

PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM

OPENING STATEMENT TO THE

HOUSE APPROPRIATIONS COMMITTEE

THURSDAY, APRIL 13, 2023

Thank you, Mr. Chairman, and members of the Committee for inviting the State Employees' Retirement System here to answer your questions.

My name is Joe Torta, and for the past 16 months, I have been the Executive Director for SERS. Joining me today is our Chief Investment Officer, Jim Nolan. Jim has been with SERS since 2015, when he joined the agency as Deputy Chief Investment Officer, and was named Chief Investment Officer in 2021. We also have Sara McSurdy, who has been with SERS since 2011, serving as Chief Financial Officer since 2019.

I have been with SERS since 1989, when I began as a counselor trainee in one of our regional field offices. Since the beginning of my career, my focus has been on customer service – how can we best serve our members? Prior to my current role, I was Deputy Executive Director for the Office of Member and Participant Services, and I can assure you today, that that focus on serving our members continues.

This year, 2023, marks SERS' 100<sup>th</sup> Anniversary. Throughout our history, the goal of SERS board members and staff has been to work together – along with our colleagues in the legislature and various administrations – to ensure the health

and stability of the system so that the hundreds of thousands of members and participants we have served over the years could look forward to a financially secure retirement.

To give you some historical perspective – during the system's first year, 1,822 members contributed to the plan. Today, we serve nearly 240,000 members, including more than 96,000 employees who contributed to their pension last year and nearly 136,000 retirees and beneficiaries who received a benefit from the system in 2022.

At times the challenges have been significant – the Great Depression, World War II, the Energy Crisis of the mid-1970s, the savings and loan meltdown of the late 1980s, the Dot-Com Bubble of the 1990s, the Great Recession of 2008, the COVID-19 pandemic, and, most recently, the market tribulations of 2022.

Thankfully, these economic upheavals have been rare anomalies in the history of the agency. The important thing is that despite all the challenges we have faced over the years, SERS continues to make all its pension payments to retired members who devoted their lives to public service.

As I noted – SERS, today, serves nearly 240,000 active, vested and retired members. Last year, the system paid nearly \$3.9 billion in benefits of which approximately \$3.5 billion was issued to SERS members who live in Pennsylvania. For 2022, the average pension paid to retirees who work to full retirement age was approximately \$31,000.

One of the key reasons SERS has been able to continue paying promised benefits to its members – even in spite of profound economic challenges – is the

fact that, for the past several years, the commonwealth has paid the actuarially required contribution to the fund.

We are very appreciative for this support, and for this continued commitment, from our partners in the General Assembly.

It makes a big difference.

In the not-too-distant past, we saw first-hand, how persistent underfunding can jeopardize a plan's sustainability, eating away at the asset base, forcing decisions to liquidate investments at inopportune times.

Funding the actuarially required contribution allows us to continue moving toward an asset allocation strategy where we not only look to get the best return for the risk we take, but where we also take less risk overall, and pay promised benefits in a cost-effective manner.

Toward that end, reducing investment fees has been an ongoing goal for SERS. Since 2010, we have reduced fees and expenses for our investment program by approximately 58%, from 95.9 basis points in 2010 to 40.1 basis points in 2022.

Finally, SERS continues striving to improve services to our stakeholders, as well as improving efficiencies in the delivery of benefits and reducing costs in the administration of the system. Beginning in July, we will launch an ambitious initiative as part of a new strategic planning effort to transform SERS into a digital workplace, with the aim of reducing the use of paper in business operations wherever possible.

The basic idea is to create a more streamlined workflow that gives our employees secure electronic access to important information across the enterprise and will allow our members and participants to do more online.

Rather than a nine-to-five business day that relies on paper forms and transactions to get things done, we want to join the rest of the financial industry by making it possible for our customers to do more of what they want to do, when they want to do it, 24/7.

Most other financial institutions – banks, insurance companies, and our friends at PSERS – have already started down this road. So, it's time for SERS to join them in the 21<sup>st</sup> century. It's an ambitious project and an important one..

Those are the highlights I wanted to share with you before we get into the Committee's specific questions.

I would also like to note that we have several other senior SERS staff available to provide additional knowledge and insights as needed, including:

- Nicholas (Joe) Marcucci, our Chief Counsel
- Cindy Collins, our Director of Governance and Strategic Initiatives

And several others, who I may call upon, if needed.

With that, we welcome your questions.