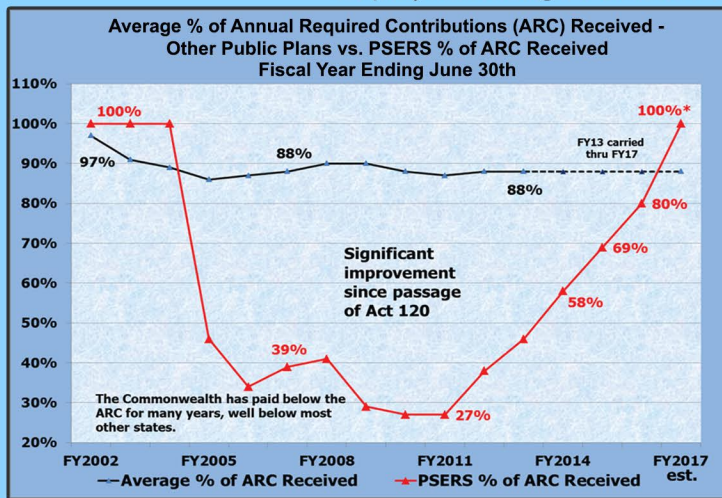




# Progress Made Under Act 120 of 2010 Pension Reform

# 100%

For the first time in fifteen years, PSERS will receive full actuarially-determined funding from the Commonwealth and school employers during FY 2016/2017.



## Act 120 of 2010 at a Glance

- ◆ Put in place short-term rate relief – “collars” to help school budgets.
- ◆ Reduced DB multiplier from 2.5%.
  - 2.0% for 7.5% employee rate
  - 2.5% for 10.3% employee rate
- ◆ Put in place “Shared Investment Risk.”
- ◆ Increased normal retirement age.
- ◆ Increased vesting – 5 yrs. to 10 yrs.
- ◆ Eliminated lump-sum withdrawal option.

**48,000 +** members are under the reduced benefit structure of Act 120 as of June 30, 2015. That number is expected to reach over 60,000 during 2016--23% of PSERS' total active membership.



## S&P Global Ratings

“Given the small [budget] gap, coupled with the achievement of full funding of actuarially determined contributions (ADCs) for all pension plans in fiscal 2017, we see the fiscal 2018 and projected out-year budget gaps as manageable (albeit likely to face similar political obstacles).” - July 2016

## Innovative Shifting of Investment Risk

Act 120 members will contribute more into PSERS if investments underperform. The next lookback to determine risk share will occur in FY 2017.

# \$115 million+

in annual savings from reduced benefit structure expected in FY2016/2017

The ongoing “normal” cost of current pension service for Act 120 members is less than 3% of payroll compared with over 8% for pre-Act 120 members.