

**Written Testimony of Glenn E. Becker
Chairman, Pennsylvania State Employees' Retirement System
House Appropriations Committee
Monday, March 23, 2015**

Chairman Adolph, Chairman Markosek, and members of the House Appropriations Committee:

It is a pleasure to come before you to discuss the State Employees' Retirement System's 2015-16 spending authority request, our operations, and our investments. Our goal is to provide you with valuable insight into achievements over the past year, as well as the opportunities and challenges we face in the coming year.

SERS serves approximately 230,000 active and retired members. Many of the people on this committee and in this chamber are members and have a stake in our operations and achievements. You—our members—are the focus of all of our endeavors.

Last year, we paid out nearly \$3 billion in retirement benefits to more than 122,000 retirees and beneficiaries. Nearly, \$2.7 billion were paid to people in Pennsylvania, contributing to the continued growth of our local and state economies.

We remain strong, deliberate, and prudent in our investment strategies. In the past four years, we have reduced our investment fees and expenses by more than 30 percent and continue to strive for the best value from the organizations that manage our portfolio.

We have gone to great lengths to diversify and de-risk our investments and protect our assets from the volatility of the markets. These initiatives have produced real results. Over the last five years, we've earned \$11 billion for our members.

Our unaudited investment returns of 6.4% continue our positive growth and help move the system toward the goal of restored financial health and a reduced unfunded liability.

These positive results, combined with the continued commitment of SERS' employers to make actuarially required contributions under current law, have improved our estimated funded ratio to 59.3% on an actuarial basis, or 61.4% on a market value basis, over last year.

This fiscal year the employer contribution rate as set under Act 120 is expected to be 25.0% of payroll, yielding approximately \$1.5 billion in contributions of which 42%—or \$630 million—originates from the General Fund through the employers under the Governor's jurisdiction. With the continued commitment of the commonwealth, we will reach the actuarially required contributions within the next two years and employers will begin to see the steady decline in the contribution rates year after year.

This year, SERS is seeking a \$23.6 million spending authority, which is drawn from SERS funds, not general government operating accounts.

Pennsylvania's State Employees' Retirement System remains one of the top-performing pension funds in the country.

We remain committed to our vision and mission to serve our members and this body to address pension issues and to work together to develop long-term solutions that will benefit all Pennsylvanians.

I look forward to our discussion today, and along with SERS' Executive Director, David Durbin and our Chief Investment Officer, Tom Brier, will answer any of your questions.

Thank you.

Respectfully Submitted,



Glenn E. Becker
Chairman
State Employees' Retirement System