

**PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM
HISTORICAL INFORMATION FOR NASRA – ROBERT CLARK
June 2, 2008**

Brief narrative description of your system including the system's date of origin

Established in 1923, SERS is one of the nation's oldest and largest statewide retirement plans for public employees and ranks among the top pension plans in the nation. SERS administers both a defined benefit plan and a defined contribution plan. The defined benefit plan is funded through a combination of employee contributions, employer contributions and investment earnings. The defined contribution plan (Commonwealth of Pennsylvania Deferred Compensation Program) is funded by voluntary employee contributions and investment earnings. This Member Handbook addresses the major provisions of the SERS defined benefit plan.

Key events and factors leading to its establishment; other notable developments and milestones in the life of your system

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| 1923 | Act 331, signed into law (Public law 858) by Governor Gifford Pinchot, established SERS. |
| 1924 | In its first full year in operation, SERS had 1,822 members. Contributions begin 1/1/1924. |
| 1937 | Bureau of State Retirement is moved to the Treasury Department. The State Treasurer serves as Chairman Of The Board. |
| 1939 | Bureau of State Retirement is returned to the Department of State and the Secretary of the Commonwealth serves as Chairman Of The Board. |
| 1959 | The retirement enabling law is rewritten and established. Many sections and provisions are added to bring the law into conformity with all provisions. |
| 1968 | Act 230 granted the first Cost of Living Adjustment (COLA) effective July 1; average increase for annuitants was 6.76%; the supplemental retirement program titled Social Security Integration was first offered to members. |
| 1972 | Act 87 allows the fund to invest up to 10% of assets in preferred and common stock. |
| 1974 | Act 31 re-codified the State Employees' Retirement Code: the State Employees' Retirement Board became an "independent administrative Board"; a COLA was granted, with the average increase 23.3%; stock investment authority was increased to 25% of Fund assets. |
| 1979 | A COLA was granted with the passage of Act 130; average increase: 25.0%. |
| 1981 | Act 66 was signed, establishing the Public Employee Retirement Study Commission to study public employee retirement and pension systems. |

- 1982** Act 45 signed, providing for an annual independent audit, allowing 50% of investments of the fund to be in stocks, and allowing real estate investments; Act 67 signed, increasing the SERS Board from seven to 11 members.
- 1983** Act 31 signed, with the employee contribution rate upped from 5% to 6.25% of salary.
- 1983** To comply with a 1983 U.S. Supreme Court Decision titled "Norris versus Arizona", pension plans throughout the U.S. adjusted their actuarial factors to be gender neutral. As a result of the Norris Decision, SERS adopted "Blended" or Gender Neutral Actuarial Tables for members who first joined the plan after the Norris Decision became effective, August 1, 1983. A new set of actuarial tables was developed for the System that made the necessary adjustments required by the Norris Decision for those members who joined the System prior to August 1, 1983. The old actuarial tables were retained for member's service prior to August 1, 1983. They were deemed "Sex Distinct Actuarial Tables."
- 1984** Act 95 signed, opening a special one-year "30 and out" early retirement provision effective July 1, 1985, for eligible members with at least 30 years of creditable service and granting a COLA, the average increase of which was 9.94%.
- 1985** SERS opened its first Retirement Counseling Center field office in Montoursville
- 1986** Act 91 extends the "30 and out" retirement window from July 1, 1986, to June 30, 1987.
- 1987** Act 69 extended the "30 and out" retirement window from July 1, 1987, to June 30, 1989; Act 81 signed, authorizing the establishment of a Deferred Compensation Program for officers and employees of the Commonwealth, with the SERS Board assigned to implement and administer the program.
- 1988** Act 112 signed, granting a COLA effective with the first annuity payment after January 1, 1989; the average increase was 9.5%; the Act also extended the "30 and out" retirement window from July 1, 1989, to September 30, 1991.
- 1991** Act 23 was signed, granting an additional 10% service credit to certain members retiring in 1991. Resulted in treble the workload of normal years. The Act also officially shifted responsibility for member retirement counseling from the individual State agencies to SERS and extended the "30 and out" retirement window from October 1, 1991, to June 30, 1993.
- 1992** SERS reached fully funded status; completion of the regional Retirement Counseling Center network.
- 1992** Act 183 signed authorizing the spouse of a deceased retiree the opportunity to purchase State group health coverage. This coverage provides the same hospital and medical benefits that the spouse had prior to the death of the retiree.
- 1993** Contribution rate decreased for all regular class members to 5% from 6.25% of salary.
- 1994** Act 29 signed into law; the Act gave the SERS Board "Prudent Person" investment authority; granted a COLA to eligible annuitants, the average increase of which was 6.48%; extended the "30 and out" retirement window from July 1, 1993, to July 1, 1997; and permitted active members to elect to eliminate their Frozen Present Value if

they have earned three eligibility points following return to active service from annuity.

- 1995** Act 77 signed, limiting retirement-covered compensation to \$150,000, effective January 1, 1996.
- 1996** Act 167 signed, providing a special supplemental post-retirement adjustment to members who performed certain military service and retired after February 28, 1974, and before January 1, 1985.
- 1997** For the first time, benefits paid to retirees and survivors topped \$1 billion annually; total fund assets at year end: \$21.3 billion.
- 1998** Act 41 signed into law, reopening the "30 and out" retirement window from July 1, 1998, to June 30, 1999; Act 88 signed into law, granting a COLA to eligible retired members based on the date of retirement up to and including June 30, 1997.
- 1999** Total Fund assets exceed \$28 billion.
- 2000** Effective January 1, 2000, Act 12 provides for mandatory membership in SERS of designated county-level court administrators, their designated deputies, associates, assistant administrators and special court administrators within the State judicial personnel system. In addition, Act 12 provided for court employees' compensation by the Commonwealth and allowed them to convert their county service to State Service.
- 2001** Act 9 reduced the vesting period for **all** current SERS members from 10 to 5 years. Act 9 created two new classes of service, Class AA and Class D-4. All employees hired after July 1, 2001, excluding State Police, legislators, judges, or district justices, will be Class AA when they join SERS. Legislators elected after July 1, 2001 will be Class D-4 when they join SERS. Act 2001-9 extended the election period for electing Multiple Service to 365 days after becoming an active contributing member. Previously, the election period was 30 days of becoming an active contributing member. Act 9 also opened a window to allow all active contributing members who otherwise would be eligible to elect Multiple Service to make a Multiple service election on or before December 31, 2003.
- 2002** On January 1, 2002, SERS began utilizing the GAM 83 tables for the purpose of benefit calculations. Historically, SERS utilized the 1971 Group Annuity Mortality ("GAM") tables to determine actuarial equivalence. Act 38 included provisions regarding plan administration and a two-phased COLA was granted to SERS annuitants; average increase in 2002: 13.860%. Average increase in 2003: 6.99%.
- 2003** Act 40 changed the funding period for most, but not all, of SERS' actuarial liabilities from 10 years to 30 years, effectively spreading out the payment of SERS' costs and liabilities. In essence, Act 2003-40 has refinanced the pension mortgage from a 10-year term to a 30-year term. The floor contribution rates have also been changed to require increasing minimum employer contributions of 2%, 3%, and 4% through fiscal year 2006-07.
- 2003 Through 2005** April 2003 – July 1, 2005 - A period of unprecedented customer service activity triggered by the negotiations and agreement reached between the American Federation of State County and Municipal (AFSCME) and the Commonwealth. The agreement resulted in a 30% increase in retirements. Health insurance eligibility and

program provisions were the primary motivating issue.

Past and present employer groups, participant groups

See PA SERS Employer Group attachments for 1986 and 2007 employer groups.

Benefit and governance structures

See PA SERS Governance Principles attachment.

Prior directors

Our current Executive Director is Leonard M. Knepp, Chief Investment Officer is John C. Winchester, and Chairman is Nicholas J. Maiale.

Date	Executive Director	Chief Investment Officer	Chairman
1970	Richard L. Witmer	NA	C. Delores Tucker
1974	Richard L. Witmer	NA	Frank N. Happ
1976	Richard L. Witmer	NA	Sol E. Zubrow
1978	Richard L. Witmer	NA	William J. Moran
1979	Robert L. Cusma	NA	William J. Moran
1982	Robert L. Cusma	Edwin B. Warwick	William J. Moran
1985	John Brosius	Kenneth G. Mertz II	William J. Moran
1992	John Brosius	Peter M. Gilbert	Nicholas J. Maiale
2004	Eric Henry	Peter M. Gilbert	Nicholas J. Maiale
2007 to present	Leonard M. Knepp	John C. Winchester	Nicholas J. Maiale

Growth of assets

See PA SERS Investment History attachment.