



INDEPENDENT FISCAL OFFICE

To: Matthew Knittel, Director
From: Mark J. Ryan
Subject: Updated Projections for the State Share of PSERS Employer Contributions
Date: December 12, 2017

On December 8, 2017, the Board of Trustees of the Public School Employees' Retirement System (PSERS) certified an employer contribution rate of 33.43 percent for the fiscal year (FY) 2018-19. The certified rate is 0.75 percentage points lower than the employer contribution rate used to estimate the state share of PSERS employer contributions in the *Economic & Budget Outlook: Fiscal Years 2017-18 to 2022-23*, which was issued by the Independent Fiscal Office on November 16, 2017. The employer rates used in that report were based on projections provided by PSERS prior to the release of the most recent actuarial valuation.

In addition to providing a certified rate for FY 2018-19, PSERS also provides projections for the employer rates through FY 2022-23. The updated projection for each fiscal year is lower than the projection available prior to the most recent actuarial valuation. The table below summarizes the changes.

Updated PSERS Employer Contribution Rates

Fiscal Year	PSERS Employer Rate ¹			% Change in Rate ²	
	Previous	Updated	Change	Previous	Updated
2018-19	34.18	33.43	-0.75	4.9	2.6
2019-20	35.62	34.79	-0.83	4.2	4.1
2020-21	36.13	35.26	-0.87	1.4	1.4
2021-22	36.56	35.68	-0.88	1.2	1.2
2022-23	37.25	36.32	-0.93	1.9	1.8

¹ Expressed as a percentage of payroll.

² Compared to the prior year.

Source: The Public School Employees' Retirement System.

The projection for the dollar amount the Commonwealth will pay for its share of PSERS' employer contributions is computed using the employer contribution rate, the appropriation payroll and the average state percentage (based on a statutory formula). The table below provides updated state share projections based only on the updated employer contribution rates. The other components of the computation remain unchanged.

Fiscal Year	State Share		
	Published	Updated	Change
2018-19	\$2,530	\$2,489	-\$41
2019-20	2,692	2,630	-62
2020-21	2,805	2,738	-67
2021-22	2,899	2,829	-70
2022-23	3,008	2,934	-74

Note: figures in dollar millions.

The following table displays an update to Table 5.6, which was originally published in the *Economic & Budget Outlook: Fiscal Years 2017-18 to 2022-23* on November 16, 2017 (see page 49). The table shows total state General Fund pension contributions, including PSERS and the State Employees' Retirement System (SERS).

Fiscal Year	16-17	17-18	18-19	19-20	20-21	21-22	22-23
SERS ¹	\$784	\$856	\$872	\$889	\$901	\$899	\$949
PSERS	<u>2,064</u>	<u>2,264</u>	<u>2,489</u>	<u>2,630</u>	<u>2,738</u>	<u>2,829</u>	<u>2,934</u>
Total	2,848	3,120	3,361	3,519	3,639	3,728	3,883
Growth Rate	19.5%	9.7%	7.7%	4.7%	3.4%	2.4%	4.2%

Note: figures in dollar millions.

¹ Excludes any pension expenses related to the Motor License Fund shift to the General Fund.