

PRESS RELEASE

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**PA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES
CERTIFIES EMPLOYER CONTRIBUTION RATE FOR FISCAL YEAR 2017/2018**
Fund also posts quarterly investment performance; Board election results certified

HARRISBURG, PA – The PA Public School Employees' Retirement System (PSERS) Board of Trustees met today and certified an annual employer contribution rate of 32.57 percent for fiscal year (FY) 2017/2018, which begins on July 1, 2017. The increase in the employer contribution rate for FY 2017/2018 is the smallest percentage increase since FY 2009/2010 and fully meets the actuarially required rate.

PSERS Executive Director Glen R. Grell commented on the importance of employers contributing the actuarially required rate. "For the second consecutive year the employer contribution rate provides 100% of the actuarially required rate," Grell said "Paying the actuarially required rate is an important step that will bring PSERS back to fully-funded status over time. While the employer rate remains high, the Commonwealth has made dramatic progress in addressing its pension funding issues."

In FY 2017/2018 PSERS' funded ratio is projected to dip to its lowest level before PSERS reaches a major turning point. In FY 2018/2019 and beyond the funded ratio slowly begins to improve after declining since 2001, provided the actuarially required contribution is made each year and the fund meets its investment return assumption.

The Pennsylvania Independent Fiscal Office (IFO) has recognized the Commonwealth's progress on its pension funding issues. The IFO noted in its November 15, 2016 presentation that "Pension contribution growth decelerates dramatically after FY17/18." Also as shown in the IFO presentation, after FY 2017/2018 pensions are no longer a major cost driver of Commonwealth expenditure growth.

S&P Global and Moody's bond rating agencies have also commented on the pension funding improvements made since 2010 under Act 120 and have noted that pension contribution increases will become more manageable for school employers and the Commonwealth after FY 2017/2018. In August 2016 Moody's Investors Service noted "The Commonwealth is on a solid (though slow) path toward full funding of its pension plans. Favorably, the most difficult phase of pension contribution ramp-ups is now in the rearview mirror, and the magnitude of annual pension contribution increases will be more manageable in the coming years."

Since 2001, various pieces of pension legislation suppressed the employer contributions paid to PSERS by the school employers and Commonwealth. The employer contribution rates paid were well below the actuarially required rate that was necessary to pay down the existing pension debt of the System. In 2010, however, significant pension reform was enacted that reduced pension benefits for new members and made significant progress toward addressing the funding challenges at PSERS. For the past 6 years, Act 120 of 2010 increased the employer contribution rate in measured increments to the actuarial

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level necessary to begin to address PSERS funding challenges. FY 2016/2017 marked the first time in fifteen years that the actuarially required rate is being paid by school employers and the Commonwealth. Today's certification of the FY 2017/2018 employer rate maintains the commitment to fully meet the actuarially required rate.

Total employer contributions to PSERS of \$4.4 billion are estimated in FY 2017/2018. The Commonwealth directly reimburses school employers for no less than 50 percent of the total employer contribution rate.

PSERS is also funded through investment earnings and mandatory member contributions. For the most recent fiscal year ended June 30, 2016, PSERS' investments added approximately \$474 million in net investment income to the Fund. PSERS members contribute from 5.25 percent to 10.30 percent of pay depending on their membership class and when they joined PSERS. New members hired after July 1, 2011 also share some of the investment risk. Their contribution rates will fluctuate based on the Fund's investment performance. Members will contribute an average of 7.54 percent or approximately \$1 billion in FY 2017/2018.

During the meeting PSERS Executive Director Glen R. Grell also certified the results of the recent election of the retired member representative on PSERS Board. Ms. Melva S. Vogler, PSERS current chairman, was re-elected from among three candidates to serve another three year term on the Board beginning January 2017. Also joining the Board in January are Jason M. Davis of Penn Trafford School District, and Christopher SantaMaria of Lower Merion School District, who were both elected by acclamation in October 2016 to serve as representatives of the active certified members.

In other business, PSERS Chief Investment Officer James H. Grossman Jr. reported a positive 3.65 percent return for the fiscal first quarter ended September 30, 2016, adding approximately \$1.4 billion in net investment income to the Fund. PSERS earned positive investment returns of 9.28 percent for the one year, 7.56 percent for the 5 year, and 8.09 percent for the 25 year periods ended September 30, 2016. Additional details on PSERS investment performance as of September 30, 2016 is available on PSERS' website at: <http://www.psers.state.pa.us/investment/invest.htm>

About the Pennsylvania Public School Employees' Retirement System

PSERS is the 20th largest state-sponsored defined benefit public pension fund in the nation. As of September 30, 2016, PSERS had net assets of approximately \$51.0 billion and a membership of approximately 257,000 active school employees and nearly 225,000 retirees.

The online version of PSERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016 is now available. The CAFR can be found on PSERS' website at: <http://www.psers.state.pa.us/publications/general/cafr.htm>

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