

# ACTUARIAL SECTION

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PA State  
Insect:  
Firefly



September 24, 2021

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, 2020. 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 2010-120, 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 2017-05, 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, 2020 actuarial valuation, a total contribution rate of 34.94% (33.99% Pension plus 0.80% Premium Assistance and 0.15% for Act 5 DC contributions) of payroll payable by employers for FY2021/2022, 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 7.20%.

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, 2020, including pension and survivor benefits, as the basis for the pension contribution rate for fiscal year 2021/2022.

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, 2015. This valuation was prepared on the basis of the demographic and economic assumptions that were recommended on the basis of the July 1, 2010 – June 30, 2015 Experience Review and approved by the Board of Trustees at its June 10, 2016 meeting, which includes a 7.25% 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, 2020
- 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 Global, LLC (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, "Schedule of Employer OPEB (Premium Assistance) Contributions" and the "Schedule of Funding Progress" 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 is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. Edward Quinn and Salvador Nakar are Members 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 "Edward A. Quinn".

Edward A. Quinn, 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, 2020  
(\$ Amounts in Thousands)**

Item	June 30, 2020	June 30, 2019
<b>Member Data</b>		
1. Number of Members		
a) Active Members	256,246	255,749
b) Vesteas <sup>1</sup>	25,903	25,514
c) Annuitants, Beneficiaries and Survivor Annuitants <sup>2</sup>	239,614	237,339
d) Total	521,763	518,602
2. Annualized Salaries <sup>3</sup>	\$ 13,974,295	\$ 13,671,927
3. Annual Annuities	\$ 6,170,896	\$ 6,051,632
<b>Valuation Results</b>		
4. Present Value of Future Pension Benefits		
a) Active Members	\$ 66,004,231	\$ 64,673,835
b) Inactive Members and Vesteas	2,444,758	2,258,815
c) Annuitants, Beneficiaries and Survivor Annuitants	58,415,383	57,413,088
d) Total	\$ 126,864,372	\$ 124,345,738
5. Present Value of Future Pension Normal Cost		
a) Active Members	\$ 10,044,827	\$ 10,182,324
b) Employer	8,986,146	8,963,909
c) Total	\$ 19,030,973	\$ 19,146,233
6. Pension Accrued Liability		
a) Active Members (4a) - (5c)	\$ 46,973,258	\$ 45,527,602
b) Inactive Members and Vesteas	2,444,758	2,258,815
c) Annuitants, Beneficiaries and Survivor Annuitants	58,415,383	57,413,088
d) Total	\$ 107,833,399	\$ 105,199,505
7. Health Insurance Assets for Premium Assistance	\$ 130,417	\$ 125,185
8. Total Accrued Liability for Funding (6) + (7)	\$ 107,963,816	\$ 105,324,690
9. Actuarial Value of Assets	\$ 63,929,354	\$ 61,190,489
10. Funded Status (9) / (8)	59.2%	58.1%
11. Unfunded Accrued Liability (8) - (9)	\$ 44,034,462	\$ 44,134,201
12. Total Normal Cost Rate	14.76%	14.98%
13. Member Contribution Rate	7.56%	7.61%
14. Employer Normal Cost Rate (12) - (13)	7.20%	7.37%
<b>Employer Annual Funding Requirement</b>		
15. Employer Contribution Rate Calculated by Actuary	<b>Fiscal 2021/2022</b>	<b>Fiscal 2020/2021</b>
a) Normal Cost	7.20%	7.37%
b) Unfunded Accrued Liability	26.79	26.14
c) Preliminary Pension Rate	33.99%	33.51%
d) Health Insurance Premium Assistance	0.80	0.82
e) Act 5 DC <sup>4</sup>	0.15	0.18
f) Total Rate <sup>5</sup> = (15c) + (15d) + (15e)	34.94%	34.51%

- Excludes 135,613 and 132,854 inactive members and non-members as of June 30, 2020 and June 30, 2019, respectively, who are no longer participating and are valued for their accumulated deductions only.
- Excludes 1,281 and 1,595 beneficiaries as of June 30, 2020 and June 30, 2019, respectively, who are only entitled to a pending lump sum distribution.
- The salaries shown represent an annual rate of pay for members who were in active service on the valuation date.
- Average DC contribution rate. Actual rate will vary by employer based on Class T-G, Class T-H, and Class DC only memberships.
- The Act 120 minimum pension rate for the June 30, 2020 valuation is 7.20% and for the June 30, 2019 valuation is 7.37%.

**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	
2011 <sup>3,4</sup>	\$ 13,510,000	7.34%	8.08%	(0.50)%	7.58%	5.00%	N/A	0.64%	5.64%	69.1%
2012	14,112,000	7.37	8.12	10.15	18.27	8.00	N/A	0.65	8.65	66.4
2013 <sup>5</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>6</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	<b>59.2</b>
2021	14,078,000	7.61	7.37	26.14	33.51	33.51	0.18	0.82	34.51	*
<b>2022</b>	<b>14,289,000</b>	<b>7.56</b>	<b>7.20</b>	<b>26.79</b>	<b>33.99</b>	<b>33.99</b>	<b>0.15</b>	<b>0.80</b>	<b>34.94</b>	<b>*</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 2010-120 pension rate collars for fiscal years 2012 through 2016.
- At its January 2009 meeting, the Board voted to reduce the interest rate from 8.50% to 8.25% for the June 30, 2008 valuation and to 8.00% for subsequent valuations.
- Act 2010-46 recertified the fiscal year ended June 30, 2011 pension rate from 7.58% to 5.00%.
- 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%.
- Act 5 new member assumptions:

<u>Valuation</u>	Class T-G	Class T-H	DC Only
2018	65%	30%	5%
2019	65%	30%	5%
2020	98%	1%	1%

\* Not Available

## DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

### ASSUMPTIONS

**Interest Rate:** 7.25% per annum, compounded annually (adopted as of June 30, 2016). The components are 2.75% for inflation and 4.50% for the real rate of return. Actuarial equivalent benefits are determined based on an interest rate of 4% per year (since 1960) except, in accordance with Act 5-2017, an interest rate of 7.25% 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.

**Discount Rate for GASB 67 Accounting:** 7.25% as of June 30, 2018 and June 30, 2019. Rates were determined in accordance with the methods prescribed in GASB Statement No. 67.

**Discount Rate for GASB 74 Accounting:** 2.98% as of June 30, 2018 and 2.79% as of June 30, 2019. 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, 2016).

Age	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	14.85%	5.70%	2.57%	0.041%	0.020%		
30	12.74	3.37	2.57	0.039	0.020		
35	13.39	3.21	1.50	0.044	0.058		
40	14.49	3.97	1.34	0.050	0.116		
45	14.42	4.53	1.37	0.084	0.160		19.16%
50	14.31	4.45	1.92	0.138	0.284		19.16
55	12.17	4.43	3.38	0.233	0.442	18.57%	26.59
60	12.43	5.58	5.57	0.379	0.582	14.42	30.87
65				0.700	0.087		21.39
69				1.067	0.135		19.34
<b>FEMALES</b>							
25	13.41%	7.47%	5.02%	0.013%	0.018%		
30	13.81	6.05	4.02	0.017	0.023		
35	14.22	5.53	2.85	0.024	0.055		
40	11.79	4.87	1.60	0.032	0.096		
45	11.54	4.51	1.65	0.051	0.135		15.00%
50	11.66	4.43	2.06	0.088	0.229		15.00
55	11.75	4.38	3.11	0.133	0.368	18.59%	10.02
60	12.25	5.97	6.40	0.196	0.360	17.05	35.77
65				0.327	0.082		22.23
69				0.443	0.115		22.79

- These base mortality tables will then be projected on a generational basis using the Buck Modified 2015 projection scale from 2013 to the valuation date and thereafter.
- Early Retirement – Age 55 with 25 years of service, but not eligible for Superannuation retirement.

**DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS**

(Continued)

**Death after Retirement:**

Male annuitants: RP-2014 male mortality table adjusted backward to 2006 with the MP-2014 improvement scale and projected to the valuation date with the Buck Modified 2015 projection scale.

Female annuitants: RP-2014 female mortality table adjusted backward to 2006 with the MP-2014 mortality improvement scale, projected to 2013 with the Buck Modified 2015 projection scale adjusted for credibility. This base mortality table will then be projected on a generational basis using the Buck Modified 2015 projection scale from 2013 to the valuation date.

Disabled annuitants: RP-2014 male and female disabled mortality tables adjusted backward to 2006 with the MP-2014 mortality improvement scale and projected from 2013 to the valuation date with the Buck Modified 2015 projection scale.

The above base mortality tables are projected on a fully generational basis using the Buck Modified 2015 projection scale from the valuation date.

For determination of actuarial equivalence, a unisex table based on the above base tables, with weightings of 25% of male and 75% of female mortality probabilities, is utilized. This table is then projected on a generational basis to 2020 using the Buck Modified 2015 projection scale.

**Salary Increase:** Effective average of 5.00% per annum, compounded annually (adopted as of June 30, 2016). The components are 2.75% for inflation, and 2.25% for real wage growth and merit or seniority increases. Representative values are as follows:

Age	Annual Rate of Salary Increase
20	10.25%
30	7.75
40	5.75
50	3.75
55	3.25
60	3.25
65	3.25
70	3.25

**Payroll Growth:** A 3.50% 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 2010-120 and Act 2017-5, 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**

**Annuity Optional Forms Assumption for Retiring Active Members:**

- 50% will elect Maximum Straight Life Annuity (MSLA)
- 20% 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 4 Lump Sum Elections:** 80% of Class T-C, Class T-D, Class T-E and Class T-F members are assumed to elect a refund of contributions and a reduced annuity.

**Withdrawal Annuity:** 90% of members are assumed to commence payment immediately and 10% are assumed to defer payment to superannuation age.

**Health Insurance:** Elections: 63% of eligible retirees are assumed to elect premium assistance for fiscal years 2020/2021 and 2021/2022. Beginning in fiscal year 2022/2023, 62% of eligible retirees are assumed to elect premium assistance.

**Administrative Expenses:** Assumed equal to \$2,001,000 for fiscal year 2020/2021, \$1,901,000 for fiscal year 2021/2022 and \$1,996,000 for fiscal year 2022/2023.

**Summary of Changes since the June 30, 2019 Valuation:** Beginning in fiscal year 2022/2023, 62% of eligible retirees are assumed to elect premium assistance.

Assumed administrative expenses for the Health Insurance Premium Assistance Plan changed from \$2,101,000 for fiscal year 2021/2022 to \$1,901,000, and the amount of \$1,996,000 was added for the fiscal year 2022/2023.

**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 7.25% (7.50% prior to June 30, 2016, 8.25% prior to June 30, 2009, and 8.50% prior to June 30,



## DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

(Continued)

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 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.

**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). 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 required 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 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.

**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, 2019 Valuation:** None.

**DATA**

**Census and Assets:** The valuation was based on members of the Retirement System as of June 30, 2020 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, 2020 that 98% will become Class T-G members, 1% will become Class T-H members and 1% will become Class DC only participants. This assumption has been modified to reflect the actual Class T-G, Class T-H and Class DC only elections as of June 30, 2020. The prior valuation assumed that among new employees hired on or after July 1, 2019: 65% would become Class T-G members, 30% would become Class T-H members and 5% would become Class DC only participants. This assumption may be updated for the June 30, 2021 valuation of the System after the actual Class T-G, Class T-H and Class DC only elections is accumulated through June 30, 2021.

### 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
2020	775	256,246	\$ 13,974,295	\$ 54,535	2.01%
2019	774	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
2012	773	273,504	12,714,371	46,487	0.52
2011	747	279,152	12,910,043	46,247	1.99

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

Valuation Date as of June 30	Added to Rolls		Removed from Rolls		Rolls 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)		
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
2012	14,579	332.7	7,186	66.6	202,015	4,872.9	4.78	24,122
2011	16,228	453.7	6,540	76.4	194,622	4,650.8	7.17	23,897

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 Rolls		Removed from Rolls		Rolls 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)		
2020	5,979	\$ 4.5	4,230	\$ 3.2	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
2012	5,751	4.6	1,372	1.1	133,298	105.6	3.43	1,200
2011	8,185	6.5	2,074	1.6	128,919	102.1	4.93	1,200

2. Number of retired members eligible to participate in the Health Insurance Premium Assistance; 63% of eligible retirees are assumed to elect premium assistance as of June 30, 2016 to June 30, 2020; 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**  
**(\$ 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)
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
2012	12,535,442	47,511,912	27,713,306	58,227,622	100	96	0
2011	12,242,308	45,648,780	27,749,295	59,141,131	100	100	5

**SCHEDULE OF FUNDING PROGRESS FOR PENSIONS <sup>1</sup>**  
**(\$ 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
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
2012	58,227,622	87,760,660	29,533,038	66.3	12,714,371	232.3
2011	59,141,131	85,640,383	26,499,252	69.1	12,910,043	205.3

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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Effective Prior Year Contribution Rate	34.51%	34.29%	33.43%	32.57%	30.03%	25.84%	21.40%	16.93%	12.36%	8.65%
Prior Year Adjustment for Legislation	N/A	N/A	N/A	N/A	N/A	2.82	5.47	7.82	10.15	10.27
<b>Net Change Due to:</b>										
Change in Normal Rate	(0.17)	(0.12)	(0.10)	(0.11)	(0.23)	(0.07)	(0.08)	(0.11)	(0.09)	(0.22)
Payroll Growth and Liability Experience	0.39	0.25	(0.12)	(0.17)	0.96	0.14	0.58	0.68	0.72	(0.21)
Investment Loss/(Gain)	0.26	0.02	0.98	1.22	1.08	0.83	0.66	0.81	0.78	0.59
Health Insurance Contribution Change	(0.02)	(0.02)	0.01	0.00	0.01	(0.01)	(0.06)	(0.03)	0.07	0.21
Assumption/Method Change	N/A	N/A	N/A	(0.08)	0.44	N/A	N/A	N/A	N/A	3.04
Act 5 Benefit and Funding Reforms <sup>2</sup>	(0.03)	0.09	0.09	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Amortization of Prior Legislation Deferrals	0.00	0.00	0.00	0.00	0.28	0.48	0.69	0.77	0.76	0.18
<b>Legislation Deferrals:</b>										
Act 120 Collar <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A	(2.82)	(5.47)	(7.82)	(10.15)
Actual Contribution Rate:	34.94%	34.51%	34.29%	33.43%	32.57%	30.03%	25.84%	21.40%	16.93%	12.36%

1. The Final Employer Pension rate is limited by the Act 2010-120 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 required 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.