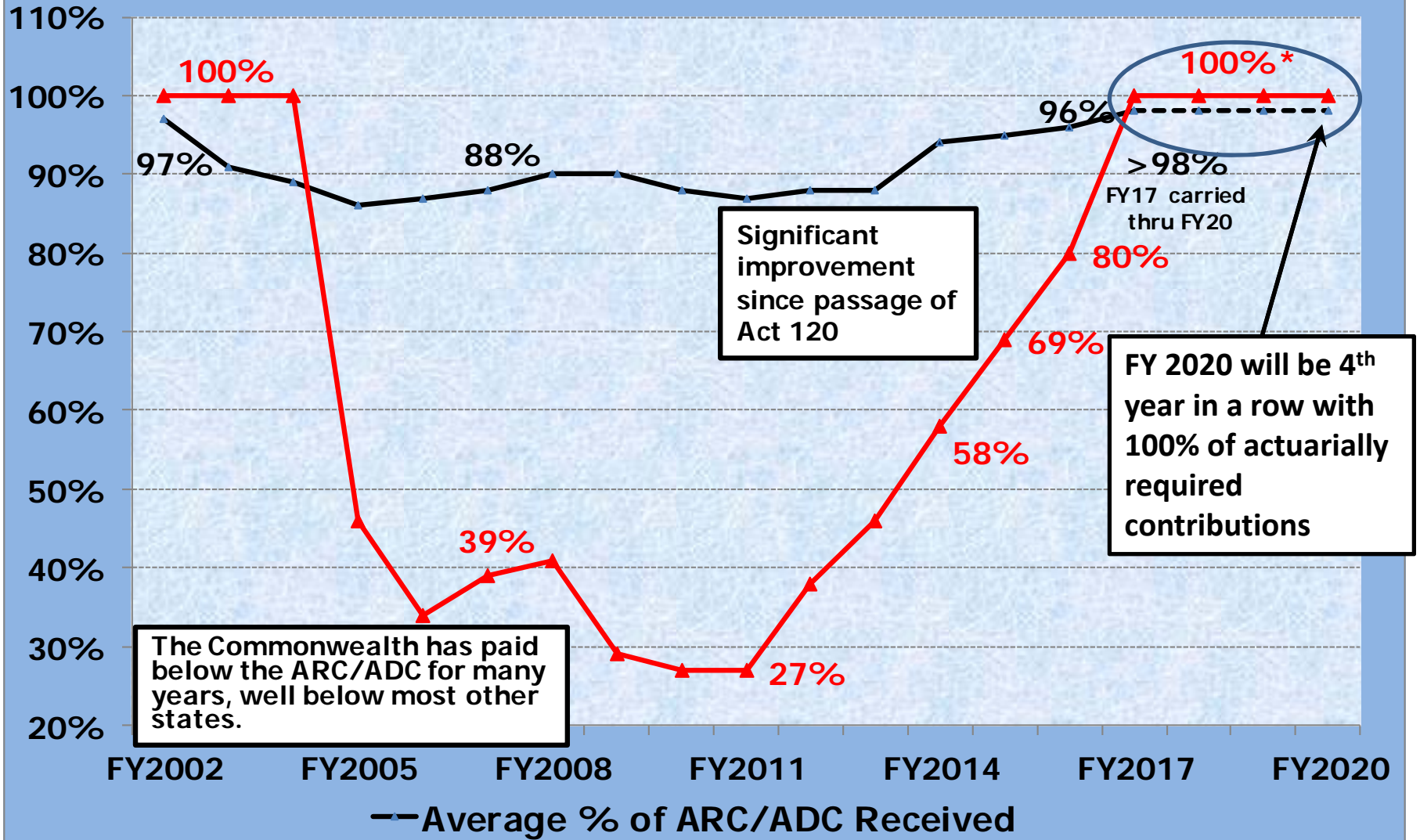




Pension Funding and Employer Contribution Rates

Brian S. Carl
Chief Financial Officer
December 07, 2018
Board Meeting

Average % of Annual Required Contribution (ARC)/Actuarially Determined Contribution (ADC) Received
- Other Public Plans vs. PSERS
Fiscal Year Ending June 30th



The Commonwealth has paid below the ARC/ADC for many years, well below most other states.

Significant improvement since passage of Act 120

FY 2020 will be 4th year in a row with 100% of actuarially required contributions

*FY2017 to FY2020 are based on the actuarially required rate calculated by PSERS

**Public School Employees' Retirement System
Established/Projected Total Employer Contribution Rates
Yearly Percentage Change**

Fiscal year Ending June 30	FY 2017 Projected Total Employer Contribution Rate	Established/Projected Total Employer Contribution Rate	% Change of Total Employer Contribution Rate	Annual Required Contribution (ARC/ADC) Rate
2011 *		5.64%	17.99%	27%
2012		8.65%	53.37%	38%
2013		12.36%	42.89%	46%
2014		16.93%	36.97%	58%
2015		21.40%	26.40%	69%
2016		25.84%	20.75%	80%
2017		30.03%	16.22%	100%
2018		32.57%	8.46%	100%
2019		33.43%	2.64%	100%
2020	34.79%	34.29%	2.57%	100%
2021	35.26%	34.77%	1.40%	100%
2022	35.68%	35.19%	1.21%	100%
2023	36.32%	35.84%	1.85%	100%

**

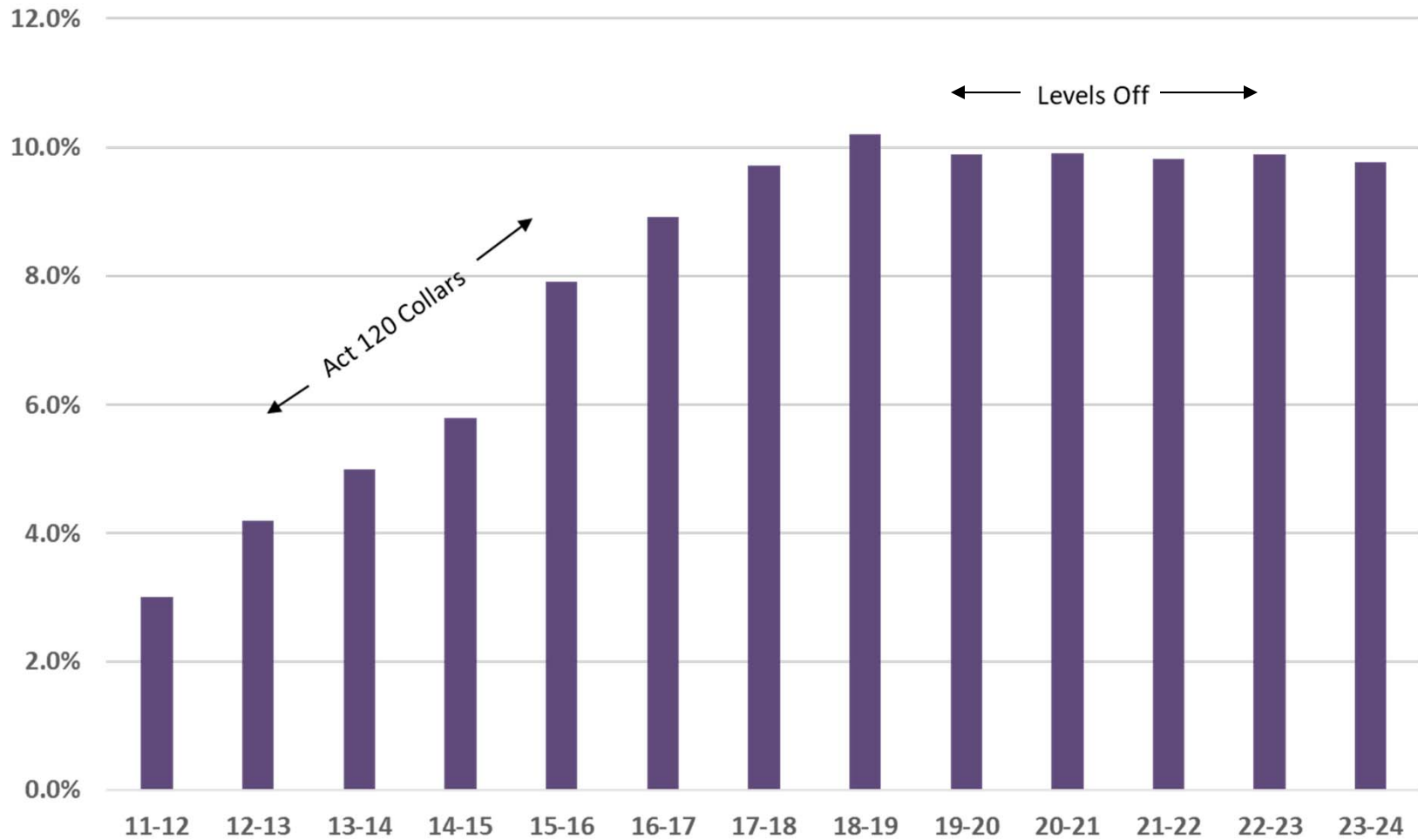
Smallest % increase since 2009-2010 when rate was artificially suppressed by Act 40.

*Note: Act 46 Reduction of ECR from 8.22% to 5.64%.

**FY2017 - FY2023 are based on the actuarially required rate calculated/projected by PSERS' Actuary.

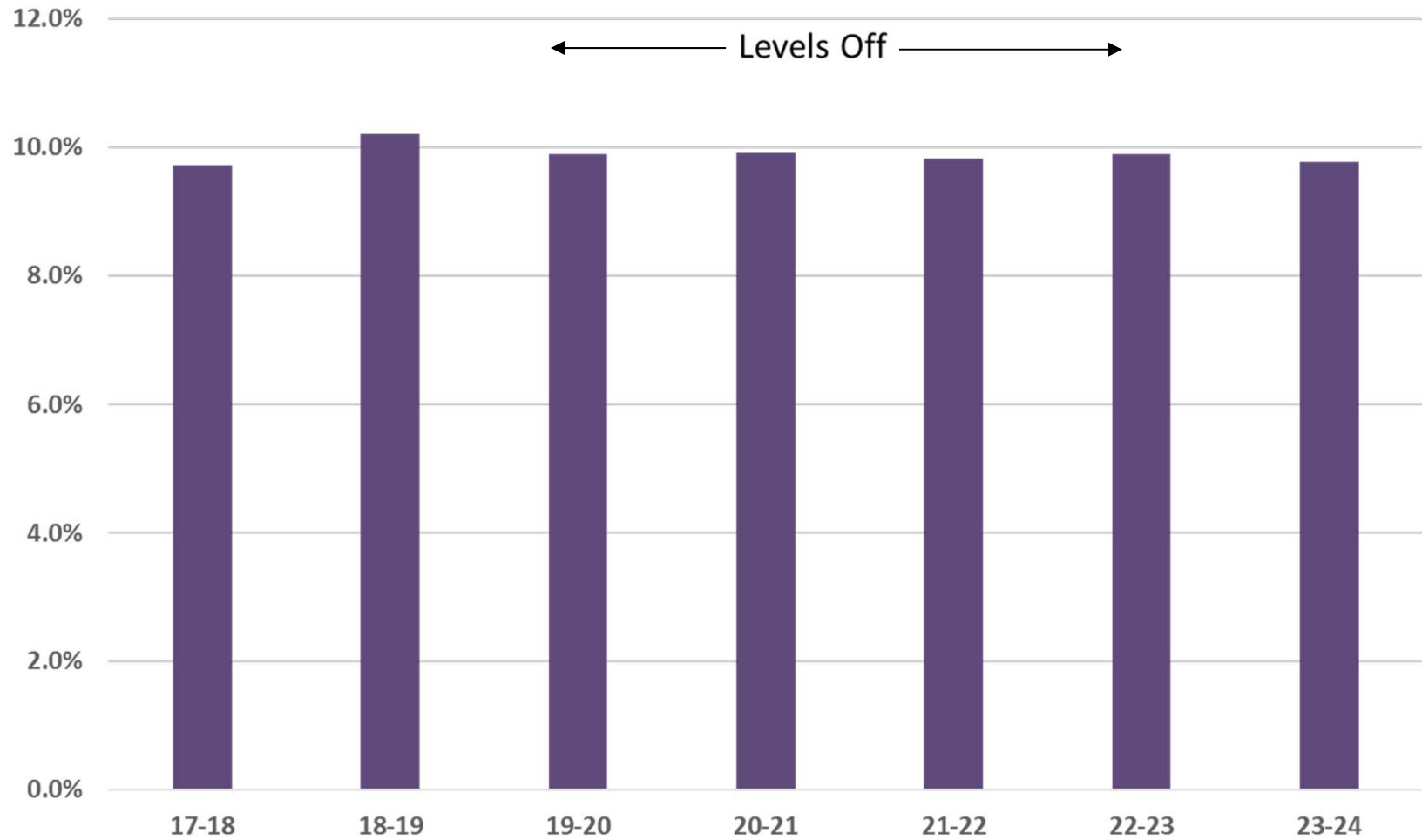
Two years ago this rate was 35.62% (Projected)

Pensions Share of General Fund Expenditures



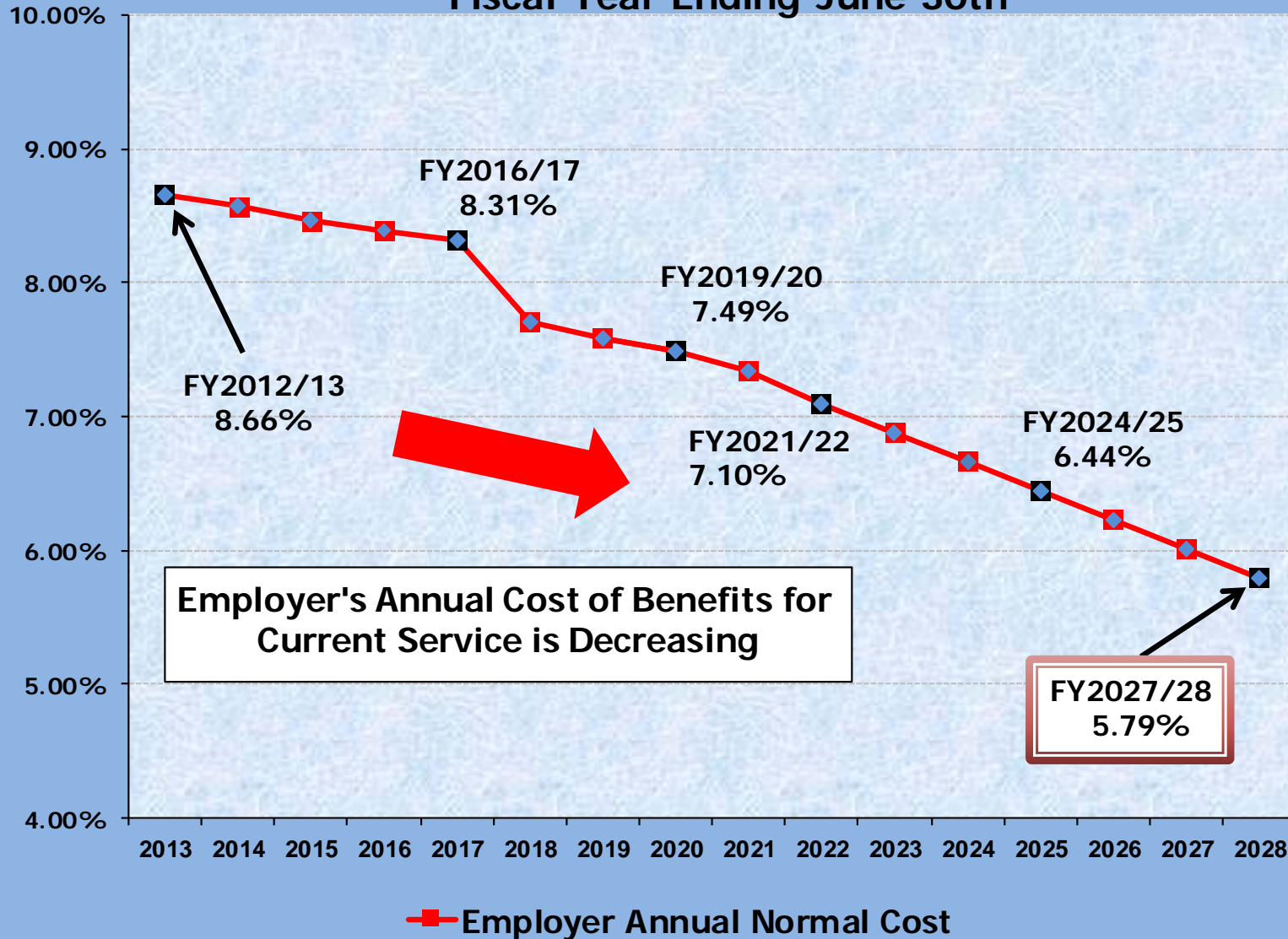
Data from IFO'S Economic and Budget Outlook Fiscal Years 2018-19 to 2023-24

Pensions Share of General Fund Expenditures



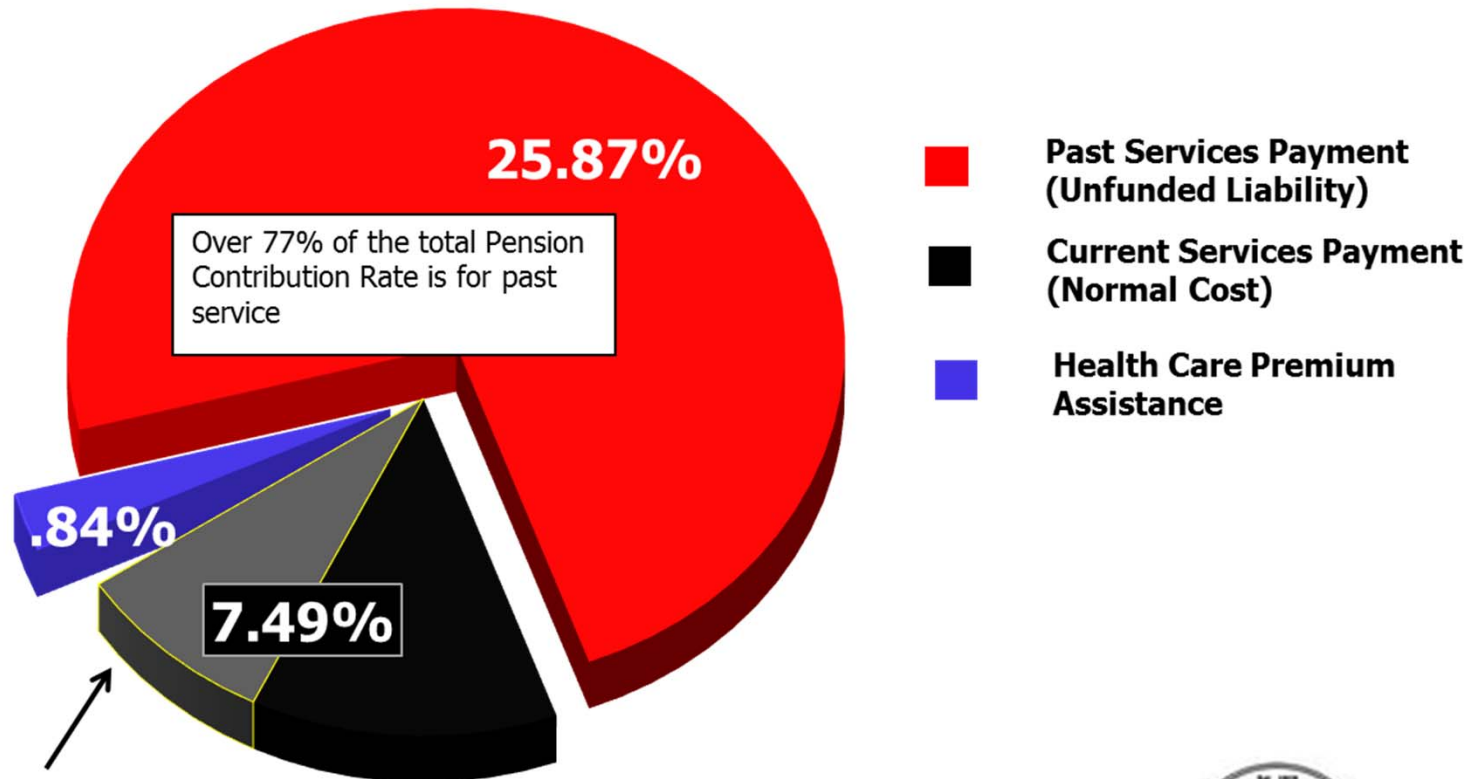
Data from IFO'S Economic and Budget Outlook Fiscal Years 2018-19 to 2023-24

PSERS Projected Employer Annual Normal Cost Fiscal Year Ending June 30th



Components of PSERS Total Employer Contribution Rate FY2020

Total Employer Contribution Rate 34.29%*

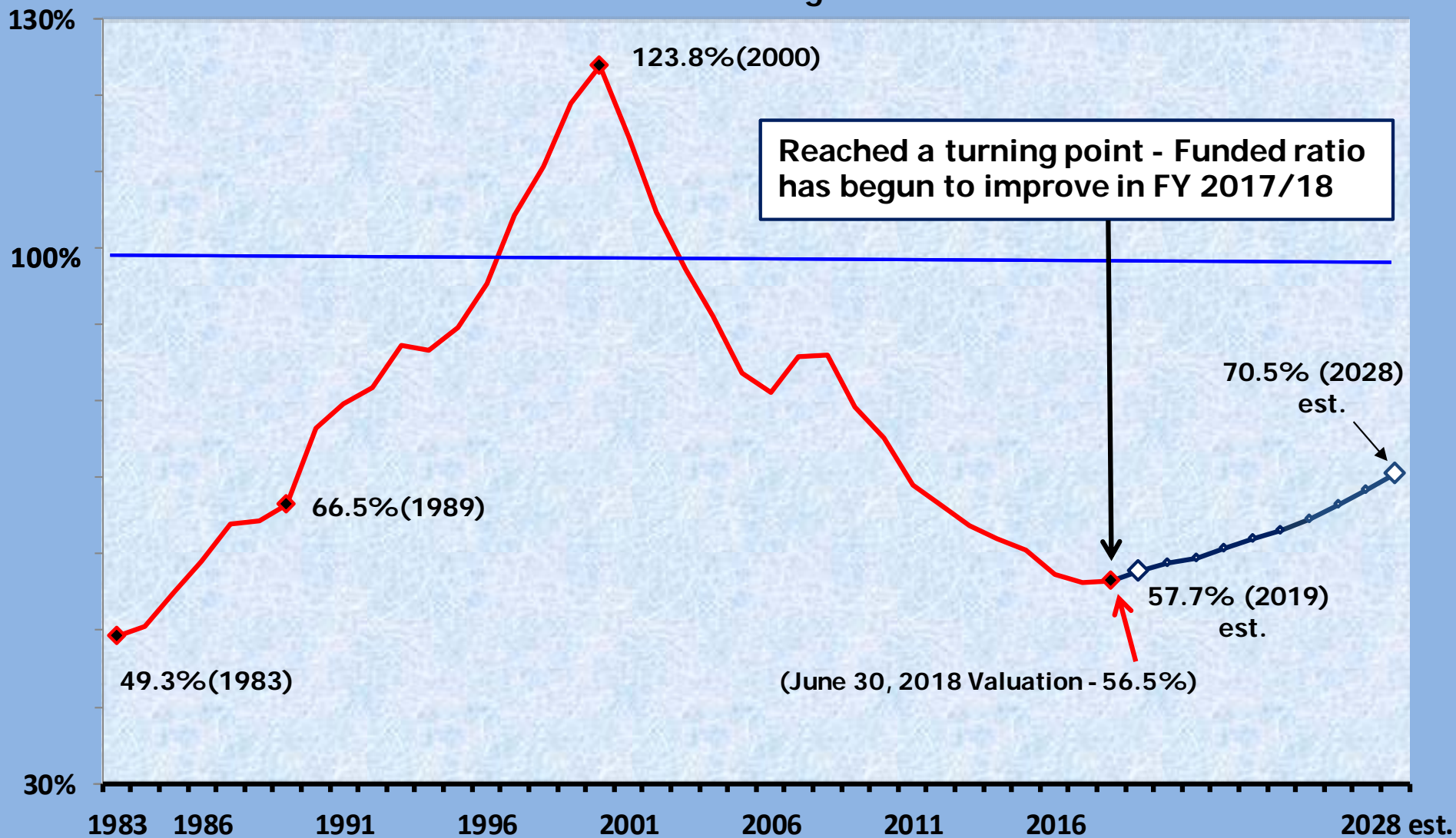


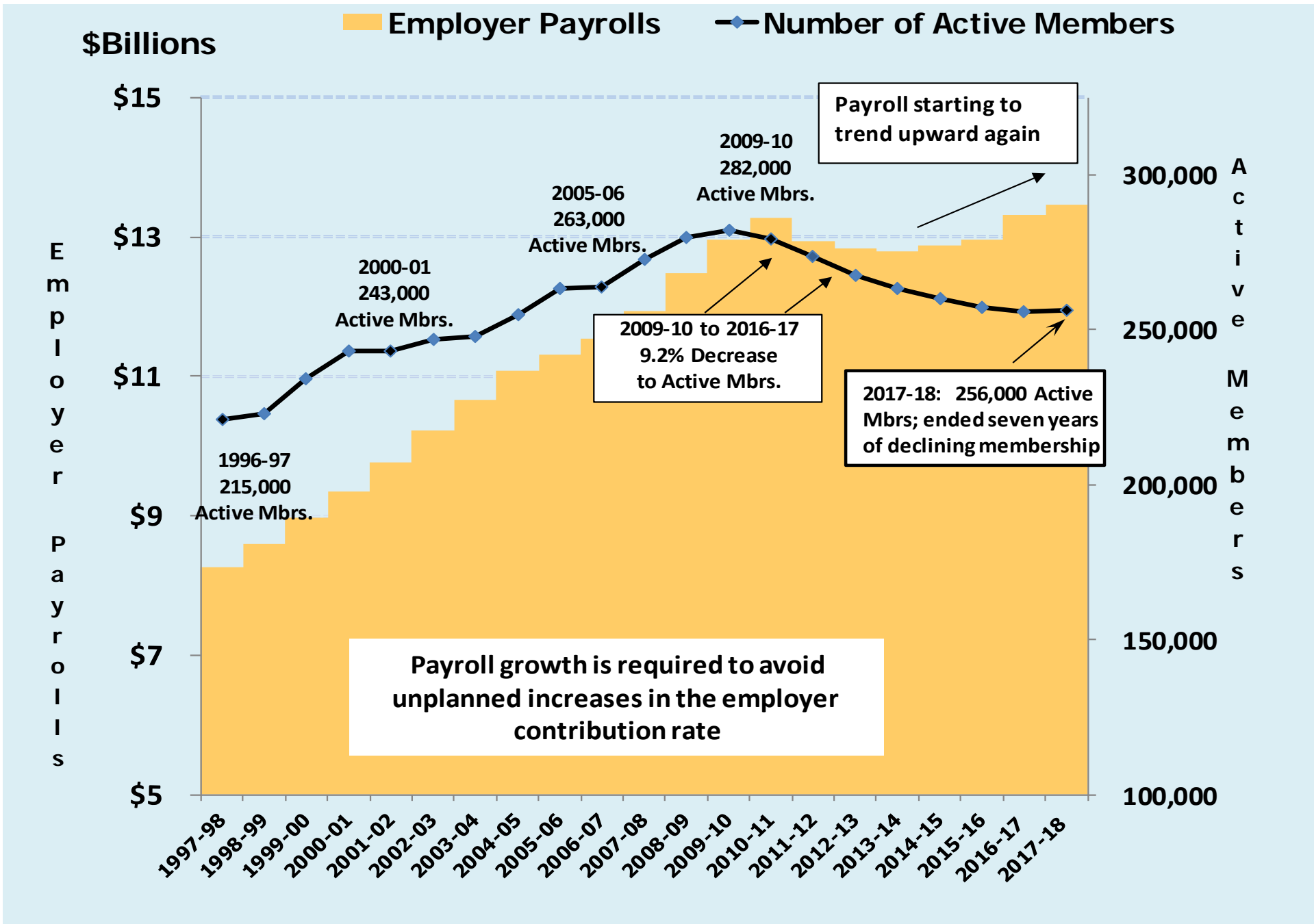
Act 120 Normal Cost \leq 3%

*Chart does not reflect Act 5 Employer Contribution Rate component of .09%



History of PSERS Funded Ratio Beginning 1983
Funded Ratio = Actuarial Value of Assets/Actuarial Accrued Liabilities
Fiscal Year Ending June 30





Key Points

- **FY 19-20 will be 4th year in a row the Employer Contribution Rate (ECR) will equal the actuarially required rate** – Most important step in the Fund's financial recovery after 15 years of under payments. Full funding is making a difference.
- **FY 19-20 ECR of 34.29% is lower than the projected rate of 34.79%** - Favorable to employers and the Commonwealth.
- **Large contribution rate increases are in the past** - FY 19-20 rate is increasing by 2.57%, the smallest increase since FY 2009-10. Per IFO, pension costs in General Fund have stabilized.
- **Great Recession investment losses are now fully recognized in the actuarial value of assets and the ECR.**
- **Seven-year decline in active membership ended as June 30, 2018 membership increased.** Important for future payroll growth.
- **Act 120 (and future Act 5) members continue to reduce employer's annual cost of benefits for current service.**
- **Over 77% of Pension ECR is for Unfunded liability** - 25.87% of the 33.36% pension ECR will be applied to the unfunded liability.
- **Turning Point has been reached** - As result of receiving full actuarially required contributions, the Fund has reached a turning point on an actuarial funding basis as the funded ratio improved for first time in many years at June 30, 2018. For FY 18/19 and beyond the Funded ratio is projected to improve. Market Value basis is already improving from 49.9% at June 30, 2016 to 54.8% at June 30, 2018.
- **All the sources of funding are now in place.**

QUESTIONS

- Resolution to accept the June 30, 2018 actuarial valuation results and adopt the assumptions used, and approve the FY 2019-20 Employer Contribution Rate