

Fiscal Year 2022/2023 Employer Contribution Rate

On December 17, 2021 the PSERS Board of Trustees certified an employer contribution rate of 35.26% for fiscal year (FY) 2022/2023, which begins July 1, 2022. The 35.26% rate is composed of a 0.75% rate for health insurance premium assistance, 0.20% for Act 5 Defined Contribution, and a pension rate of 34.31%. Over 80% of the employer contribution rate is for the payment of unfunded liability, which is primarily debt for past service already earned by members.

Funding Sources for the System

The Public School Employees' Retirement System (PSERS) is funded through three sources: contributions from employees (members), the employer contribution rate which includes contributions from school employers and the Commonwealth, and investment returns from the System.

Employee (Member) Contributions

- Employee (Member) contributions range from 5.25% to 10.30% of payroll depending on the class of membership of the employee and when they joined PSERS. Employees are expected to contribute an average of 7.52% of their salary to help fund their retirement benefit in FY 2022/2023. Employee (member) contributions of over \$1.09 billion are expected in FY 2022/2023.

Shared Investment Risk/Gain Provisions

- Under the "shared risk/gain" provisions, new members hired since July 1, 2011 share some of PSERS' investment risk or investment gain per Act 120 of 2010 and Act 5 of 2017. Under those laws, member contribution rates may fluctuate up or down every three years depending on a review of the Fund's investment performance. Since PSERS investment performance did not meet the Act 120 shared risk benchmark during the last measurement period ended June 30, 2020 the Board certified the following new rates for impacted members for the next three-year period from July 1, 2021 to June 30, 2024: T-E member contribution rate of 8.00%, T-F member contribution rate of 10.80%, T-G member contribution rate of 9.00%, and T-H member contribution rate of 8.25%. The next measurement period will end on June 30, 2023.

Employer (School District and Commonwealth) Contributions

- Both the employer and the Commonwealth are responsible for paying a portion of the employer contribution rate. Employers are divided into two groups: school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses school entities for one-half the payment for employees hired on or before June 30, 1994. School entities are reimbursed by the Commonwealth based on a statutory formula for employees hired after June 30, 1994, but not less than one-half of the payment. Non-school entities and the Commonwealth each contribute one-half of the total employer rate. Total employer contributions for FY 2022/2023 are estimated at \$5.1 billion.
- The employer contribution rate-setting methodology is set forth in statute. The chart below shows the employer contribution rate history beginning in FY 2002/2003 through the certified rate for next FY 2022/2023.

HISTORY OF EMPLOYER CONTRIBUTION RATES					
Fiscal Year	Employer Normal Cost %	Employer Pension Rate %	Act 5 Defined Contribution %*	Health Care Contributions %	Total Employer Contribution %
02/03	7.20	0.18	NA	0.97	1.15
03/04	7.25	2.98	NA	0.79	3.77
04/05	7.48	4.00	NA	0.23	4.23
05/06	7.61	4.00	NA	0.69	4.69
06/07	6.62	5.72	NA	0.74	6.46
07/08	6.68	6.44	NA	0.69	7.13

HISTORY OF EMPLOYER CONTRIBUTION RATES					
Fiscal Year	Employer Normal Cost %	Employer Pension Rate %	Act 5 Defined Contribution %*	Health Care Contributions %	Total Employer Contribution %
08/09	6.68	4.00	NA	0.76	4.76
09/10	7.35	4.00	NA	0.78	4.78
10/11	8.08	5.00	NA	0.64	5.64
11/12	8.12	8.00	NA	0.65	8.65
12/13	8.66	11.50	NA	0.86	12.36
13/14	8.57	16.00	NA	0.93	16.93
14/15	8.46	20.50	NA	0.90	21.40
15/16	8.38	25.00	NA	0.84	25.84
16/17	8.31	29.20	NA	0.83	30.03
17/18	7.70	31.74	NA	0.83	32.57
18/19	7.59	32.60	NA	0.83	33.43
19/20	7.49	33.36	0.09	0.84	34.29
20/21	7.37	33.51	0.18	0.82	34.51
21/22	7.20	33.99	0.15	0.80	34.94
22/23	6.07	34.31	0.20	0.75	35.26

*Estimated average DC contribution rate. The actual employer DC contribution rate will be based on each employer's Class T-G, Class T-H, and Class DC membership.

- The chart below shows the 7-year projected employer contribution rates using the June 30, 2021 valuation.

PROJECTED EMPLOYER CONTRIBUTION RATES AND TOTAL EMPLOYER CONTRIBUTIONS (Presumes a 7.00% rate of return)		
Fiscal Year Ending June	Total Employer Contribution Rate %	Projected Total Employer Contribution (thousands) \$
22/23	35.26	5,111,642
23/24	35.69	5,220,611
24/25	36.02	5,317,161
25/26	36.48	5,436,582
26/27	36.78	5,535,742
27/28	36.91	5,607,742
28/29	37.10	5,690,564
29/30	37.30	5,774,132

Investment Returns

- PSERS' rate of return for fiscal year ended June 30, 2021 was 24.58%, which added approximately \$14.8 billion (net of fees) in investment income to the Fund. The Fund had plan net assets of over \$72.5 billion on June 30, 2021.

About the Pennsylvania Public School Employees' Retirement System

PSERS, founded in 1917, began operations in 1919 to oversee a statewide defined benefit pension plan for public school employees. PSERS' role expanded upon the passage of Act 5 of 2017 to include oversight of two new hybrid benefit options consisting of defined benefit and defined contribution (DC) components and a stand-alone DC plan. As of June 30, 2021, PSERS had total net assets of \$72.5 billion and a membership of about 248,000 active, 243,000 retired school employees and 27,000 vested inactive members.

For more information visit PSERS' website at www.psers.pa.gov.