

# Actuarial Section

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September 8, 2023

Board of Trustees  
Pennsylvania Public School Employees' Retirement System  
5 North 5th Street  
Harrisburg, Pennsylvania 17101-1905

**Re: Actuary's Certification Letter**

Members of the Board:

An actuarial valuation of the Pennsylvania Public School Employees' Retirement System (Retirement System or PSERS) is performed annually to measure the ongoing costs and progress towards the funding goals of the Retirement System over time. The most recent actuarial valuation was completed as of June 30, 2022. The financing objective of the Retirement System is to:

- Fully fund all current costs based on the normal contribution rate determined under the funding method,
- Liquidate the unfunded accrued liability based on level percentage of pay amortization schedules required by the Public School Employees' Retirement Code, 24 Pa. C.S. §8101 et. seq. (Retirement Code) as amended by Act 120 of 2010, which requires amortization over 24 years of the unfunded accrued liability as of June 30, 2010, and of each change in the unfunded accrued liability due to actuarial experience after the June 30, 2010 valuation. Any increases in the unfunded liability arising from legislation enacted after June 30, 2010, are to be amortized over 10 years; and
- As directed by Act 5 of 2017, contribute 2.25% of pay for future Class T-G members and 2.00% for future Class T-H members and DC only participants to the School Employees' Defined Contribution Plan (Act 5 DC contributions).

The contribution policy of the Retirement System is set by statute. The Commonwealth's General Assembly has the authority to amend the benefit terms and funding policy for the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Based on the June 30, 2022 actuarial valuation, a total contribution rate of 34.00% (33.09% Pension plus 0.64% Health Insurance Premium Assistance and 0.27% for Act 5 DC contributions) of payroll payable by employers for fiscal year 2023/2024, when taken together with the contributions payable by the members, current assets, and expected future asset returns, is sufficient to achieve the financing objective. The Act 120 minimum employer pension rate is the employer pension normal cost rate of 5.86%. The 0.27% Act 5 DC contribution rate is an estimated average employer DC contribution rate. The actual DC contribution rate applicable to each employer will be based on the employer's Class T-G, Class T-H, and Class-DC-only membership/participation.

As required by the Retirement Code, the valuation takes into account all of the promised benefits to which members are entitled as of June 30, 2022, including pension and survivor benefits, as the basis for the pension contribution rate for fiscal year 2023/2024.

There were no legislative or administrative changes made to the benefits payable by PSERS since the prior valuation.

As required under Section 8502(j) of the Retirement Code, experience studies are performed for PSERS every five years, the most recent having been made as of June 30, 2020. This valuation was prepared on the basis of the demographic and economic assumptions that were recommended on the basis of the July 1, 2015 – June 30, 2020 Experience Review and approved by the Board of Trustees at its March 5, 2021, June 11, 2021 and August 6, 2021 meetings, which includes a 7.00% per annum rate of investment return.



In our opinion, the actuarial assumptions used for funding purposes are reasonably related to the experience of the System and to reasonable long-term expectations. These assumptions were selected in accordance with applicable Actuarial Standards of Practice published by the Actuarial Standards Board.

The actuarial assumptions and methods used by PSERS for financial reporting meet the requirements set forth in Governmental Accounting Standards Board (GASB) Statement No. 67. The Health Insurance funding provisions of the Retirement Code differ from the GASB 74 disclosure requirements. For funding purposes, the actuarial liability equals the assets in the health insurance account, and a contribution is determined to provide for solvency of the account through the third fiscal year following the valuation date. For GASB 74 purposes the Health Insurance actuarial liability and normal cost requirements are determined under the entry age actuarial cost method. The entry age actuarial cost method meets the GASB 74 requirements for determining actuarial liability and normal cost and is the cost method specified by the Retirement Code for the PSERS pension plan.

The Retirement System reported the individual data for members of the Retirement System as of the valuation date to the actuaries. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the Retirement System. The accuracy of the results presented in this report is dependent on the accuracy of the data.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of future results is beyond the scope of this valuation.

In our opinion, the attached schedules of valuation results fairly represent the status of the Public School Employees' Retirement System and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the Retirement System.

The following supporting schedules in the Actuarial Section were prepared by Buck Global, LLC (Buck):

- Summary of Results of Actuarial Valuation as of June 30, 2022
- History of Contribution Rates and Funded Ratios
- Description of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retired Members and Beneficiaries Added To and Removed From Rolls
- Solvency Test
- Schedule of Funding Progress for Pensions
- Analysis of Past Financial Experience - Reconciliation of Employer Contribution Rates

In addition, Buck prepared the "Schedule of Changes in the Employer Net Pension Liability," "Schedule of Employer Net Pension Liability," "Schedule of Employer Pension Contributions," "Schedule of Changes in the Employer Net OPEB (Premium Assistance) Liability," "Schedule of Employer Net OPEB (Premium Assistance) Liability", and the "Schedule of Employer OPEB (Premium Assistance) Contributions" in the Financial Section.

This report was prepared solely for the Pennsylvania Public School Employees' Retirement System for the purposes herein stated and may not be appropriate to use for other purposes. Buck does not intend to benefit and assumes no duty or liability to other parties who receive this work. Use of this report for any other purposes or by anyone other than PSERS and its auditors may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. The attached pages should not be



provided without a copy of this cover letter. Buck should be asked to review any statement to be made on basis of the results contained in this report. Buck will accept no liability for any such statement made without prior review by Buck.

David L. Driscoll and Maria E. Simmers are Fellows of the Society of Actuaries and Members of the American Academy of Actuaries. Salvador Nakar is a Member of the American Academy of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully submitted,

A handwritten signature in black ink that reads "David L. Driscoll".

David L. Driscoll, FSA, EA, MAAA, FCA  
Principal, Consulting Actuary

A handwritten signature in black ink that reads "Maria E. Simmers".

Maria E. Simmers, FSA, EA, MAAA, FCA  
Director, Retirement Actuary

A handwritten signature in black ink that reads "Salvador Nakar".

Salvador Nakar, EA, MAAA, FCA  
Senior Consultant, Actuary

**SUMMARY OF RESULTS OF ACTUARIAL VALUATION**  
**AS OF JUNE 30, 2022**  
**(Dollar Amounts in Thousands)**

Item	June 30, 2022	June 30, 2021
<b>Member Data</b>		
1. Number of Members		
a) Active Members <sup>1</sup>	247,873	248,091
b) Vestees <sup>2</sup>	26,836	26,892
c) Annuitants, Beneficiaries and Survivor Annuitants <sup>3</sup>	246,901	242,839
d) Total	521,610	517,822
2. Annualized Salaries <sup>4</sup>	\$ 14,397,002	\$ 14,057,526
3. Annual Annuities	\$ 6,438,598	\$ 6,311,757
<b>Valuation Results</b>		
4. Present Value of Future Pension Benefits		
a) Active Members	\$ 66,333,616	\$ 65,522,561
b) Inactive Members	383,991	335,949
c) Vestees	2,549,763	2,491,779
d) Annuitants, Beneficiaries and Survivor Annuitants	61,869,159	61,168,172
e) Total	\$ 131,136,529	\$ 129,518,461
5. Present Value of Future Pension Normal Cost		
a) Active Members	\$ 9,737,095	\$ 9,697,482
b) Employer	6,922,633	7,170,154
c) Total	\$ 16,659,728	\$ 16,867,636
6. Pension Accrued Liability		
a) Active Members (4a) - (5c)	\$ 49,673,888	\$ 48,654,925
b) Inactive Members	383,991	335,949
c) Vestees	2,549,763	2,491,779
d) Annuitants, Beneficiaries and Survivor Annuitants	61,869,159	61,168,172
e) Total	\$ 114,476,801	\$ 112,650,825
7. Health Insurance Assets for Premium Assistance	\$ 135,476	\$ 132,515
8. Total Accrued Liability for Funding (6) + (7)	\$ 114,612,277	\$ 112,783,340
9. Actuarial Value of Assets	\$ 70,646,769	\$ 67,248,672
10. Funded Status (9) / (8)	61.6%	59.6%
11. Unfunded Accrued Liability (8) - (9)	\$ 43,965,508	\$ 45,534,668
12. Total Normal Cost Rate	13.30%	13.59%
13. Member Contribution Rate	7.44%	7.52%
14. Employer Normal Cost Rate (12) - (13)	5.86%	6.07%
<b>Employer Annual Funding Requirement</b>		
15. Employer Contribution Rate Calculated by Actuary	<b>Fiscal 2023/2024</b>	<b>Fiscal 2022/2023</b>
a) Normal Cost	5.86%	6.07%
b) Unfunded Accrued Liability	27.23	28.24
c) Preliminary Pension Rate	33.09%	34.31%
d) Health Insurance Premium Assistance	0.64	0.75
e) Act 5 DC <sup>5</sup>	0.27	0.20
f) Total Rate <sup>6</sup> = (15c) + (15d) + (15e)	34.00%	35.26%

1. Excludes 520 and 319 DC-only participants as of June 30, 2022 and June 30, 2021, respectively. Based on discussions with PSERS staff, the 2021 amount has been updated from 54.

2. Excludes 148,999 and 140,771 inactive members and non-members as of June 30, 2022 and June 30, 2021, respectively, who are no longer participating and are valued for their accumulated deductions only.

3. Excludes 1,776 and 1,678 beneficiaries as of June 30, 2022 and June 30, 2021, respectively, who are only entitled to a pending lump sum distribution.

4. The salaries shown represent an annual rate of pay for members who were in active service on the valuation date.

5. Average DC contribution rate. Actual rate will vary by employer based on Class T-G, Class T-H, and Class DC only memberships.

6. The Act 120 minimum pension rate is 5.86% and 6.07% for the June 30, 2022 and June 30, 2021 valuations, respectively.

**HISTORY OF CONTRIBUTION RATES AND FUNDED RATIOS**

Fiscal Year Ending June	Budgeted Total Employer Payroll (Thousands)	Contribution Rates <sup>1</sup>								Funded Ratio
		Employee	Employer Normal Cost	Employer Unfunded Liability	Preliminary Employer Pension	Final Employer Pension <sup>2</sup>	Act 5 Employer DC <sup>7</sup>	Employer Health Insurance	Total Employer	
2013 <sup>3,4</sup>	\$ 14,297,000	7.40%	8.66%	12.99%	21.65%	11.50%	N/A	0.86%	12.36%	63.8%
2014	13,720,000	7.43	8.57	15.25	23.82	16.00	N/A	0.93	16.93	62.0
2015	13,482,000	7.46	8.46	17.51	25.97	20.50	N/A	0.90	21.40	60.6
2016	13,375,000	7.49	8.38	19.44	27.82	25.00	N/A	0.84	25.84	57.3
2017	13,549,000	7.52	8.31	20.89	29.20	29.20	N/A	0.83	30.03	56.3
2018 <sup>5</sup>	13,449,000	7.54	7.70	24.04	31.74	31.74	N/A	0.83	32.57	56.5
2019	13,775,000	7.57	7.59	25.01	32.60	32.60	N/A	0.83	33.43	58.1
2020	13,880,000	7.59	7.49	25.87	33.36	33.36	0.09	0.84	34.29	59.2
2021	14,078,000	7.61	7.37	26.14	33.51	33.51	0.18%	0.82	34.51	59.6
2022	14,289,000	7.56	7.20	26.79	33.99	33.99	0.15	0.80	34.94	<b>61.6</b>
2023 <sup>6</sup>	14,497,000	7.52	6.07	28.24	34.31	34.31	0.20	0.75	35.26	*
<b>2024</b>	<b>15,260,000</b>	<b>7.44</b>	<b>5.86</b>	<b>27.23</b>	<b>33.09</b>	<b>33.09</b>	<b>0.27</b>	<b>0.64</b>	<b>34.00</b>	*

- In general, the Preliminary Employer Pension Rate equals the sum of the rates for the Employer Normal Cost and the Unfunded Liability; and the Final Employer Pension Rate is the greater of the Preliminary Pension Rate and any Pension Rate Floor or Collar stated in the Retirement Code. The Total Employer Rate is the sum of the Final Employer Pension Rate, Act 5 Employer DC Rate and the Employer Health Insurance Premium Assistance Rate.
- The Final Employer Pension rate is limited by the Act 120 of 2010 pension rate collars for fiscal years 2013 through 2016.
- Revised actuarial assumptions based on a five-year experience review ended June 30, 2010 were used to determine the contributions for the fiscal year ending June 30, 2013 and thereafter, which include an interest rate of 7.50%.
- Revised actuarial assumptions based on a five-year experience review ended June 30, 2015 were used to determine the contributions for the fiscal year ending June 30, 2018 and thereafter, which include an interest rate of 7.25%.
- Revised actuarial assumptions based on a five-year experience review ended June 30, 2020 were used to determine the contributions for the fiscal year ending June 30, 2023 and thereafter, which include an interest rate of 7.00%.
- Act 5 new member assumptions:

<u>Valuation</u>	<u>Class T-G</u>	<u>Class T-H</u>	<u>DC Only</u>
2018-2019	65%	30%	5%
After 2019	98%	1%	1%

The above rate is an average DC contribution rate. Actual rate will vary by employer based on Class T-G, Class T-H, and Class DC only memberships.

\* Not Available

## DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

## ASSUMPTIONS

**Interest Rate:** 7.00% per annum, compounded annually (adopted as of June 30, 2021). The components are 2.50% for inflation and 4.50% for the real rate of return. Actuarial equivalent benefits are determined based on an interest rate of 4.00% per year (since 1960) except, in accordance with Act 5 of 2017, an interest rate of 7.00% per year is used for Class T-E, Class T-F, Class T-G and Class T-H members' Option 4 partial withdrawal of accumulated member contributions and certain Class T-G and Class T-H early retirement factors.

**Discount Rate for GASB 67 Accounting:** 7.00% as of June 30, 2021 and June 30, 2022. Rates were determined in accordance with the methods prescribed in GASB Statement No. 67.

**Discount Rate for GASB 74 Accounting:** 2.18% as of June 30, 2021 and 4.09% as of June 30, 2022. This rate represents the S&P 20-Year Municipal Bond Rate. Rates were determined in accordance with the methods prescribed in GASB Statement No. 74.

**Separation from Service:** Illustrative rates of assumed separation from service are shown in the following table (adopted as of June 30, 2021).

Age	Class T-C and Class T-D Annual Rate of:						
	Withdrawal Less Than 5 Years of Service	Withdrawal		Death <sup>1</sup>	Disability	Early Retirement <sup>2</sup>	Superannuation Retirement
		Between 5 and 10 Years of Service	10 or More Years of Service				
<b>MALES</b>							
25	21.83%	9.22%	4.55%	0.022%	0.01%		
30	14.93	3.84	4.55	0.029	0.01		
35	15.17	3.77	1.68	0.038	0.04		
40	16.04	4.44	1.42	0.053	0.06		
45	15.12	5.17	1.41	0.082	0.11		19.00%
50	15.81	4.96	1.89	0.129	0.23		19.00
55	15.54	4.96	3.63	0.194	0.37	14.50%	25.00
60	13.85	6.37	5.49	0.289	0.37	14.50	29.00
65				0.447	0.11		23.00
70				0.699	0.08		20.00
75				1.076	0.08		25.00
79				1.701	0.08		25.00
<b>FEMALES</b>							
25	18.33%	7.47%	3.90%	0.008%	0.01%		
30	15.16	5.92	3.90	0.013	0.02		
35	14.66	5.68	2.83	0.019	0.03		
40	12.86	5.16	1.67	0.030	0.06		
45	12.82	5.25	1.60	0.046	0.11		16.00%
50	13.02	5.23	2.08	0.069	0.18		16.00
55	13.43	5.31	3.66	0.102	0.29	14.50%	16.00
60	13.81	7.53	5.94	0.154	0.24	15.00	31.00
65				0.251	0.07		28.00
70				0.431	0.09		23.00
75				0.766	0.09		25.00
79				1.239	0.09		25.00

1. These base mortality tables will then be projected on a generational basis using the Buck Modified scale MP-2020. Refer to the pre-retirement mortality description below.

2. Early Retirement - Age 55 with 25 years of service, but not eligible for Superannuation retirement.



**DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS  
(Continued)**

Age	Class T-E, Class T-F, Class T-G and Class T-H Annual Rate of:					
	Withdrawal		Death <sup>1</sup>	Disability	Early Retirement <sup>2</sup>	Superannuation Retirement
	Less Than 10 Years of Service	10 or More Years of Service				
<b>MALES</b>						
25	17.02%	4.55%	0.022%	0.01%		
30	11.25	4.55	0.029	0.01		
35	12.09	1.68	0.038	0.04		
40	13.14	1.42	0.053	0.06		
45	13.87	1.41	0.082	0.11		
50	13.67	1.89	0.129	0.23		
55	11.91	3.63	0.194	0.37	14.50%	16.30%
60	11.19	5.49	0.289	0.37	14.50	16.30
65	11.19		0.447	0.11		16.30
70	11.19		0.699	0.08		16.30
75	11.19		1.076	0.08		16.30
79	11.19		1.701	0.08		16.30
<b>FEMALES</b>						
25	14.54%	3.90%	0.008%	0.01%		
30	11.68	3.90	0.013	0.02		
35	12.39	2.83	0.019	0.03		
40	11.53	1.67	0.030	0.06		
45	10.99	1.60	0.046	0.11		
50	10.72	2.08	0.069	0.18		
55	10.75	3.66	0.102	0.29	14.50%	19.50%
60	11.62	5.94	0.154	0.24	15.00	19.50
65	11.62		0.251	0.07		19.50
70	11.62		0.431	0.09		19.50
75	11.62		0.766	0.09		19.50
79	11.62		1.239	0.09		19.50

1. These base mortality tables will then be projected on a generational basis using the Buck Modified scale MP-2020. Refer to the pre-retirement mortality description below.
2. Early Retirement - prior to eligibility for Superannuation retirement.

**Death before Retirement:**

Male participants: 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 Employee (Total General Employees dataset) Amount Weighted Male Tables, with a 99.0% adjustment, generationally projected with Buck Modified scale MP-2020.

Female participants: 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 Employee (Total General Employees dataset) Amount Weighted Female Tables, with a 88.6% adjustment, generationally projected with Buck Modified scale MP-2020.

**Death after Retirement:**

Male annuitants: 50% PubT-2010 Retiree (Total Teacher dataset) and 50% PubG-2010 Retiree (Total General Employees dataset) Amount Weighted Male Tables, with a 99.7% adjustment, generationally projected with Buck Modified scale MP-2020.

Female annuitants: 50% PubT-2010 Retiree (Total Teacher dataset) and 50% PubG-2010 Retiree (Total General Employees dataset) Amount Weighted Female Tables, with a 95.4% adjustment, generationally projected with Buck Modified scale MP-2020.

Male disabled annuitants: Pub-2010 Disability Mortality Non-Safety Amount Weighted Male Table, with a 105.4% adjustment, generationally projected with Buck Modified scale MP-2020.



## DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS (Continued)

Female disabled annuitants: Pub-2010 Disability Mortality Non-Safety Amount Weighted Female Table, with a 95.0% adjustment, generationally projected with Buck Modified scale MP-2020.

Male contingent annuitants: Pub-2010 Contingent Survivor Amount Weighted Male Table, with a 106.0% adjustment, generationally projected with Buck Modified scale MP-2020.

Female contingent annuitants: Pub-2010 Contingent Annuitant Amount Weighted Female Table, with a 116.2% adjustment, generationally projected with Buck Modified scale MP-2020.

For determination of actuarial equivalence, a unisex table based on 25% males and 75% females blend of the Board-approved base mortality tables to be used for actuarial valuations beginning June 30, 2021, generationally projected to 2025 with the Buck Modified MP-2020 improvement scale.

**Salary Increase:** Effective average of 4.50% per annum, compounded annually (adopted as of June 30, 2021). The components are 2.50% for inflation, and 2.00% for real wage growth and merit or seniority increases. Representative values are as follows:

Age	Annual Rate of Salary Increase
20	9.65%
30	7.15
40	5.15
50	3.15
55	2.75
60	2.75
65	2.75
Over 65	2.75

**Payroll Growth:** A 3.25% per annum payroll growth assumption is used to liquidate the unfunded accrued liability based on level-percent-of-pay amortization schedules required by the Retirement Code as amended by Act 120 of 2010 and Act 5 of 2017, i.e., a schedule of 24 years for the unfunded accrued liability as of June 30, 2010 and each change in the unfunded accrued liability due to actuarial experience after the June 30, 2010 valuation. Any legislation after June 30, 2010 that increases the liability due to benefit enhancements will be funded over 10 years based on level-percent-of-pay amortization.

### MISCELLANEOUS

**Option 4 - Refund of Contributions Elections:** 75% of Class T-C and Class T-D and 50% of Class T-E, Class T-F, Class T-G and Class T-H members are assumed to elect a refund of contributions and a reduced annuity.

**Withdrawal Annuity:** 50% of members are assumed to commence payment immediately and 50% are assumed to defer payment to superannuation age.

### Optional Forms of Annuity Payment at Retirement:

Anticipated active member elections of optional forms of payment at retirement as follows:

- 45% will elect Maximum Straight Life Annuity (MSLA)
- 25% will elect OPTION 1 (Straight life annuity with guaranteed payments equal to present value of MSLA)
- 20% will elect OPTION 2 (100% Joint and Survivor with males 3 years older than females)
- 10% will elect OPTION 3 (50% Joint and Survivor with males 3 years older than females)
- 0% will elect OPTION 4 annuity

**Option Forms of Payment Factors:** Actuarial equivalent benefits are determined based on a statutorily specified interest rate of 4.00% per year or 7.00% per annum, as applicable. The mortality basis is a blend of 25% males and 75% females blend of the Board-approved base mortality tables to be used for actuarial valuations beginning June 30, 2021, generationally projected to 2025 with the Buck Modified MP-2020 improvement scale.

**Health Insurance Premium Assistance:** Elections: 62% of eligible retirees are assumed to elect premium assistance for fiscal years 2022/2023. Beginning in fiscal year 2023/2024, 61% of eligible retirees are assumed to elect premium assistance.

**Administrative Expenses:** Assumed equal to \$1,113,000 for fiscal year 2022/2023, \$1,054,000 for fiscal year 2023/2024 and \$1,085,000 for fiscal year 2024/2025.

### Summary of Changes since the June 30, 2021 Valuation:

Beginning in fiscal year 2023/2024, 61% of eligible retirees are assumed to elect premium assistance.

Assumed administrative expenses for the Health Insurance Premium Assistance plan changed from \$1,415,000 to \$1,113,000 for fiscal year 2022/2023, from \$1,486,000 to \$1,054,000 for fiscal year 2023/2024, and the amount of \$1,085,000 was added for the fiscal year 2024/2025.

### METHODS

**Calculations:** The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system, and on actuarial assumptions that are internally consistent and reasonable based on the actual experience of the System.

**Asset Valuation Method:** A ten-year moving market average (five-year moving market average prior to June 30, 2010) value of assets that recognizes the 7.00% (7.25% prior to June 30, 2021, 7.50% prior to June 30, 2016, and 8.00% prior to June 30, 2011, 8.25% prior to June 30, 2009 and 8.50% prior to June 30, 2008) actuarial expected investment return immediately and spreads the difference between the actual return on the market value of assets and the expected return on the actuarial value of the assets over a period of ten years. The actuarial value of assets can be no less than 70% and no more than 130% of the market value of assets.

**DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS  
(Continued)**

**Actuarial Cost Method for Pension Funding:** Entry Age Normal Cost Method (modified slightly as of June 30, 2005, to use a pay-weighted average normal contribution rate). It is the ratio of the gross normal cost amount to the anticipated total salary during the first year, which is adjusted to the beginning of the year by one-half of the effective average salary increase assumption of 4.5% per annum. This method produces a gross normal cost rate that is consistent with the Retirement System’s past annual valuations. The results of each June 30 valuation normally determine the employer contribution rate for the second succeeding fiscal year. Act 120 revised the funding method effective with the June 30, 2010 valuation. Act 120 mandated that the outstanding balance of the unfunded accrued liability as of June 30, 2010, including changes in the unfunded accrued liability due to the funding reforms of Act 120, be amortized over a 24-year period, as a level percent of pay, beginning July 1, 2011. Future valuation gains and losses, and changes in the unfunded accrued liability resulting from changes in actuarial assumptions and methods, are amortized over a 24-year period, as a level percent of pay. As provided by Act 5 of 2017, future increases in the unfunded accrued liability due to benefit enhancement legislation will be amortized over 10-year periods, as a level percent of pay. Act 120 also modified the employer pension contribution requirements by imposing collars on the rate for fiscal years ending June 30, 2012, June 30, 2013, and on or after June 30, 2014; the pension contribution rate was limited to 3%, 3.5% and 4.5%, respectively, of total compensation of all active members, greater than the prior year’s final contribution rate. Beginning with the fiscal year ending June 30, 2017, the actuarially determined contribution rate was less than the collared rate and the final contribution rate was the actuarially determined contribution rate. However, as provided by Act 120 of 2010, the final contribution rate cannot be less than the employer normal contribution rate.

**Actuarial Cost Method for Health Insurance Premium Assistance Funding:** The actuarial liability equals the assets in the health insurance account, and the results of the June 30 valuation determine the contribution rate for the second succeeding fiscal year. The rate so determined is the rate necessary to establish reserves sufficient to cover administrative expenses and provide premium assistance payments for all participating eligible

annuitants during the third fiscal year that follows the valuation date.

**Employer DC Contributions:** An average DC contribution rate is determined based on the anticipated employer contributions for DC participants and Retirement System appropriation payroll for the second succeeding fiscal year after the June 30 valuation date. It is assumed that among new employees hired on or after July 1, 2022, that 98% will become Class T-G members, 1% will become Class T-H members and 1% will become Class DC-only participants. The actual rate will vary by employer based on Class T-G, Class T-H, and Class DC-only memberships.

**Actuarial Cost Method for GASB 74 Accounting for Health Insurance:** The actuarial liability and service cost are determined under the entry age actuarial cost method.

**Summary of Changes since the June 30, 2021 Valuation:** None.

**DATA**

**Census and Assets:** The valuation was based on members of the Retirement System as of June 30, 2022, and does not take into account future members. All census data was supplied by the Retirement System and was subject to reasonable consistency checks. The actuaries adjust the data to account for service and pay earned by members on or before the valuation that is not reported by the Retirement System until after the actuarial valuation is performed. Asset data was supplied by the Retirement System.

For employer DC contributions, it is assumed among new employees hired on or after July 1, 2021, that 98% will become Class T-G members, 1% will become Class T-H members and 1% will become Class DC only participants. This is the same assumption that was used for the June 30, 2020, valuation and reflects the actual Class T-G, Class T-H and Class DC only elections as of June 30, 2020.

**SCHEDULE OF ACTIVE MEMBERS  
VALUATION DATA**

Valuation as of June 30	Number of Participating Employers	Number of Active Members	Annual Compensation (Thousands)	Average Compensation	% Increase in Average
2022	770	247,873	\$ 14,397,002	\$ 58,082	2.50%
2021	769	248,145	14,057,526	56,663	3.90
2020	770	256,306	13,974,295	54,535	2.01
2019	773	255,749	13,671,927	53,458	2.43
2018	775	256,362	13,379,041	52,188	2.48
2017	775	255,945	13,033,919	50,924	1.87
2016	781	257,080	12,851,289	49,989	2.46
2015	784	259,868	12,678,213	48,787	1.79
2014	784	263,312	12,620,862	47,931	1.92
2013	782	267,428	12,577,105	47,030	1.17

**SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES  
ADDED TO AND REMOVED FROM ROLLS**

Valuation Date as of June 30	Added to Rols		Removed from Rols		Rols at End of Year		% Increase in Annual Allowance	Average Annual Allowance
	Number	Annual Allowance (Millions)	Number	Annual Allowance (Millions)	Number	Annual Allowance <sup>1</sup> (Millions)		
2022	11,493	\$ 309.9	7,431	\$ 120.4	246,901	\$ 6,438.6	2.01%	\$ 26,078
2021	11,682	320.2	8,457	135.9	242,839	6,311.8	2.28	25,992
2020	9,708	256.1	7,433	115.6	239,614	6,170.9	1.97	25,753
2019	10,553	246.6	6,502	107.0	237,339	6,051.6	2.11	25,498
2018	11,806	235.3	8,532	98.6	233,288	5,926.7	1.90	25,405
2017	12,876	274.2	7,690	102.1	230,014	5,816.4	2.65	25,287
2016	12,686	267.1	7,633	93.5	224,828	5,666.4	2.64	25,203
2015	15,017	297.3	9,142	91.7	219,775	5,520.6	3.39	25,119
2014	15,225	300.5	8,878	84.9	213,900	5,339.5	3.74	24,962
2013	16,404	377.6	10,866	83.7	207,553	5,147.1	5.63	24,800

1. Reflects changes in annuities for continuing payees due to finalization of benefit calculations and due to the commencement of supplemental annuity payments.

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
SCHEDULE OF RETIRED MEMBERS ADDED TO AND REMOVED FROM ROLLS**

Valuation Date as of June 30	Added to Rols		Removed from Rols		Rols at End of Year		% Increase in Annual Premium Assistance	Average Annual Premium Assistance
	Number <sup>2</sup>	Annual Premium Assistance (Millions)	Number <sup>2</sup>	Annual Premium Assistance (Millions)	Number <sup>2</sup>	Annual Premium Assistance (Millions)		
2022	6,601	\$ 4.9	4,505	\$ 3.4	156,064	\$ 116.1	0.00 %	\$ 1,200
2021	6,734	5.1	5,431	4.1	153,968	116.4	0.87	1,200
2020	5,979	4.5	4,230	5.0	152,665	115.4	1.14	1,200
2019	5,673	4.3	3,999	3.0	150,916	114.1	1.15	1,200
2018	5,501	4.2	3,770	2.9	149,242	112.8	1.17	1,200
2017	5,821	4.4	3,806	2.9	147,511	111.5	1.36	1,200
2016	5,758	4.4	3,516	2.7	145,496	110.0	0.00	1,200
2015	6,516	5.0	3,635	2.8	143,254	110.0	0.46	1,200
2014	4,969	3.9	2,289	1.8	140,373	109.5	0.37	1,200
2013	6,759	5.4	2,364	1.9	137,693	109.1	3.31	1,200

2. Number of retired members eligible to participate in the Health Insurance Premium Assistance; 62% of eligible retirees are assumed to elect premium assistance as of June 30, 2022; 63% of eligible retirees are assumed to elect premium assistance as of June 30 2016 to June 30, 2021; 64% of eligible retirees are assumed to elect premium assistance as of June 30, 2015; 65% of eligible retirees are assumed to elect premium assistance as of June 30, 2014; 66% of eligible retirees are assumed to elect premium assistance for the periods June 30, 2007 to June 30, 2013.

**SOLVENCY TEST FOR PENSIONS <sup>1</sup>**  
**COMPARATIVE SUMMARY OF ACCRUED LIABILITY AND**  
**ACTUARIAL VALUE OF ASSETS**  
**(Dollar Amounts in Thousands)**

Valuation as of June 30	Accrued Liabilities for			Actuarial Value of Assets	Portion of Accrued Liability Covered by Valuation Assets		
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Member Employer Financed		(1)	(2)	(3)
2022	\$ 18,802,945	\$ 61,869,159	\$ 33,804,697	\$ 70,511,293	100%	84%	0%
2021	18,156,350	61,168,172	33,326,303	67,116,157	100	80	0
2020	17,558,412	58,415,383	31,859,604	63,798,937	100	79	0
2019	16,839,956	57,413,088	30,946,461	61,065,304	100	77	0
2018	16,120,538	56,742,925	30,127,445	58,135,539	100	74	0
2017	15,500,215	56,184,146	30,164,456	57,336,856	100	74	0
2016	14,907,731	55,314,858	29,766,812	57,265,506	100	77	0
2015	14,079,658	52,739,489	27,757,563	57,240,946	100	82	0
2014	13,554,229	51,425,295	27,373,459	57,231,799	100	85	0
2013	13,089,342	49,979,444	26,883,030	57,353,262	100	89	0

**SCHEDULE OF FUNDING PROGRESS FOR PENSIONS <sup>1</sup>**  
**(Dollar Amounts in Thousands)**

Valuation as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll <sup>2</sup>	Unfunded Accrued Liability as a Percentage of Covered Payroll
2022	\$ 70,511,293	\$ 114,476,801	\$ 43,965,508	61.6%	\$ 14,397,002	305.4%
2021	67,116,157	112,650,825	45,534,668	59.6	14,057,526	323.9
2020	63,798,937	107,833,399	44,034,462	59.2	13,974,295	315.1
2019	61,065,304	105,199,505	44,134,201	58.0	13,671,927	322.8
2018	58,135,539	102,990,908	44,855,369	56.4	13,379,041	335.3
2017	57,336,856	101,848,817	44,511,961	56.3	13,033,919	341.5
2016	57,265,506	99,989,401	42,723,895	57.3	12,851,289	332.4
2015	57,240,946	94,576,710	37,335,764	60.5	12,678,213	294.5
2014	57,231,799	92,352,983	35,121,184	62.0	12,620,862	278.3
2013	57,353,262	89,951,816	32,598,554	63.8	12,577,105	259.2

1. The amounts reported include assets and liabilities for Pensions.
2. The salaries shown represent an annual rate of pay for the year ended June 30th for members who were in active service on June 30th.

**ANALYSIS OF PAST FINANCIAL EXPERIENCE**  
**RECONCILIATION OF EMPLOYER CONTRIBUTION RATES**

Fiscal Year Ending June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Effective Prior Year Contribution Rate	35.26%	34.94%	34.51%	34.29%	33.43%	32.57%	30.03%	25.84%	21.40%	16.93%
Prior Year Adjustment for Legislation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.82	5.47	7.82
<b>Net Change Due to:</b>										
Change in Normal Rate	(0.21)	(0.18)	(0.17)	(0.12)	(0.10)	(0.11)	(0.23)	(0.07)	(0.08)	(0.11)
Payroll Growth and Liability Experience	(1.08)	0.12	0.39	0.25	(0.12)	(0.17)	0.96	0.14	0.58	0.68
Investment Loss/(Gain)	0.07	(0.01)	0.26	0.02	0.98	1.22	1.08	0.83	0.66	0.81
Health Insurance Contribution Change	(0.11)	(0.05)	(0.02)	(0.02)	0.01	0.00	0.01	(0.01)	(0.06)	(0.03)
Assumption/Method Change	N/A	0.39	N/A	N/A	N/A	(0.08)	0.44	N/A	N/A	N/A
Act 5 Benefit and Funding Reforms <sup>2</sup>	0.07	0.05	(0.03)	0.09	0.09	N/A	N/A	N/A	N/A	N/A
Amortization of Prior Legislation Deferrals	0.00	0.00	0.00	0.00	0.00	0.00	0.28	0.48	0.69	0.77
<b>Legislation Deferrals:</b>										
Act 120 Collar <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(2.82)	(5.47)
Actual Contribution Rate:	34.00%	35.26%	34.94%	34.51%	34.29%	33.43%	32.57%	30.03%	25.84%	21.40%

1. The Final Employer Pension rate is limited by the Act 120 of 2010 pension rate collar. For the fiscal years ending June 30, 2012, June 30, 2013, and on or after June 30, 2014 the pension contribution rate can be no more than 3%, 3.5% and 4.5%, respectively, of total compensation of all active members, greater than the prior year's final contribution rate. Beginning with the fiscal year 2017, the actuarially determined contribution rate is less than the collared rate and the final contribution rate is the actuarially determined contribution rate, provided that the final contribution rate is not less than the employer normal contribution rate.

2. Act 5 Defined Contribution rate. The above rate is an average DC contribution rate. Actual rate will vary by employer.

