

Overview

The Pennsylvania State Employees Retirement System (SERS) was established in 1923, making it one of the nation's oldest and largest statewide retirement plans for public employees. Today, the system provides a defined benefit (DB) pension benefit for its 107,021 active state employees and 115,342 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k), generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 6.25% of salary to SERS.
- Employers contribute 11.5% to the fund.
- Each dollar invested by Pennsylvania taxpayers in SERS supported \$8.30 in total economic activity in the state.



▶ Key SERS Data¹

The chart below summarizes the key SERS data, as of December 31, 2011:

Total active employees	107,021
Total retired members and survivor beneficiaries	115,342
Average annual retirement pension benefit*	\$24,448
Employer contribution rates	11.5%
Employee contribution rates (most employees)	6.25%
Total fund assets	\$24.7 billion
Funded ratio	65.3%
Unfunded liability	\$14.7 billion
* For those who work to full retirement age.	

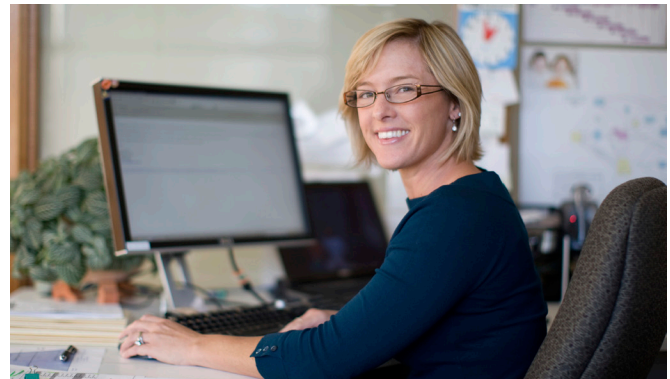
▶ The Economic Impact of Pennsylvania Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Pennsylvania communities and the state economy. Within the state of Pennsylvania, 2012 expenditures stemming from state and local pensions supported:

- 121,615 jobs that paid 5.8 billion in wages and salaries
- \$17.5 billion in total economic output
- \$2.3 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.80 in total economic activity in Pennsylvania.

Each dollar invested by Pennsylvania taxpayers in these plans supported \$8.30 in total economic activity in the state.



¹ All data, unless otherwise noted, as of December 31, 2011.

² Rhee, N. 2014. Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Pennsylvania State Employees Retirement System (SERS)**. SERS provides retirement benefits for state employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$8.30 The total economic activity in Pennsylvania for each dollar invested by Pennsylvania taxpayers in PSERS.

\$17.5 billion Total economic output in Pennsylvania created in 2012 by public sector retirees spending their pension income.

\$2.3 billion Federal, state and local tax revenue generated by spending of Pennsylvania public pension income.

121,615 Jobs created from pension income spending by Pennsylvania state and local government retirees.

107,021 Total active members of the Pennsylvania State Employees Retirement System.

\$24,448 Average annual pension benefit for a member who works to the full retirement age.

6.25 Percentage of salary that SERS employees contribute from every paycheck to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a new employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

4.7 million Older households across the country avoiding "poor" or "near poor" classification due to their pension income

\$1.22 million Older households across the country avoiding mean-tested public assistance due to their pension income.

All data comes from either SERS or the National Institute on Retirement Security.

Overview

The Pennsylvania Public School Employees' Retirement System (PSERS) was established in 1917, making it one of the nation's oldest statewide retirement plans for public employees. Today, the system provides a defined benefit (DB) pension benefit for its 282,041 active public school employees and 184,934 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 7.34% of salary to PSERS. Nationally, the median employee contribution rate is 5%.
- Employers contribute 5.64% to the fund.
- Each dollar invested by Pennsylvania taxpayers in PSERS supported \$8.30 in total economic activity in the state.



▶ Key PSERS Data¹

The chart below summarizes the key data for PSERS, as of June 30, 2010:

Total active employees	282,041
Total retired members and beneficiaries	184,934
Average annual retirement pension benefit	\$23,466
Employer contribution rate	5.64%
Employee contribution rate	7.34%
Total fund assets	\$59.3 billion
Funded ratio	75.1%
Unfunded accrued liability	\$19.7 billion

▶ The Economic Impact of Pennsylvania Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Pennsylvania communities and the state economy. Within the state of Pennsylvania, 2012 expenditures stemming from state and local pensions supported:

- 121,615 jobs that paid 5.8 billion in wages and salaries
- \$17.5 billion in total economic output
- \$2.3 billion in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.80 in total economic activity in Pennsylvania.

Each dollar invested by Pennsylvania taxpayers in these plans supported \$8.30 in total economic activity in the state.



¹ All data, unless otherwise noted, as of fiscal year ended December 31, 2011.

² Rhee, N. 2014. Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Pennsylvania Public School Employees' Retirement System (PSERS)**. PSERS provides retirement benefits for all employees of public, state-supported educational institutions in Pennsylvania. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$8.30 The total economic activity in Pennsylvania for each dollar invested by Pennsylvania taxpayers in PSERS.

\$17.5 billion Total economic output in Pennsylvania created in 2012 by public sector retirees spending their pension income.

\$2.3 billion Federal, state and local tax revenue generated by spending of Pennsylvania public pension income.

121,615 Jobs created from pension income spending by Pennsylvania state and local government retirees.

282,041 Total active members of the Pennsylvania Public School Employees' Retirement System

\$23,466 Average annual retirement pension income.

7.34% Percentage of salary that PSERS employees currently contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

60% Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

772 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$11.2 million Teacher turnover cost savings generated by the retention affect of the defined benefit (DB) pension.

All data comes from either PSERS or the National Institute on Retirement Security.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Teachers contribute an average of 7.34% of salary out of each paycheck to the pension fund. Nationally, the median employee contribution rate is 5%.
- The average school employee benefit is \$23,466 per year, or \$1,965 per month.
- PSERS covers 282,041 active employees and 184,934 retirees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The PSERS pension replaces 60% of pre-retirement income for a new teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

The Pennsylvania Public School Employees' Retirement System (PSERS) serves all public school employees in Pennsylvania. PSERS employees participate in Social Security.

PSERS covers 282,041 active school employees and 184,934 retired members and beneficiaries. In 2011, PSERS teachers contributed an average of 7.34% out of each of their paycheck to the pension fund. When they retire, the average benefit is \$23,466 per year, or

\$1,956 per month.

For new employees, the PSERS pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 83% of Americans indicated that those with pensions are more likely to have a secure retirement, and 81% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in Pennsylvania⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Pennsylvania:

- The cost of turnover in Pennsylvania is \$14,497 per teacher.
- 772 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$11.2 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's Educator Community is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1,2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Perlman, B., K. Kenneally, and I. Boivie. 2011. *Pensions and Retirement Security 2011: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.