

Summary Annual Financial Report

Fiscal Years Ended June 30, 2022 & 2021

A Message From the Executive Director

November 4, 2022



Terrill (Terri) J. Sanchez,
PSERS Executive Director

On behalf of the Pennsylvania Public School Employees' Retirement System (PSERS) Board of Trustees and staff, I am pleased to present the Summary Annual Financial Report (SAFR) for the fiscal year ended June 30, 2022 (FY 2022). This report summarizes the FY 2022 financial data and accomplishments that are provided in greater detail in PSERS' Annual Comprehensive Financial Report (ACFR). The ACFR is posted online at psers.pa.gov.

Organizational Changes and Developments in 2022

This year, PSERS moved forward in a positive direction during challenging times. The year included multiple executive staff retirements, the hiring of a new Executive Director in June, the completion of an internal investigation, and the beginning of implementation of governance reforms from the System's governance review.

Three top executives retired during fiscal year 2022 - Executive Director, Chief Investment Officer, and Chief Counsel. PSERS Board conducted executive searches for these positions and has filled two of the vacancies to date.

- In June 2022, I was hired as PSERS Executive Director.
- In August 2022, PSERS Board hired Joseph J. Indelicato, Jr. as a Special Advisor to the Board. After Pennsylvania licensing requirements are completed, Mr. Indelicato will assume the position of Chief Counsel at PSERS.
- The Chief Investment Officer executive search is ongoing as of the date of this report. Robert Devine, PSERS Fixed Income Director, has been serving as Interim Chief Investment Officer since December 2021.

FY 2022 also marked the conclusion of the internal investigation of the shared-risk calculation error and the purchase and valuation of certain directly-owned properties and the closure of the U.S. Department of Justice investigation. There were no findings of criminal conduct and no civil or criminal charges from either investigation. The SEC investigation noted in last year's ACFR remains ongoing. PSERS continues to fully cooperate with the SEC.

Although there were no findings of criminal conduct, there are opportunities for improvement in every organization. Over the past fiscal year, several reviews were conducted to evaluate various governance controls, policies, and procedures, and provide insight and recommendations for improvement. The reviews include the following:

- **Funston Governance Report** - In December 2021, the PSERS Board accepted a governance review report it commissioned with Funston Advisory Services. Since then, the Board and staff have been working to evaluate and implement recommendations.
- **The Board also adopted a Public Participation Policy and a Strategic Planning Policy** – a first for the Agency. In support of the new Strategic Planning Policy, in October 2022, the Board hired Dering Consulting Group to assist PSERS Board and Staff with developing a Strategic Plan.
- **Investment Office Operational Processes and Procedures Review Report** - The Board engaged Verus Advisory Inc. to provide an assessment of the operational policies, processes, and procedures followed by the Investment Office. In March 2022, Verus presented their findings and determined that the PSERS Investment Office had generally implemented solid processes and controls that aligned with industry best practices, but they did note areas for improvement that could further strengthen those operational policies, processes, and procedures.
- **Ernst & Young Assessment** – E&Y is working with PSERS staff to review the Fund's systems of internal controls, and provide recommendations to improve those controls, increase efficiencies, and reduce risk.
- **PSERS has also started the multi-year process to conduct a SOC 1/Type 2 Review and Audit**, a rigorous review/audit of operations and controls.

PSERS' Investment Return Outperforms Peers

During FY 2022, investment markets were volatile and challenging. PSERS' FY 2022 investment rate of return of a positive 2.23%, although below our assumed rate of return, was in the top percentile of investment performance for PSERS public pension peer group and was well above PSERS' investment consultant's public pension peer group median investment rate of return of a negative (7.21)%.

In closing, we fully embrace our responsibilities of being prudent stewards of the Fund's assets. We will continue to work closely with our Board and stakeholders in a collaborative, positive manner to move the Agency forward to become the best it has ever been.

Respectfully,

Terrill (Terri) J. Sanchez
PSERS Executive Director

Table of Contents

About PSERS & HOP.....	2-3	Investment Highlights.....	8-9	Annual Benefit Amounts.....	12
Budgetary & Financial Governance.....	4-5	PSERS Internal Management.....	10	Economic Impact in PA.....	13
Financial Highlights.....	6-7	Commitment to Improving Transparency.....	11	Board of Trustees.....	14

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 375 and has 770 reporting units as of June 30, 2022. PSERS is headquartered in Harrisburg, Pennsylvania, and has seven field offices in strategic areas of the Commonwealth to offer direct assistance to our 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 with a goal to be 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.
Members in the DB Plan contribute a base rate 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, 2022, PSERS had approximately 248,000 active members with an annual payroll of \$14.7 billion.

- The top five largest school employers are: Philadelphia City School District, Pittsburgh School District, Central Bucks School District, North Penn School District, and Allentown City School District.
- The average age of a PSERS active member is approximately 45 with 12 years of service.
- The most years of service earned by a current active member is 57 years.
- The average salary of an active member increased from \$56,663 in 2021 to \$58,082 in 2022.



A Closer Look: PSERS' Retired Members

As of June 30, 2022, PSERS had approximately 247,000 retirees and beneficiaries who receive over \$542 million in pension and healthcare benefits each month.

- The average yearly benefit paid to retirees increased from \$25,992 in 2021 to \$26,078 in 2022.
- Nearly 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 38 years in public education.
- Currently, the oldest PSERS retiree is 108 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 2022, approximately 47,000 participants were enrolled in the DC plan, either as part of one of the classes with DB and DC components or the standalone DC class.

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 lineup includes eight providers offering six asset classes and a portfolio of target funds, totaling 20 investment options among which participants in the DC Plan can diversify their portfolio. As of June 30, 2022, the total DC plan balance was nearly \$99 million.



PSERS Health Options Program Earns Awards for Quality and Performance

The PSERS Health Options Program (HOP) continued to see steady growth in enrollment and had more than 123,000 PSERS retirees, spouses, and dependents enrolled as of June 30, 2022. Within the plan, there is a Dental Program offering and a Vision Program offering, each of which had over 32,000 enrollees as of June 30, 2022. HOP also offers a Silver Sneakers Fitness program. An open enrollment was held during the 2021-22 plan year which also contributed to the growth of the HOP membership. In addition, PSERS' HOP Plan received two awards including:

- **PSERS HOP CMS Medicare 2022 Star Rating** - PSERS HOP Employer Group waiver Plan received a 4.5 Star Rating for the upcoming 2023 plan year. CMS' Medicare Star rating program evaluates 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. PSERS PDP is among only six other plans in the United States to receive a 4.5 Star Rating and only two plans received the 5 Star Rating.
- **PSERS Prescription Drug Plan Earned National Award in May 2022** - PSERS HOP Prescription Drug Plan earned the Pharmacy Quality Alliance's (PQA) Laura Cranston Excellence in Quality Award. The alliance, founded in 2006 and based in Alexandria, VA, seeks to set national prescription medication safety and use standards in partnership with the federal CMS. For a dozen years, PQA has issued the award which is named after the alliance's former Chief Executive Officer and is based on CMS' quality control healthcare rating system. The alliance bestowed this year's honor on 25 (2.9%) of the 850 Medicare Part D plan contracts in the CMS system.



Budgetary and Financial Governance

PSERS Saves \$3.4 Million Annually in Administrative Costs

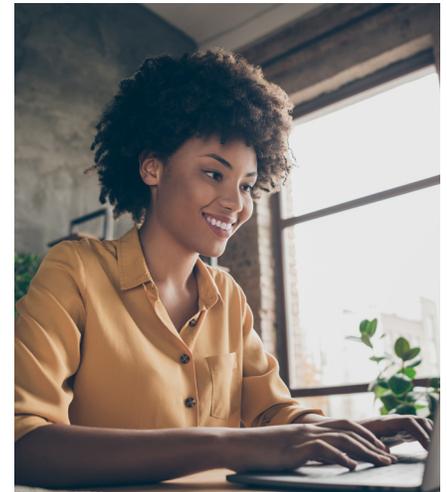
PSERS participates in an annual independent, international benchmarking survey evaluating its costs and service performance in comparison to other public pension funds. Based on the most recent survey, PSERS had a 7% lower pension administration cost per member than the average cost for its peer group. By running a lean and efficient operation, PSERS saves the Commonwealth and school employers approximately \$3.4 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.

During FY 2022 specifically, the agency lowered its postage costs, reduced contracted maintenance and repair services, decreased rental of equipment and software, and achieved significant savings in subscriptions. In addition to these savings, PSERS reduced costs by eliminating unnecessary parking leases at its headquarters location due to the adoption of an Agency-wide telework policy.

Litigation and Contingencies

In 2021, the System received subpoenas from two 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-owned properties. In August 2022, PSERS was informed by the U.S. Department of Justice that it has closed its investigation of PSERS. In 2021, PSERS Board also retained outside counsel to conduct an independent internal investigation of the shared risk calculation and the purchase and valuation of certain directly-owned properties. PSERS' internal investigation concluded in January 2022 with no findings of criminal conduct. PSERS is cooperating fully with the remaining federal investigation which is ongoing. The System is subject to various threatened and pending lawsuits. The System had a lawsuit filed by a board member regarding access to various documents and communications related to investments. 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 \$3.4 million annually in administrative expenses.

FY 2022 Customer Service Highlights

					
Answered 148,440 Member Calls	Responded to 66,721 Member Emails & Secure Messages	Counseled 6,972 Members for Retirement	Issued 2.9 Million Monthly Benefit Payments to Members	Processed 9,649 Retirement Applications	Prepared & Issued 268,128 1099-R's

FY 2021 Customer Service Highlights - Comparative Data

Answered 185,115 Member Calls	Responded to 64,944 Member Emails & Secure Mes- sages	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
--	--	---	---	--	---

Budgetary and Financial Governance (continued)

Member Self-Service Improvements

The PSERS Member Self-Service (MSS) Portal has continued to be a tremendous success.

Since MSS was implemented in April 2018, more than 225,000 members have created their online account and conducted nearly 400,000 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 94% of all MSS users are paperless and receive their information from PSERS electronically. This paperless opportunity has exceeded \$1 million in cumulative savings since inception in FY 2018 and provides our members with immediate and secure access to their retirement account.

A redesigned MSS platform has been deployed, making it easier for members to navigate from PCs and mobile devices. New customer service features were added, giving members the ability to track the status of their requests for an estimate, a refund, and a retirement benefit.

Another major undertaking has been incorporating the IRS’ revisions to the W-4P form for federal tax withholding

Work is currently underway to enable members to submit a refund application online which will expedite the process and reduce the need for manual intervention. Future enhancements will also allow members to update their banking information with PSaERS online.



Since its inception in April 2018, members have completed more than 372,000 transactions online through their MSS Portal instead of using paper forms.

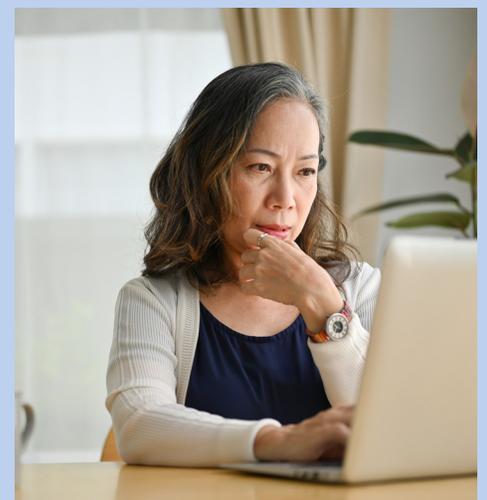
Commonly completed transactions include:

143,744 Retirement Estimates
103,784 Nominations of Beneficiaries
60,358 Income Verifications
54,756 Address Changes

(as of June 30, 2022)

In-Person Counseling & Presentations Resume

As PSERS and the rest of the Commonwealth continued to adjust to a post-pandemic world, PSERS restarted in-person retirement exit counseling sessions. These sessions are being offered both in-person and virtually. Additionally, school employers reopened their doors to allow PSERS to conduct on-site large group educational presentations, known as Foundations for Your Future sessions. After a two-year hiatus due to COVID-19, these sessions are drawing large crowds of interested members. A new, interactive map has been deployed to the PSERS website to make it easier for members to identify opportunities to attend these sessions in their local areas.



Financial Highlights



PSERS' Net Position

PSERS' total net position decreased \$1.3 billion from \$72.5 billion at June 30, 2021 to \$71.2 billion at June 30, 2022. The decrease at June 30, 2022 was due mostly to deductions for benefits, administrative expenses and net investment loss exceeding member and employer contributions. The 2.23% investment return for fiscal year 2022 was well below the Fund's 7.00% actuarial investment rate of return assumption due to a challenging environment for financial markets from growing inflation concerns, tighter monetary policy, the Russian invasion of Ukraine and the associated uncertain economic implications, but remained in the top percentile of investment performance among PSERS public pension peer group.

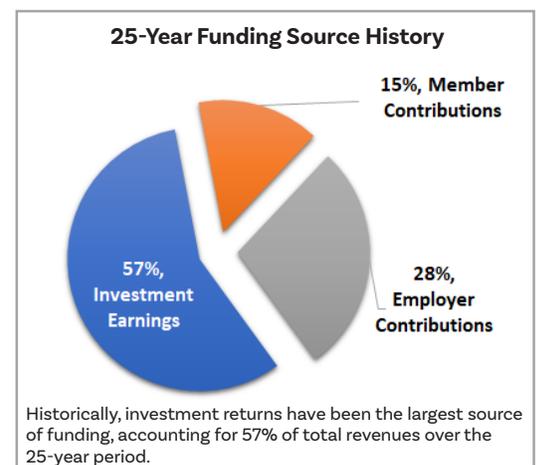
PSERS Funding Sources

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 increased from \$1.10 billion in FY 2021 to \$1.17 billion in FY 2022 mainly due to an increase in member contributions from active member payroll and an additional \$22 million increase due to the member shared risk contribution rate increases.

Total employer contributions increased from \$4.9 billion in FY 2021 to \$5.1 billion in FY 2022 due to employer payroll growth and a small increase in the total employer contribution rate from 34.51% in FY 2021 to 34.94% in FY 2022.



Net investment loss of \$(282.4) million in FY 2022 decreased significantly from a net investment income of \$14.8 billion in FY 2021 which is consistent with the decrease in the time-weighted investment rate of return from 24.58% for FY 2021 to 2.23% for FY 2022. (Please see the *Investment Return Reporting vs. Financial Statement Reporting* section on page 39 of the ACFR for an explanation of why the FY 2022 financial statements contain a net investment loss while the FY 2022 investment return was positive.)

	2022	2021
Member & Employer Receivables	\$ 1,798	\$ 1,734
Investments	70,905	72,161
Other Assets	10,549	8,728
Total Assets	\$ 83,252	\$ 82,623
Benefits Payable & Premium Advances	\$ 576	\$ 642
Other Liabilities	11,524	9,448
Total Liabilities	\$ 12,100	\$ 10,090
Net Position restricted for pension, DC, & postemployment healthcare benefits	\$ 71,152	\$ 72,533

	2022	2021
Member & Employer Contributions	\$ 6,307	\$ 5,991
HOP Participant Premiums & Other	481	471
Net Investment Income (Loss)	(282)	14,764
Total Additions	\$ 6,506	\$ 21,226
Benefit Payments	\$ 7,795	\$ 7,631
Administrative Expenses	92	92
Total Deductions	\$ 7,887	\$ 7,723
Net Increase (Decrease)	\$ (1,381)	\$ 13,503
Net Position restricted for pension, DC, & postemployment healthcare benefits:		
Balance, beginning of year	\$ 72,533	\$ 59,030
Balance, end of year	\$ 71,152	\$ 72,533

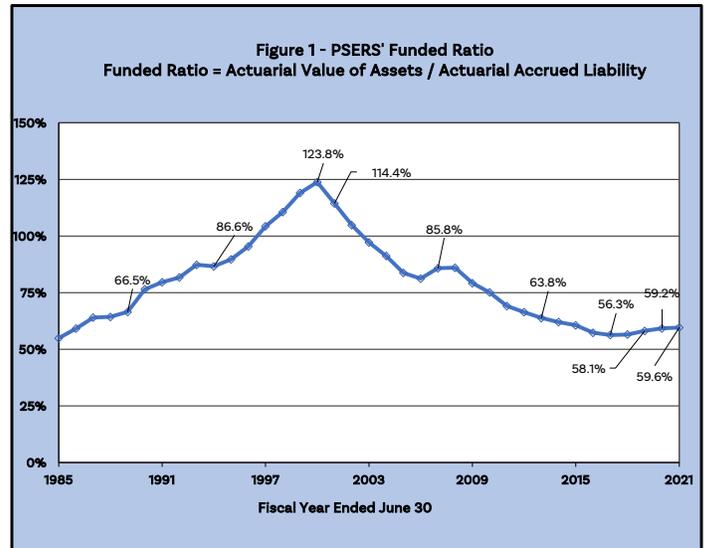
Financial Highlights (continued)

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.

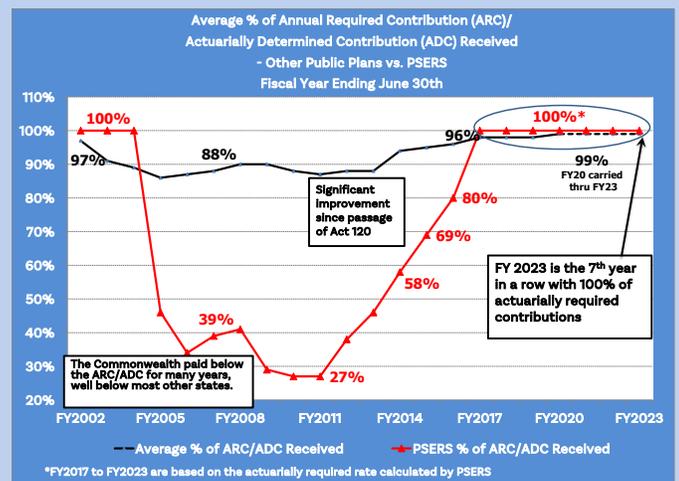
An independent review of PSERS' assets and liabilities is performed annually. As part of this review, the progress toward funding PSERS' pension obligations (or funded ratio) is measured. PSERS' funded ratio increased from 59.2% at June 30, 2020 to 59.6% as of June 30, 2021, the most recent actuarial valuation, due to fully funded employer contributions, favorable demographic experience, and positive investment returns. The unfunded accrued liability on an actuarial basis increased from \$44.0 billion at June 30, 2020 to \$45.5 billion at June 30, 2021.

The results of operations for FY 2022 will be reflected in the actuarial valuation for the year ended June 30, 2022. Due to the normal lag time for completion of the actuarial valuation, the resulting funded status will be available at the end of the 2022 calendar year and will be reported in the financial statements for the fiscal year ending June 30, 2023 (FY 23). Based on the investment performance for the ten-year period ended June 30, 2022, which is above the investment rate of return assumption during that time period, and due to receiving the full actuarially required contributions the funded ratio at June 30, 2022 is expected to improve.



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 2016 to FY 2022, 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 or less than inflation.



Investment Highlights

PSERS Posts 2.23% Net Investment Return in FY 2022

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. The purpose of this was to increase the Fund's resilience to economic and market uncertainty. Diversification continues to be the primary means by which the Fund addresses uncertainty.

PSERS Earned
2.23%
return on investment in
FY 2022 despite volatile &
challenging markets

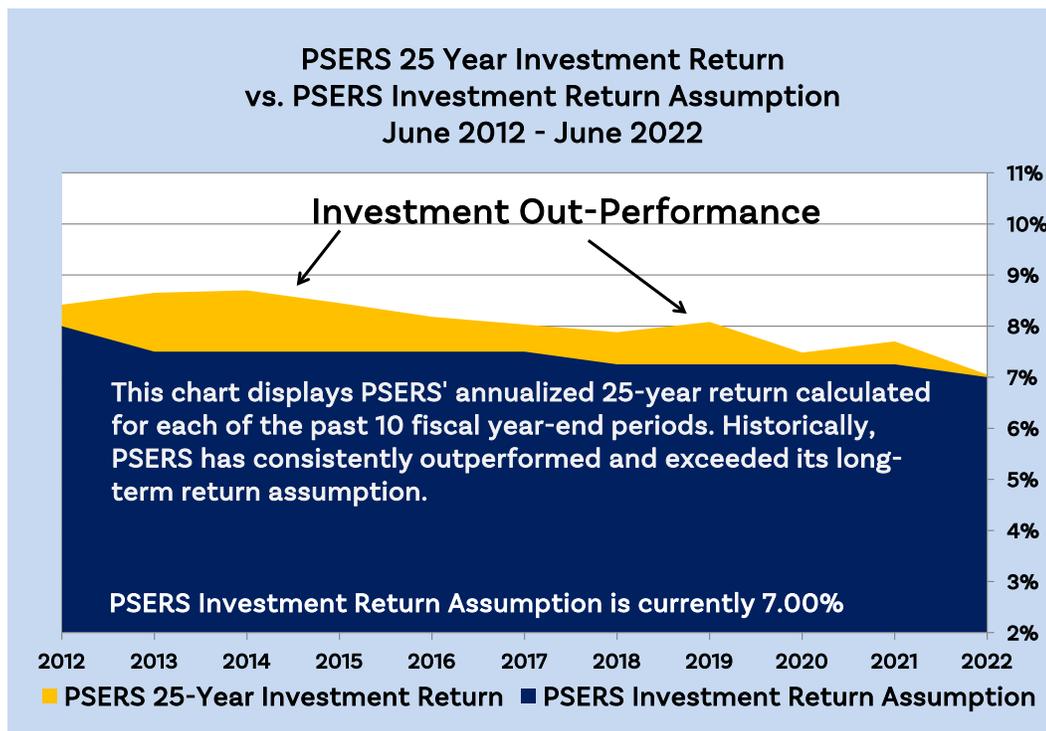
Income from the investment portfolio represents the major source of revenue to the System, accounting for 57% of total revenues over the 25-year period from, FY 1998 to FY 2022. The investment portfolio, which is one part of the System's net position, totaled \$70.9 billion, at fair value, as of June 30, 2022. For FY 2022, the time-weighted net rate of return on the System's investments was 2.23%. While the FY 2022 return was positive, the net investment income (loss) was \$(282.4) million. This is due to the differences in timing between investment return reporting and financial statement reporting. *(Please see the Investment Return Reporting vs. Financial Statement Reporting section on page 39 of the ACFR for more information.)* For the past 10 years, the Fund's annualized net of fee return was 7.91% comfortably above the actuarial assumed rate of return of 7.00%.

PSERS posted annualized net of fee returns of:

- One-year: 2.23%, cumulative net investment (loss) of \$(282.4) million
- Five-year: 8.46%, added \$23.8 billion in cumulative net investment income
- 10-year: 7.91%, added \$41.8 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 7.05% for the 25-year period ended June 30, 2022. PSERS maintains a well-diversified asset allocation designed to 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 on a periodic basis. The Board consults with its actuary, consultants, Investment Office professionals, and other sources of information it deems appropriate in formulating the asset allocation. The level of risk assumed by the System is largely a result of the asset allocation. 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, the Board considers capital market expectations for expected return, volatility, and asset class correlations for each asset class, as prepared by its general investment consultant.

In December 2021, the Board adopted an updated Strategic Asset Allocation. The Board's strategic asset allocation approval establishes the guidelines for how PSERS' investment professionals and external managers invest assets of the fund to meet its long-term retirement obligations to the System's members. The Board's allocation changes, including an increase in public equities and the elimination of its absolute return holdings, are expected to be implemented prudently over time.

Divestiture of Russian and Belarusian Investments

At the start of the Russian invasion of Ukraine in late February 2022, PSERS estimated the Fund held under \$300 million (less than 1/2 of 1% of PSERS total assets of \$72.5 billion) in Russian and Belarusian investments.

On March 3, 2022, PSERS Board of Trustees passed a Resolution to divest PSERS from investments in Russia and Belarus as expeditiously as possible, consistent with the Board's fiduciary duty of prudence. In addition, future investments involving Russia or Belarus were prohibited until directed otherwise by the Board. Since that time, the amount of PSERS investment holdings in Russia and Belarus has steadily declined.

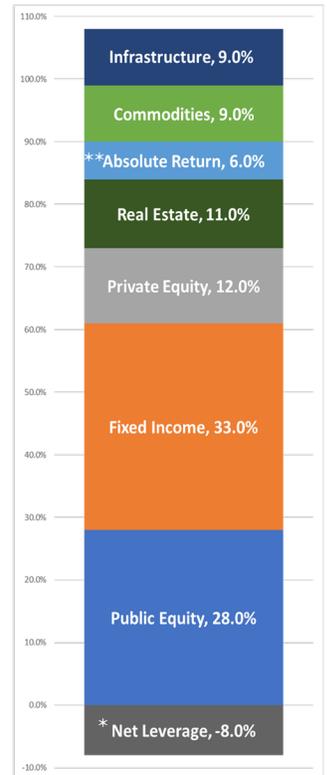
PSERS conservatively estimates as of July 31, 2022, PSERS direct Russian holdings had a market value of approximately \$1.4 million according to its custodian bank, BNY Mellon. Liquidation has not yet been achieved due to the Russian market's illiquidity. PSERS had indirect Russian holdings and alternative investments of approximately \$500,000. This is a long-put position that is contractually set to expire at the end of calendar year 2022. PSERS does not have any indirect or direct holdings in Belarus.

In addition, Governor Tom Wolf on November 3, 2022, signed into law Act 132 (House Bill 2447) directing PSERS, as well as the State Treasury, State Employees; Retirement System, and the Pennsylvania Municipal Retirement System to divest from Russian and Belarusian assets.

Actual Asset Allocation
(as of June 30, 2022)



Target Allocation
(as of June 30, 2022)



*Leverage is utilized at the asset allocation level to provide additional exposure to diversifying asset classes. Total Leverage is allocated at -11%; Total Leverage is netted against the System's Cash allocation of 3% for a Net Leverage allocation of -8%.

** The Board's allocation changes includes the elimination of its absolute return holdings which is expected to be implemented prudently over time.

PSERS Manages \$42.1 Billion Internally

PSERS In-House Management Saves Approximately \$50 Million Annually

PSERS uses both internal investment professionals and external investment managers to invest its assets. As of June 30, 2022, PSERS employed 62 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 2022, PSERS increased the amount of asset exposures managed internally from \$40.3 billion to \$42.1 billion, or 54%, of the System's exposures. The estimated savings from managing those assets in-house is \$50 million per year. 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 is in the process of hiring 10 additional staff to continue its efforts toward enhanced risk and compliance management, meeting various legislative initiatives such as an internal control audit, and on-going support for increased internal investment portfolio management.

PSERS Internal Controls & 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.

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, each year PSERS undergoes a very thorough internal controls assessment. This year, the in-depth assessment was focused on eight areas of PSERS operations: Actuarial Reporting, Actuarial Valuation, Financial Reporting, Human Resources, Information Technology, Investments, DC Plan, and Governance. Each internal control assessment is based on five major components - Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. As required, PSERS will submit the assessment and monitoring plan to the Commonwealth's Office of Budget by December 2022. No significant deficiencies have been identified in past internal control assessments.

PSERS has started the multi-year process to conduct a SOC 1/Type 2 Review and Audit, a rigorous review/audit of operations and controls which was proposed by Vice Chairman and Audit Committee Chair Rep. Frank Ryan to comply with Act 128 of 2020 and is fully supported by the Board and Staff. The Act, which was also sponsored by Rep. Ryan, directs PSERS board to provide for an internal control audit at least once every five years.

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 Professionals' Certifications & Education

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

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

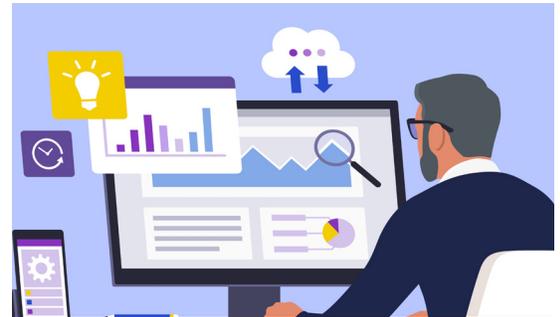
Numbers as of June 30, 2022

PSERS Commitment to Improving Transparency

Investment Book of Record (IBOR) Project Phase One Completed

Phase 2 of the IBOR project was launched during FY 2022 and is currently scheduled to be completed in 2023. Building on the foundations of Phase 1, the completion of Phase 2 should bring enhanced productivity in the areas of performance reporting, compliance, derivatives collateral management, and private asset tracking.

The IBOR is a technological platform 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.



IBOR: A platform designed to deliver the current best available view of investment data suitable for investment decision-making.

Detailed Records and Travel Reports Posted Online

PSERS has a long history of providing extensive investment records to the public, press, and policymakers in accordance with existing state laws, Commonwealth directives, and best practices in government finance. PSERS abides 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 psers.pa.gov. For example, detailed reports providing investment performance by manager and detailed fee reports, including carried interest, have been added to PSERS' website.

In July 2021, the PSERS Board adopted a new travel policy providing for the formal review, written approval, and disclosure of all System-related travel and travel expenses. Throughout the year in the course of fulfilling their fiduciary duties, Board and staff of the Fund may occasionally be required to travel on behalf of the System to attend meetings, educational seminars, due diligence reviews, and satisfy such other fiduciary oversight and public outreach responsibilities. In accordance with the travel policy, travel reports have been posted on PSERS' website. These reports allow PSERS members and the public to view staff and board member travel expenses.



PSERS provides extensive investment information on its website psers.pa.gov.

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

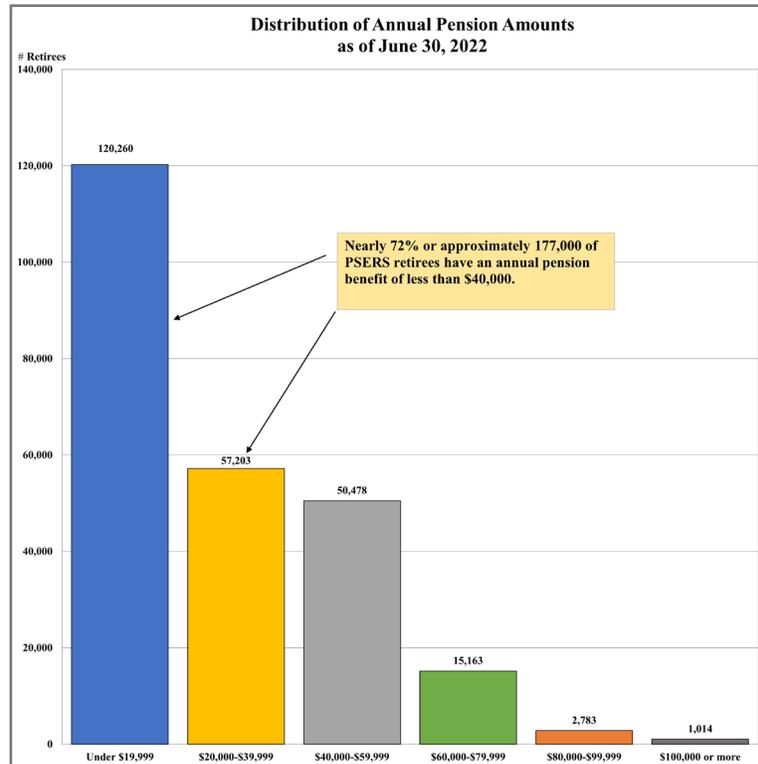
Financial Publications & Reports:

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

Distribution of Annual Pension Benefit Amounts

The average PSERS retiree receives a modest pension of \$26,078 on an annual basis, a benefit earned through a lengthy career averaging 23 years in public education. During their career, members make mandatory contributions, most of which are between 7.50% and 10.80% 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.

Six-figure pensions are rare. At June 30, 2022, there were 1,014 retired members receiving an annual benefit over \$100,000 out of approximately 247,000 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 39 consecutive years from FY 1983 to FY 2021.

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, 2021, 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 six consecutive years from FY 2016 to FY 2021.

Public Pension Coordinating Council Public Pension Standards Award - The Public Pension Coordinating Council has awarded its Public Pension Standards Award to PSERS for 2021. This award is in recognition of meeting professional standards for plan design and administration.

PSERS Board of Trustees as of June 30, 2022



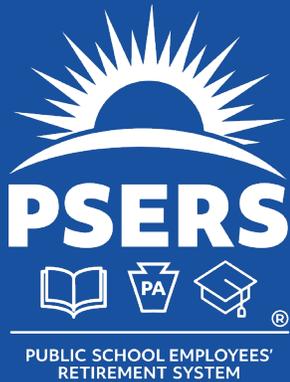
Seated, front row (left to right): Melva S. Vogler; Ann Monaghan; Stacey Connors, designee for Honorable Patrick M. Browne; Treasurer Stacy Garrity; and Susan C. Lemmo

Standing, back row (left to right): PSERS Board Vice-Chair Honorable Francis X. Ryan; Secretary Richard Vague; Jason M. Davis; PSERS Executive Director and Board Secretary Terrill J. Sanchez; Eric DiTullio; John Callahan, designee for Nathan G. Mains; Patrick Shaughnessy, designee for Honorable Matthew Bradford; and PSERS Board Chair Christopher Santa Maria

Not pictured: Acting Secretary of Education, Eric Hagarty, Honorable Katie J. Muth, and Joseph M. Torsella

PSERS Board Education and Training Program

Act 128 of 2020 required PSERS Board of Trustees to receive 10 hours of investment-related education and one hour of ethics training each year. In 2021, PSERS 15 Board members and their 15 designees completed 491 hours of investment-related education and ethics training. On average, each board member and designee received over 16 hours of education, far exceeding the education requirement.



Toll-Free: 1.888.773.7748

Local Phone: 717.787.8540

Email Address: ContactPSERS@pa.gov

Website: psers.pa.gov

5 North 5th Street | Harrisburg, PA 17101-1905

FOLLOW US...



@PA_PSERS



@PennPSERS