7 billion in FY 2018 to $3.6 billion in FY 2019, which is consistent with the decrease in the time-weighted investment rate of return from 9.27% for FY 2018 to 6.68% for FY 2019.

PSERS Internal Controls and Reporting

PSERS is considered a component unit of the Commonwealth of Pennsylvania as defined by the Governmental Accounting Standards Board (GASB). An annual audit of the System by an independent certified public accounting firm is required by the Retirement Code. PSERS has received an unmodified opinion as evidenced in the Report of Independent Auditors in the Financial Section of the CAFR. An unmodified opinion means that PSERS’ financial statements fairly present, in all material respects, its financial condition. In addition, no significant findings were noted during the audit and therefore, a management letter was not issued. This is the tenth consecutive year that a management letter was not issued and is reflective of the hard work and dedication of PSERS’ professionals to continue to improve the internal controls, operations, and efficiency of the System.
Investment Highlights

**PSERS Posts 6.68% Net Investment Return in FY 2019**

PSERS is a long-term investor and manages the Fund with long-term objectives (i.e., 25 to 30 years) in mind. The System has built a diversified asset allocation that positions the Fund to earn its return assumption of 7.25% over the long-term although annual fluctuations will occur. PSERS believes the best way to achieve its long-term objectives is to maintain a very diversified portfolio which includes all asset classes available to it, such as equities, fixed income, real assets, risk parity and absolute return.

This past fiscal year was volatile and challenging with a net of fee return of 6.68%. However, pension plans like PSERS are built to generate long-term returns, so one good (or bad) year is not going to make (or break) the Fund. The System focuses on long-term returns. For the past 10 years, the Fund’s annualized net of fee return was 9.02%, comfortably above the actuarial assumed rate of return of 7.25%. The System has built a diversified allocation to allow it to collect risk premiums over the long-term. In the short-term, no one knows what will happen, and the System should expect to go through years where returns are below 7.25%, perhaps significantly below.

PSERS posted annualized net of fee returns of:
- One-year: 6.68%, added $3.6 billion in cumulative net investment income
- Five-year: 6.04%, added $15.1 billion in cumulative net investment income
- 10-year: 9.02%, added $42.8 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 8.08% for the 25-year period ended June 30, 2019. 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

PSERS Board reviews and approves the long-term asset allocation annually. The Board consults with its actuary, investment consultants, and PSERS investment professionals to formulate the asset allocation plan. With interest rates on cash investments around 2.25%, PSERS needs to take prudent risk to achieve its long-term goal of a 7.25% return. The level of risk taken by PSERS is largely determined by the Board’s strategic asset allocation plan.

The Board takes the following factors into consideration:

- PSERS’ investment time horizon
- Demographics of the PSERS membership
- Cash flow needs
- PSERS’ actuarial assumptions
- PSERS’ funded status
- School employers’ and the Commonwealth’s financial strength
- The Board’s willingness to take risk

Given the 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 $50.8 billion more in benefits than it has received in member and employer contributions (i.e., the System has experienced negative 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 2.1% 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% cash flow shortfall, then the net assets of the System will be unchanged).

The large negative annual external cash flow has improved significantly since fiscal year 2012 due to the implementation of Act 120 in 2010 (see the History of External Cash Flows 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 third 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.

*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.
PSERS Commitment to Fee Transparency

PSERS is one of the most transparent large public pension funds in the nation for the disclosure of management fees. For example, certain pension funds report very little or no management fees for alternative investments because they are considered part of the cost of the investment and are netted against performance rather than shown separately. PSERS, however, gathers management fee information from each of its limited partnerships and collective trust fund investments, even if it is not specifically disclosed in the fund’s standard reports or identified in capital call requests. Such management fee information includes both base and performance fees obtained from either the fund’s administrator statement, capital account statement or financial statements. This information is then utilized to report all relevant management fees in the System’s financial statements. While the national debate over what constitutes a “fee” continues, PSERS will endeavor to remain transparent and report fees in accordance with current GASB standards and prevailing public pension industry practices to keep PSERS’ financial statements both meaningful and comparable to its peers. In addition, PSERS reports all other investment expenses, including employee compensation and overhead, consultant, legal, and bank expenses incurred.

In October 2018, PSERS Board created an Agency Committee on Fee Transparency comprised of five Board Members and supported by PSERS employees. The committee was charged with reviewing and assessing current and emerging best industry policies, practices and standards regarding the reporting of investment management performance and fees, charges, expenses and profit-sharing arrangements. The committee is expected to make recommendations to the Board, with the goal of making PSERS a national public pension fund leader in fee and performance disclosure and transparency.

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 establishes a path to full funding. PSERS received the actuarially required contributions in FY 2017, FY 2018, & FY 2019, 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.

Successful Implementation of Act 5

On June 12, 2017, Governor Wolf signed Act 5 of 2017 into law. This pension legislation represented a substantial change to PSERS’ operations and made significant changes to PSERS’ benefit structure for future members.

Under Act 5 of 2017, school employees who became new members of PSERS on July 1, 2019, and thereafter will choose one of three new retirement plan options for their retirement benefits. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan will no longer be available to new members.
PSERS Increased Internally Managed Assets to 39%

PSERS uses both internal investment professionals and external investment managers to invest its assets. As of June 30, 2019, PSERS employed 42 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 2019, PSERS increased the amount of asset exposures managed internally from $23.9 billion to $24.9 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, real estate, risk parity and master limited partnerships are partly managed in-house by PSERS investment professionals.

By bringing more assets in-house, PSERS generates investment management fee savings. When assets are assigned to PSERS’ investment professionals, the total costs (e.g., employee salary and benefits, computers and office supplies) are much lower than the largest “very low fee” index mutual fund companies, giving PSERS a significant advantage.

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 degrees program. Act 5 required PSERS Board of Trustees to receive 8 hours of investment-related education each year. We are pleased to report that in 2018, our 15 Board members and their designees completed over 550 hours of investment-related education and ethics training. On average, each board member and designee received over 20 hours of education, far exceeding the education requirement.

**PSERS Investment Professionals’ Certifications & Education**

| 20 Chartered Financial Analysts (CFA) | 44 Bachelor’s Degrees |
| 7 Certified Public Accountants (CPA) | 16 Master’s Degrees (MBA) |
| 6 Chartered Alternative Investment Analysts (CAIA) | 2 Juris Doctor |
| 3 Financial Risk Managers (FRM) | |
| 4 Certified Treasury Professionals (CTP) | |
| 2 Professional Risk Manager (PRM) | |
| 1 Certified Property Manager (CPM) | |
| 1 Chartered Global Management Accountant (CGMA) | |

PSERS In-House Management Saves Approximately $50 Million Annually

The Investment Office received approval to increase its professional complement by ten during the past fiscal year. We are in the process of filling those positions with very capable investment professionals which will allow us to continue our efforts to bring additional assets in-house as well as provide depth to the investment team. The complement increase will allow 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. Over the past three years, the Investment Office increased the amount of assets managed internally from 35% to 39%, or by approximately $5.5 billion. The estimated savings from managing those assets in-house is over $50 million per year.
Pension Benefit Amounts

The average PSERS retiree receives a modest pension of $25,498 a year. This benefit is earned through an average lengthy career of 23 years in public education. During their career, members make mandatory contributions to PSERS to help fund their own retirement benefit. Most members contribute between 7.50% and 10.30% of their pay depending on their class of membership. 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.

Six-figure pensions are rare. At June 30, 2019, there were 849 retired members receiving an annual benefit over $100,000 out of a total 237,000 PSERS retirees. These six-figure pension retirees spent an average of 38 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 36 consecutive years from FY 1983 to FY 2018.

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, 2018, 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 three consecutive years from FY 2016 to FY 2018.

Public Pension Coordinating Council Public Pension Standards Award - The Public Pension Coordinating Council has awarded its Public Pension Standards Award to PSERS for 2018. This award is in recognition of meeting professional standards for plan design and administration.
Economic Impact in Pennsylvania

PSERS provides a stable source of revenue for local economies throughout Pennsylvania. Each year PSERS pays out billions in pension benefits to retired members who reside in Pennsylvania. In fiscal year 2019, PSERS pension benefits to retirees totaled approximately $6.7 billion. Of this amount nearly 93%, or $6.3 billion, went directly into state and local economies. These pension benefits are a significant economic driver that benefit the economy of the Commonwealth.

Total Benefits in Pennsylvania: $6.3 Billion

For More Information

This Summary Annual Financial Report (SAFR) is produced from information contained in PSERS’ Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. All financial information contained in the SAFR conforms with Generally Accepted Accounting Principles (GAAP).

Both PSERS’ SAFR and CAFR, which contains more detailed information, are available on PSERS’ website at psers.pa.gov under “Financial Publications.”

Social Media

During FY 2019, PSERS received legal approval to begin using social media as a method of communicating with PSERS members and the general public. Since that time, PSERS has created a Twitter page and post tweets daily including the availability of the CAFR and SAFR. PSERS twitter handle is @PA_PSERS. PSERS expects to create other social media accounts over the next fiscal year to further enhance communications with our members.
Seated, front row: Secretary Robin L. Wiesmann; Melva S. Vogler, Board Chairman; Susan C. Lemmo; Deborah J. Beck

Standing, second row: Honorable Francis X. Ryan; Miriam Fox, designee for Honorable Matt D. Bradford; Stacey Connors, designee for Honorable Patrick M. Browne; Jonathan Berger, designee for Nathan G. Mains; Christopher SantaMaria; Honorable Joseph M. Torsella; Jason M. Davis; Patrick Lord, designee for Secretary Pedro A. Rivera; Honorable John P. Blake

Not pictured: Eric DiTullio