



PENNSYLVANIA'S STATE SYSTEM *of* HIGHER EDUCATION



Pennsylvania's
STATE SYSTEM
of Higher Education

FINANCIAL STATEMENTS
JUNE 30, 2025

Pennsylvania's State System of Higher Education
Financial Statements
June 30, 2025
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INDEPENDENT AUDITORS' REPORT

Board of Governors
Pennsylvania State System of Higher Education
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Pennsylvania's State System of Higher Education ("the State System"), a component unit of the Commonwealth of Pennsylvania, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the State System as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain discretely presented component units, which represent 97.39%, 95.33%, and 96.58%, respectively, of the assets, net assets, and revenues of the discretely presented component units as of June 30, 2025. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of Proportionate Share of Net Pension Liability, OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
September 25, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

As members of the Commonwealth of Pennsylvania's (Commonwealth) public four-year higher education system, the ten universities of Pennsylvania's State System of Higher Education (State System) are committed to delivering high-quality education at the lowest possible cost to students. With approximately 83,000 degree-seeking students enrolled, and thousands more participating in certificate and career-development programs, the State System is the largest producer of bachelor's degrees in the Commonwealth. While each university operates independently, membership in the State System allows them to share administrative resources, collaborate on academic offerings, and leverage economies of scale to enhance efficiency and impact.

The State System's financial statements consist of the following:

- Cheyney University of Pennsylvania.
- Commonwealth University of Pennsylvania, including its campuses in Bloomsburg, Lock Haven and Mansfield and branch campus in Clearfield.
- East Stroudsburg University of Pennsylvania.
- Indiana University of Pennsylvania, including its branch campuses in Punxsutawney and Freeport.
- Kutztown University of Pennsylvania.
- Millersville University of Pennsylvania.
- Pennsylvania Western University of Pennsylvania, including its campuses in California, Clarion, and Edinboro.
- Shippensburg University of Pennsylvania.
- Slippery Rock University of Pennsylvania.
- West Chester University of Pennsylvania, including its branch campus in center city Philadelphia.
- System Office.

Management's discussion and analysis consist of an overview of the State System's financial activities for the year ended June 30, 2025, as compared to the year ended June 30, 2024, and significant changes between these two years, as well as future economic factors.

THE FINANCIAL STATEMENTS

The State System's financial report includes: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; the Component Unit Statement of Financial Position; the Component Unit Statement of Activities; and Component Units Expense by Nature and Function. These basic financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The State System's business-type activities are reported in the consolidated financial statements and the discretely presented component unit financial statements.

Statement of Net Position

The *Statement of Net Position* reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the State System as of the end of the fiscal year.

- *Assets* include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation, and right of use and subscription assets less accumulated amortization.
- *Deferred Outflows of Resources*, defined as a consumption of net position that applies to future periods, reports the deferred loss on bond defeasance and certain items associated with the pension and other

postemployment benefits, or OPEB liabilities (health and tuition benefits expected to be paid to eligible current and future retirees).

- *Liabilities* include payments due to vendors, employees, and students; revenues received but not yet earned; the balance of bonds payable; and amounts estimated to be due for items such as workers' compensation (the State System is self-insured), compensated absences (the value of sick and annual leave earned by employees), pension benefits, OPEB and lease and subscription liabilities.
- *Deferred Inflows of Resources*, defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasance, the fair value of irrevocable split-interest agreements, certain items associated with the pension and OPEB and deferred income associated with lessor leases.
- *Net Position*, informally referred to as *Net Assets* or *Fund Balance* (as it was previously called), is the sum of Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources.

Following is a summary of the State System's statement of net position at June 30, 2025 and 2024.

Statement of Net Position			
(in millions)	June 30, 2025	June 30, 2024	Change from Prior Year
Assets			
Cash and investments	\$982	\$984	(0.2%)
Capital assets, net	2,124	2,185	(2.8%)
Other assets	993	936	6.1%
Deferred outflows	259	349	(25.8%)
Total assets and deferred outflows	4,358	4,454	(2.2%)
Liabilities			
Compensated absences	134	124	8.1%
Net pension liability	879	940	(6.5%)
Net OPEB liability	1,087	1,176	(7.6%)
Bonds payable	1,460	1,606	(9.1%)
Lease obligations and financed purchases	264	275	(4.0%)
Other Liabilities	349	351	(0.6%)
Deferred inflows	745	763	(2.4%)
Total liabilities and deferred outflows	4,918	5,235	(6.1%)
Net Position			
Net investment in capital assets	1,039	976	6.5%
Restricted	207	193	7.3%
Unrestricted	(1,806)	(1,971)	(8.4%)
Total net position	(560)	(802)	(30.2%)
Total liabilities, deferred inflows and net position	\$4,358	\$4,433	(1.7%)

Net Position

Overall, **net position increased by \$242 million** in fiscal year 2024-25. This compares to an increase of \$304 million in fiscal year 2023-24 from fiscal year 2022-23.

In accordance with GASB requirements, the State System reports three components of net position:

- *Net investment in capital assets*, informally referred to as *NIP* (from its former name, *Net Investment in Plant*), is the cost of land, buildings, improvements, equipment, furnishings, library books, right of use leases and subscription assets, net of accumulated depreciation and amortization, less any associated debt (primarily bonds payable). This balance is not available for the State System's use in ongoing operations since the underlying assets would have to be sold to use the balance to pay current or long-term obligations. The Commonwealth prohibits the State System from selling university land and buildings without prior approval.
- *Restricted* net position represents the portion of balances of funds received from the Commonwealth, donors, or grantors, who have placed restrictions on the purpose for which the funds must be spent. *Nonexpendable* restricted net position represents the corpus of endowments and similar arrangements in which only the associated investment income can be spent. *Expendable* restricted net position represents the portion of restricted funds that is available for expenditure as long as any external purpose and time restrictions are met.
- *Unrestricted* net position includes funds that the Board, chancellor, or university presidents have designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets.

Unrestricted net position includes **three liabilities that the State System does not fund**, along with the respective deferred outflows and deferred inflows of resources. Because these liabilities will be realized gradually over future years, and because of their size, the universities are expected to fund these liabilities only on a "pay-as-you-go" basis; i.e., as they become due.

The State System's liabilities related to unfunded future compensated absences, unfunded future pension and retiree healthcare costs amounts to \$2.5 billion, inclusive of associated deferred inflows of resources (DIR) and deferred outflows of resources (DOR). The State System has no control over \$1.2 billion of this amount, which represents its share of the retirement and post-employment benefit plans administered by the Commonwealth, since the Commonwealth determines the benefit structures, employer contribution rates, and retiree contribution rates for these plans.

As of June 30, 2025, the Commonwealth's combined net pension and OPEB liabilities totaled \$69.0 billion, down from \$73.4 billion in 2024. Pension reforms enacted in 2017 for new hires beginning in 2019 have slowed liability growth but do not reduce existing obligations. No legislative action has addressed the rising OPEB liabilities, which include coverage for AFSCME employees hired since 2019. To limit future exposure, the State System closed its OPEB plan to most new employees hired after January 2016, excluding APSCUF-represented staff. While this does not reduce current liabilities, it prevents new obligations from accruing.

Below is a summary of the effect of the three unfunded liabilities, including the related deferred outflows of resources (DOR) and deferred inflows of resources (DIR), on the State System's net position.

Effect of Unfunded Liabilities, including the respective Deferred Outflows of Resources and Deferred Inflows of Resources, on Unrestricted Net Position		
(in millions)	June 30, 2025	June 30, 2024
Unrestricted Net Position when effect of unfunded liabilities is included	(\$1,806)	(\$1,971)
Pension Liabilities, including DOR and DIR		
SERS Pension	708	722
PSERS Pension	66	69
Total Pension Liabilities	774	791
OPEB Liabilities, including DOR and DIR		
SSHE OPEB Plan	1,181	1,262
REHP OPEB Plan	388	460
PSERS OPEB Plan	3	3
Total OPEB Liabilities	1,572	1,725
Compensated Absences Liability	134	124
Total Unfunded Liabilities, including DOR & DIR	2,480	2,640
Unrestricted Net Position when effect of unfunded liabilities is excluded	\$674	\$669

When the unfunded liabilities and related DOR and DIR are excluded, unrestricted net position increased slightly by \$5 million, or 0.7%, from fiscal year 2023–24 to 2024–25, rising from \$669 million at June 30, 2024 to \$674 million at June 30, 2025. This compares to a decrease of \$45 million, or 6.3%, from fiscal year 2022–23 to 2023–24.

- The State System's **net pension liability** and related deferred outflows/inflows reflect its share of the Commonwealth's unfunded defined benefit obligations, offset by assets in a qualified trust for future benefits. The liability grows annually based on actuarial estimates of employee-earned benefits and declines with increased trust funding or participant departures. As of June 30, 2025, its impact on net position was \$774 million, down from \$791 million in 2024. Universities fund this liability on a pay-as-you-go basis, contributing only the required annual amounts to SERS and PSERS.
- The **SERS prefunding** that was completed in the fiscal year ended June 30, 2021, via a bond issuance whose proceeds were transferred to the SERS plan, is reflected as an asset on the statement of net position in other assets. The balance at June 30, 2025 is \$716 million compared to \$746 million at June 30, 2024. This balance is amortized to reduce pension expense over time.
- The **OPEB liability** reflects estimated future healthcare costs for current and future retirees. It grows annually based on actuarial estimates of benefits earned by employees and rising healthcare costs, and declines with higher retiree contributions, fewer eligible employees, or retiree departures. As of June 30, 2025, its impact on net position was \$1.6 billion, down from \$1.7 billion in 2024. Like pension liabilities, universities fund OPEB on a pay-as-you-go basis, making biweekly payments for actual claims under the State System plan and required contributions to REHP and PSERS as set by the Commonwealth.
- The **compensated absences liability** reflects the dollar value of unused leave earned by employees, based on current salary, and recognized under GASB Statement No. 101. It includes annual, personal,

and sick leave eligible for cash payout upon retirement or termination. Full-time employees may receive payouts for up to 45 days of accumulated annual, personal, and holiday leave. Sick leave payouts are limited to retirees meeting specific age and service criteria, with caps based on accumulated days. The sick leave liability includes both vested amounts and estimated non-vested amounts, based on historical data, and projected eligibility. Adoption of the new standard had minimal impact on fiscal year 2024–25 opening balances. Used but unpaid leave is reported in accrued payroll under other liabilities.

The liability increased by \$10 million to \$134 million for the year ended June 30, 2025, compared to a \$4 million increase to \$124 million for the year ended June 30, 2024. Universities fund this liability only as cash payouts are made to employees upon termination.

Part of this overall increase in compensated absences liability is due to a new APSCUF sick leave program launched in spring 2025, offering payouts equal to 2.5 times vested sick leave balances. Further details are provided in the Expenses and Losses section of the Statement of Revenues, Expenses, and Changes in Net Position.

Capital Investment and Debt Activities

In fiscal year 2024–25, the State System added \$126 million in **capital assets**, including \$33 million for academic and auxiliary facilities, \$47 million in construction in progress, and \$20 million in subscription-based IT arrangements. This compares to \$127 million in total additions in fiscal year 2023–24, which included \$36 million for academic and auxiliary facilities, \$40 million in construction in progress, \$7 million in right-of-use lease assets, and \$22 million in subscription-based IT arrangements.

In fiscal year 2024–25, the State System was allocated \$70 million in **Commonwealth capital funding**, a level consistent with prior years—excluding fiscal year 2022–23, when funding was unusually high. These funds are primarily designated for the renovation, replacement, or demolition of existing educational and general (E&G) buildings, with all projects managed under the direction of the Commonwealth. Because the Commonwealth retains ownership of any capital project it directly funds, universities do not record the value of these projects as revenue or assets – except for any direct contributions they make to the projects.

There were no new bond issuances by the State System in fiscal years 2024–25 or 2023–24.

Bond principal, refundings or defeasance payments totaled \$146 million in fiscal year 2024–25, with \$48 million in interest paid, reducing total outstanding bond debt to \$1.460 billion as of June 30, 2025. This compares to \$189 million in principal-related payments and \$55 million in interest in fiscal year 2023–24, when outstanding bond debt stood at \$1.606 billion. Additional details regarding bond defeasances completed in fiscal year 2024–25 and 2023–24 can be found in the footnotes to the financial statements, under the Bonds Payable section.

In February 2025, Moody's Investors Service, Inc. maintained the State System's **bond rating** of Aa3, and stable outlook. The stable outlook reflects Moody's expectations that continued successful execution of the system redesign initiative will enhance prospects for sustainability, aligning expense structures to anticipated smaller enrollment levels, as noted earlier in the Enrollment section. The outlook also reflects expectations of continued strong liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's maintained the State System's Environmental, Social, and Governance (ESG) and Credit Impact Scores (CIS) of CIS-3. CIS-3 reflects the State System's elevated exposure to social risks, including weak demographics and highly competitive market conditions, while strong fiscal management and robust strategic planning frameworks partly mitigates its exposure to ESG risks. In February 2025, Fitch Ratings reviewed the State System's rating of A+ with stable outlook and no rating change was made.

Statement of Revenues, Expenses, and Changes in Net Position

The *Statement of Revenues, Expenses, and Changes in Net Position* reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, the State System has classified revenues and expenses as either operating or nonoperating.

Revenues and Gains

Following is a summary of revenues and gains for the years ending June 30, 2025 and 2024.

Revenues and Gains			
(in millions)	June 30, 2025	June 30, 2024	Change from Prior Year
Operating revenues			
Tuition and fees, net	\$530	\$595	(10.9%)
Grants and contracts	218	191	14.1%
Auxiliary enterprises, net	317	330	(3.9%)
Other	54	52	3.8%
Total Operating revenues	1,119	1,168	(4.2%)
Nonoperating revenues and gains			
State appropriations	729	683	6.7%
Federal & State approp. & grants - COVID	23	49	(53.1%)
Investment income, net	51	69	(26.1%)
Unrealized gain on investments, net	18	3	500.0%
Gain on bond defeasance	4	5	(20.0%)
Gifts, nonoperating grants and other	224	198	13.1%
Total Nonoperating revenues and gains	1,049	1,007	4.2%
Total revenues and gains	\$2,168	\$2,175	(0.3%)

Overall, fiscal year 2024-25 **operating revenues** decreased by 4.2% from the prior fiscal year due lower net tuition and fees revenue and auxiliary operations which were offset by increased grants and contracts revenue. Nonoperating revenues increased by 4.2%, mainly due to increased State appropriations revenues. The overall change in revenues and gains was a slight decrease of 0.3% over the prior year. These changes are further discussed below.

Tuition and Fees Revenue

In July 2024, the Board of Governors continued the pattern of freezing tuition; keeping in-state undergraduate tuition at the same rate of \$7,716 per year since 2018-19. Nonresident undergraduate tuition rates ranged from \$7,968 to \$19,290 for the 2024-25 academic year. The basic resident graduate tuition rate was \$516 per credit, while the typical nonresident graduate tuition rate is \$774 per credit.

The State System's average price of attendance (tuition, mandatory fees, room, and board) for in-state undergraduate students increased slightly for academic year 2024-25 at \$22,988, compared to \$22,421 in academic year 2023-24, with the difference caused by increases in a few university-set fees across the State System. The average price of attendance among all four-year public universities in the United States in academic year 2024-25 was \$24,920.

Fall 2024 student headcount, for credit-bearing and clock hour students, was 82,509, a decrease of 179 students, or (0.2%), from fall 2023.

Year	Fall Enrollment	% Change from Prior Year
2024	82,509	-0.2%
2023	82,688	-2.2%
2022	84,567	-4.6%

Tuition and fee revenue is shown net of discounts and allowances and bad debt expense. Discounts and allowances represent financial aid to students in the form of grants, scholarships, and waivers. Gross tuition and fees were \$902 million in fiscal year 2024-25 compared to \$900 million in fiscal year 2023-24. Although tuition was frozen again for fiscal year 2024-25 and overall fall student headcount declined, student fee revenue was higher. Tuition and fee discounts were \$372 million in fiscal year 2024-25 compared to \$305 million in fiscal year 2023-24, an increase of \$67 million. These items resulted in an overall **decrease in net tuition and fee revenue of \$65 million** in fiscal year 2024-25 or (10.9%) from fiscal year 2023-24.

In fiscal year 2024–25, the State System implemented a revised methodology for estimating tuition and auxiliary discounts, in accordance with the National Association of College and University Business Officers (NACUBO) Advisory Report 2023-01, Public Institutions: Accounting for and Reporting Financial Aid as a Discount. This refinement was made possible by advancements in student information systems that now capture detailed student-level data.

Under the previous approach, institutional aid was allocated using pooled student aid and refunds, which introduced non-discountable transactions and reduced the precision of discount estimates. The updated methodology uses student-level data to allocate aid between tuition, auxiliary discounts, and student aid expense by fiscal year, resulting in a more accurate reflection of how financial aid is distributed.

This change affects the classification of amounts reported in Tuition and fees, net; Auxiliary enterprises, net; and Operating Expenses – Student aid on the Statement of Revenues, Expenses, and Changes in Net Position. It does not affect the total net position and has been applied prospectively.

Compared to the previous method, the revised approach led to a 7% increase in tuition and fee discounts, an 8% increase in auxiliary discounts, and a 15% decrease in student aid expense. While the total institutional aid remains unchanged, these reclassifications reflect improved precision and alignment with the actual flow of financial support.

Auxiliary enterprises net revenue, which includes food service sales, housing fees, and fees for the operation, maintenance, debt service, and renewal of student union and recreation centers, net of discounts. Gross auxiliary enterprises revenue totaled \$360 million in fiscal year 2024–25, up from \$337 million in fiscal year 2023–24. However, auxiliary discounts increased significantly, from \$8 million to \$43 million, a rise of \$36 million, primarily due to a change in the allocation methodology, as discussed above under Tuition and Fees Revenue. As a result, **net auxiliary enterprises revenue declined by \$13 million**, or 3.9%, in fiscal year 2024–25 compared to the prior year. This compares to an increase of \$20 million or 6.5% in fiscal year 2023-24 from fiscal year 2022-23.

State Appropriations

For fiscal year 2024-25, the State System received General Fund appropriations of \$621 million, which was an increase of \$35 million or 6.0% over the amount of \$586 million for fiscal year 2023-24. In fiscal year 2024-25, these appropriations represented approximately 30% of total revenues and gains.

State support is a key factor in shaping the State System's overall financial condition and directly affects its ability to offer affordable tuition. Recent increases in appropriations have been critical to freezing tuition, delivering essential student services, and strengthening the State System's overall financial stability.

In addition to the appropriation, in fiscal year 2024–25, the State System received a \$23 million allocation from the Commonwealth's **Key '93 Fund** (Keystone Recreation, Park and Conservation Fund) through the Realty Transfer Tax to assist in funding deferred maintenance, an increase of \$2 million as compared to \$21 million received in 2023-24. Apart from fiscal years 2009–10 and 2010–11, when no funding was provided, **Key '93** has served as a reliable source of revenue for university deferred maintenance projects since its inception in 1993.

During fiscal year 2024-25, the State System received a special appropriation of \$85 million, from the Commonwealth's **Facility Transition Account**, a restricted account within the General Fund. These funds were designated for facilities transition costs, bond debt service payments, loan repayments, and other related obligations. Additional details regarding the use of these funds for bond debt service can be found in the footnotes to the financial statements, under the Bonds Payable section.

Similarly, in fiscal year 2023-24, the State System received a special appropriation of \$65 million to make early repayment of debt service on PASSHE owned facilities. \$63 million was used to make this early redemption and defeasance with the unused portion returned to the Commonwealth. The use of these funds is discussed further in the footnotes to the financial statements, bonds payable section.

Federal & State appropriations and grants – COVID includes ARPA funds that have been provided to State System universities by the Commonwealth. In fiscal year 2024-25, the \$23 million revenue was related to the \$125 million appropriation from the Commonwealth's American Rescue Plan's Coronavirus State and Local Fiscal Recovery Funds received in July 2022. \$48 million was recognized as revenue in fiscal year 2024-25. An additional \$6 million is anticipated to be recognized as revenue over the next two fiscal years.

Expenses and Losses

Following is a summary of expenses and losses for the years ending June 30, 2025 and 2024.

Expenses and Losses			
(in millions)	June 30, 2025	June 30, 2024	Change from Prior Year
Operating expenses			
Instruction	\$616	\$588	4.8%
Research and public service	90	79	13.9%
Academic support	162	150	8.0%
Student services	183	170	7.6%
Institutional support	254	247	2.8%
Operations and maintenance of plant	113	102	10.8%
Depreciation and amortization	184	176	4.5%
Student aid	33	87	(62.1%)
Auxiliary enterprises	237	212	11.8%
Total Operating expenses	1,872	1,811	3.4%

Expenses and Losses (continued)			
<i>(in millions)</i>	June 30, 2025	June 30, 2024	Change from Prior Year
Other expenses and losses			
Interest expense capital asset-related debt	52	57	(8.8%)
Loss on disposal / acquisition of assets	2	4	(50.0%)
Loss on termination of Perkins Loan Program	-	-	0.0%
Unrealized loss on investment, net	-	-	0.0%
Total Other expenses and losses	54	61	(11.5%)
Total expenses and losses	\$1,926	\$1,872	2.9%

Operating expenses increased by \$60 million, or 3.3%, in fiscal year 2024–25 compared to fiscal year 2023–24. This increase was primarily driven by higher costs for salaries, wages, and benefits, partially offset by a reduction in student aid expense.

Student aid expense declined by \$54 million, from \$87 million in fiscal year 2023–24 to \$33 million in fiscal year 2024–25. The decrease was attributable to a change in the allocation methodology, as discussed in detail above under Tuition and Fees Revenue.

Following is a summary of salaries, wages, and benefits expenses for the years ending June 30, 2025 and 2024.

Salaries, Wages and Benefits			
<i>(in millions)</i>	June 30, 2025	June 30, 2024	Change from Prior Year
Salaries and wages	\$930	\$906	2.6%
Employer benefit contributions			
Employee healthcare	157	135	16.3%
Pension benefits	154	155	(0.6%)
Retiree healthcare	45	50	(10.0%)
Other benefits	97	96	1.0%
Total employer benefit contributions	453	436	3.9%
Noncash pension and OPEB expense			
Pension expense	(61)	(81)	(24.7%)
Retiree healthcare expense	(153)	(198)	(22.7%)
Total noncash pension and OPEB expense	(214)	(279)	(23.3%)
Total salaries, wages and benefits	\$1,169	\$1,063	10.0%

Salaries and wages totaled \$930 million in fiscal year 2024–25, an increase of \$24 million, or 2.6%, over fiscal year 2023–24. The increase is the result of salary and wage increases granted as part of the collective

bargaining agreements as well as costs associated with the implementation of an enhanced sick leave program for APSCUF faculty, which offered a payout equal to **2.5 times** their vested sick leave balances, if retiring by August 22, 2025.

Under this program, 119 employees retired during fiscal year 2024–25, resulting in total payments of \$8.7 million, of which \$5.2 million represented incremental costs attributable to the enhanced benefit. An additional 57 eligible employees received payouts in fiscal year 2025–26, with payments totaling \$4.6 million, including approximately \$2.8 million in incremental benefits. These amounts have been accrued as of **June 30, 2025**. Overall, the enhanced sick leave program increased salaries and wages expense in fiscal year 2024–25 by \$8.0 million.

Annualized full-time equivalent employees decreased to 9,335 in fiscal year 2024-25, compared to 9,413 in fiscal year 2023-24.

When the effects of the non-cash pension and OPEB expenses in excess of contributions are factored out, fiscal year 2024-25 **employee benefits** totaled \$453 million, an increase of \$17 million, or 3.9%, above fiscal year 2023-24.

The employer share of **employee healthcare contributions** increased by \$22 million in fiscal year 2024-25, or 16.3%, from fiscal year 2023-24. This follows an increase of \$4 million in fiscal year 2023-24, or 3.1%, from fiscal year 2022-23.

Following is a summary of the State System's contributions for retiree pension and healthcare benefits for the years ending June 30, 2025 and 2024.

State System Employer Contributions for Retiree Pension and Healthcare Benefits			
<i>(in millions)</i>	Change from		
	June 30, 2025	June 30, 2024	Prior Year
Pension			
SERS	\$96.2	\$99.9	(3.7%)
PSERS	9.8	9.6	2.1%
ARP	48.5	45.8	5.9%
Retiree Healthcare			
System Plan	26.6	30.6	(13.1%)
REHP	17.8	18.7	(4.8%)
PSERS Healthcare	0.2	0.2	0.0%
Totals	\$199.1	\$204.8	(2.8%)

- **Employer contributions to SERS**, a defined benefits pension plan, were 40.33% of a participating employee's salary for most participants in fiscal year 2024-25, versus 41.09% in fiscal year 2023-24. This rate for 2025-26 is anticipated to be 39.96%. This rate has been steadily and significantly increasing since fiscal year 2010-11, when the rate was 4.11% of an employee's salary. At December 31, 2024, 67.7% of the SERS liability was funded.
- **Employer contributions to PSERS**, a defined benefits pension plan, were 16.460% of a participating employee's salary in fiscal year 2024-25, versus 16.545% in fiscal year 2023-24. The rate for 2025-26 is anticipated to be 16.480% and is expected to continue to increase each year, but at a lesser rate than

recent historical experience. This rate has been significantly increasing, with some fluctuation, since fiscal year 2010-11, when the rate was 2.82% of an employee's salary. The Commonwealth makes annual pension contributions to PSERS on behalf of State System employees at the same annual rate. At June 30, 2025, 64.63% of the PSERS liability was funded.

- **Employer contributions to the ARP**, a defined contribution plan, were 9.29% of a participating employee's salary in fiscal year 2024-25, the same rate since the plan's inception, and are expected to remain at the same rate for the near future. Because it is a defined contribution plan, the ARP has no unfunded liability.
- **Employer contributions to the State System OPEB Plan**, a defined benefits retiree healthcare plan administered by the State System, are made to a third-party health insurance vendor based on claims estimates agreed to by the State System and the third-party vendor. The vendor charges an additional assessment or issues a cash refund in the following year to reconcile the actual claims paid. Despite the increasing population of retirees and rising healthcare costs, the State System has seen flat or declining healthcare spending in this plan from retirees for the last several years. This can be attributed in part to design changes that increased retirees' share of expenses through higher retiree premium contributions, copays, deductibles, and coinsurance. The employer rate for fiscal year 2024-25 was set at \$130 per pay period per active participating employee and will increase to \$152 in fiscal year 2025-26. Future year changes will depend upon actual claims experience. As of June 30, 2024, no funds have been placed in a trust to fund the future liability.
- **Employer contributions to the REHP**, a defined benefits retiree healthcare plan administered by the Pennsylvania Employee Benefit Trust Fund (PEBTF), were \$251 per pay period per active participating employee in fiscal years 2024-25, versus \$275 per pay in fiscal year 2023-24. The contribution rate is set at the discretion of the Commonwealth and periodically fluctuates, with the highest rate of \$418 in fiscal year 2015-16. For fiscal year 2025-26, the rate will increase to \$263 per pay period. At June 30, 2025, only 11.6% of the REHP liability was funded.
- **Employer contributions to the PSERS Health Insurance Premium Assistance Program**, a defined benefits retiree healthcare plan administered by PSERS, were 0.315% of a participating employee's salary in fiscal year 2024-25. The Commonwealth makes annual pension contributions to PSERS on behalf of State System employees at the same annual rate. The rate has been and is expected to remain at approximately the same amount. Any State System retiree who is a member of PSERS is eligible for this additional healthcare benefit, which offers up to \$100 per month of reimbursements for healthcare costs, including insurance premiums.

The cost for **all other employee benefits**, such as Social Security and workers' compensation, increased slightly in fiscal year 2024-25 by a total of \$1 million, or 1.0%, over fiscal year 2023-24, compared to a fiscal year 2023-24 increase of \$2 million, or 2.1%, over fiscal year 2022-23. The increase in fiscal year 2023-24 is correlated to the increase in salaries and wages over the same period.

Other Expenses and Losses

Interest expense on capital asset-related debt is primarily attributed to bond debt (\$31 million, a decrease of \$6 million from fiscal year 2023-24 and the SERS pre-funding bond issued in April 2021 (\$18 million, a decrease of less than \$1 million from fiscal year 2023-24). The decrease in interest expense is due to the passage of time and the bond defeasances for Pennsylvania Western University debt that were completed in October 2023 and for Commonwealth University and Indiana University in September 2024. In addition, there were no new debt instruments issued during the fiscal year.

Statement of Cash Flows

The *Statement of Cash Flows* provides information about the State System's cash receipts and cash payments. It can be used to determine the State System's ability to generate future net cash flows and meet its obligations as they come due and its need for external financing.

The universities record their share of the State System pooled deposits and investments account at cost; that is, without regard to the fair value of the underlying investments. The associated markup or markdown for the fair value, as well as the annual unrealized gains or losses on investments, are recorded only at the consolidated level. As of June 30, 2025, the market value of the State System's pooled deposits and investments was \$2 million below book value. Despite this year-end position, the portfolio generated a mark-to-market gain of \$10 million during fiscal year 2024–25. This compares to an unrealized loss of \$4.9 million in fiscal year 2023–24 and an accumulated fair value markdown of \$12.1 million as of June 30, 2024.

Total operating cash decreased by \$19 million, or (2.3%), in fiscal year 2024-25 to \$834 million, compared to a balance of \$853 million at June 30, 2024. Cash flow weaknesses have affected some universities, primarily those in rural locations with declining demographics. The System Office monitors universities whose cash, revenue, expenditure, and enrollment trends may be an indication of future cash flow weaknesses.

FUTURE ECONOMIC FACTORS

Enrollment

With an undergraduate population comprising 88% Pennsylvania residents - and the majority of those being traditional-age students enrolling right out of high school - the State System's enrollment historically has been closely tied to the state's high school demographic trends. Near-term demographic trends predict a growth in high school graduates through fiscal 2026, and then a decline for several years thereafter. This demographic cliff trend is predicted throughout the country, and is more acute in the northeastern United States, which has seen greater overall demographic declines.

Since peaking at 131,733 students in academic year 2011-12, the projected number of high school graduates has dropped by 2.1% to 128,976 in academic year 2024-25. Following is the projected number of Pennsylvania high school graduates based on estimates from the Pennsylvania Department of Education.

Projected Pennsylvania High School Graduates		
Fiscal Year	Number of Graduates	% Increase (Decrease)
2024-25	128,976	2.1%
2025-26	129,375	0.3%
2026-27	127,248	-1.6%
2027-28	124,389	-2.2%
2028-29	124,086	-0.2%
2029-30	123,243	-0.7%
2030-31	123,318	0.1%
2031-32	124,025	0.6%

The impact of the reductions in the number of high school graduates is compounded by a decline in the proportion of those who pursue higher education and an overcrowded higher education marketplace in the state.

Tuition and Fees

In July 2025, the Board of Governors approved a \$139 per semester increase in basic in-state undergraduate tuition for the 2025–26 academic year. This adjustment represents an **overall 3.6% increase in tuition, following seven consecutive years of frozen rates**. At the same time, the Board authorized a conditional rollback of the increase if the State System receives a 6.5% increase in state appropriations—estimated to generate approximately \$40 million—as part of ongoing budget negotiations. This flexible approach provides clarity and financial relief to current and prospective students while allowing time for legislative funding decisions. The Board also set a tentative tuition rate for the 2026–27 academic year, which will be reassessed in 2026 based on funding sufficiency and other fiscal considerations.

The base tuition rate for most full-time Pennsylvania residents is \$3,997 per term, or \$7,994 for the full 2025–26 academic year. **Nonresident undergraduate tuition** rates range from \$8,234 to \$19,986 for the 2025–26 academic year. The basic resident **graduate tuition** rate is \$534 per credit, while the typical nonresident graduate tuition rate is \$801 per credit.

Beginning in academic year 2025-26, rate-approving authority for the **technology tuition fee** was delegated to the universities' Councils of Trustees and varies by university. The technology tuition fee ranges from \$496 to \$804 for full-time in-state undergraduate students and \$754 to \$1,224 for full-time out-of-state graduate students. All funds raised by the technology tuition fee are used directly to benefit student learning. Universities have used the funds to install multimedia classrooms, design online instructional materials, increase university capacity for connectivity for students, and provide hardware, software, and support for students and faculty.

Appropriations Delay

As of the issuance date of these financial statements, the Commonwealth of Pennsylvania has not enacted its annual budget for the fiscal year beginning July 1, 2025, resulting in a delay in the distribution of general appropriations to the State System. These appropriations, which represented approximately 28% of total revenue for the fiscal year ended June 30, 2025, are typically received monthly. During fiscal year ended June 30, 2025, monthly transfers averaged approximately \$51.73 million.

The timing of the budget resolution is uncertain and may extend beyond September, which could further delay appropriations and impact System operations. In addition, the value of appropriations for July 1, 2025 – June 30, 2026, remain unknown.

To manage the financial impact of this delay, the System has implemented a range of mitigation strategies, including the use of available reserves, adjustments to cash flow operations, and short-term internal lending. Through its centrally managed investment fund, the System may issue promissory notes to support temporary liquidity needs, under Board policy. This internal mechanism enables the System to maintain operational continuity and financial flexibility without reliance on external borrowing.

System Initiatives

As part of Board Policy, the System operates under a University Financial Sustainability Policy requiring universities to focus on enrollment, operating margins, primary reserves, and cash. Activities to continue managing expenditures are in place at the System level. The System recently completed a retirement incentive program in May of 2025 with full impacts to be realized in fiscal 2026-2027.

In addition, the System has begun efforts to review and align each university's program array to address low-demand programs, optimize class size, and share courses. With the completion of OneSIS (student information system), the foundational technology will be in place for the incoming class in fall 2026 with pilots beginning in the fall of 2025. These efforts are designed to reduce costs while providing students with pathways for completion. The work efforts are linked to the university projections to be submitted in the Spring 2026. Additionally, the System is embarking on efforts to increase the number of adult learners with a focused approach on System student stop outs.

Debt

The State System will conduct a bond issuance for approximately \$71 million in fall 2025 for an auxiliary-related housing renovation project at Kutztown University and a housing expansion/renovation project at West Chester University. The renovation project at Kutztown will upgrade infrastructure systems within a traditional-style dorm

to make them more efficient and the building safer, while also adding air conditioning and a larger elevator to the building. The renovation and expansion at West Chester University will upgrade infrastructure systems, roofs, and windows within eleven apartment-style buildings, and add one additional floor to each building to help address the demand the university currently has for on-campus housing. Both universities have current occupancy levels at 90% or higher and are adjusting room and board fees to address the additional debt issuances.

Cheyney University of Pennsylvania

As a result of self-reported compliance issues reported in August 2015, Cheyney University entered into a settlement agreement with the U.S. Department of Education (ED) in February 2020 which resulted in (1) an assessment of \$14,308,377, (2) waiver of its rights to any administrative appeal, and (3) entry into an acceptable repayment agreement with ED. Cheyney made payments as required by the agreement between June 2020 and July 2024. In October 2024, Cheyney satisfied all remaining outstanding debt related to this settlement agreement.

Cheyney had been under the U.S. Department of Education's (ED) Heightened Cash Monitoring 2 (HCM2) status since September 2015. Effective June 2, 2025, Cheyney University was returned to the Advanced method of payment and was removed from the HCM2 method of payment. As the university is no longer on a reimbursable method of payment, it has discontinued submitting requests for payment to the regional Payment Analyst.

Indiana University of Pennsylvania's Proposed College of Osteopathic Medicine

Indiana University of Pennsylvania is pursuing accreditation for a proposed College of Osteopathic Medicine (COM). As part of the accreditation process with the Commission on Osteopathic College Accreditation (COCA), the university was required to deposit funds totaling \$37.5 million into separate, segregated reserve accounts on August 1, 2025. The Operating Reserve Fund Account is required to be maintained until graduation of the first class of students. The Escrow Reserve Fund Accounts are required to be used solely to pay teach-out costs of students, should such a determination be reached. Funds in these accounts must be invested in publicly traded money market funds (or such other investments as specifically approved) and interest earned in such investments must be maintained in the funds. The agreements also require certain minimal level of funds to be maintained in these accounts over their life.

Indiana University of Pennsylvania's initial class of students is planned to begin in fall 2027. COCA standards require that a new COM must ramp up enrollment over 3 years, with year 1 at 50 percent of a full class, year 2 at 75 percent, and year 3 with a full class.

As part of the process to seek accreditation for this new endeavor, a new side letter for the faculty CBA is being negotiated to address new pay scales and other working rules for the faculty hired to teach in this COM.

For further information about these financial statements, contact Pennsylvania's State System of Higher Education, Administration and Finance Division, 2300 Vartan Way, Suite 207, Harrisburg, PA 17110.

Pennsylvania's State System of Higher Education

Statement of Net Position

(dollars in thousands)

Assets and Deferred Outflows of Resources

	<u>June 30, 2025</u>
Current Assets	
Cash and cash equivalents	\$ 25,259
Short-term investments	278,514
Accounts receivable, students, net	48,264
Accounts receivable, other	18,076
Governmental grants and contracts receivable	31,918
Prepaid expenses	46,815
Current portion of loans receivable	261
Due from component units	23,892
Other current assets	<u>29,727</u>
Total Current Assets	502,726
Noncurrent Assets	
Restricted cash and cash equivalents	25
Long-term investments, including endowments	678,419
Beneficial interests	29,249
Loans receivable	616
Due from component units	2,409
Non-depreciable capital assets	97,889
Depreciable or amortizable capital assets, net of accumulated depreciation and amortization	2,026,067
Other noncurrent assets	<u>760,732</u>
Total Noncurrent Assets	3,595,406
Total Assets	<u>4,098,132</u>
Deferred Outflows of Resources	259,154
Total Assets and Deferred Outflows of Resources	<u><u>\$ 4,357,286</u></u>

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

Statement of Net Position *(continued)*

(dollars in thousands)

Liabilities, Deferred Inflows of Resources, and Net Position

	<u>June 30, 2025</u>
Current Liabilities	
Accounts payable and accrued expenses	\$ 206,438
Unearned revenue	52,340
Deposits	6,090
Current portion of workers' compensation liability	6,046
Current portion of compensated absences liability	15,495
Current portion of OPEB liability	44,531
Current portion of lease, subscription and financed purchase obligations	32,381
Current portion of bonds payable	87,840
Due to component units	7,831
Other current liabilities	29,006
Total Current Liabilities	<u>487,998</u>
Noncurrent Liabilities	
Unearned revenue	295
Workers' compensation liability, net of current portion	14,736
Compensated absences liability, net of current portion	118,541
Net pension liability	878,739
OPEB liability, net of current portion	1,042,486
Lease, subscr. and financed purchase obligations, net of current portion	231,149
Bonds payable, net of current portion	1,372,100
Other noncurrent liabilities	26,654
Total Noncurrent Liabilities	<u>3,684,700</u>
Total Liabilities	<u>4,172,698</u>
Deferred Inflows of Resources	744,633
Net Position	
Net investment in capital assets	1,038,964
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	64,013
Student loans	117
Other	1,602
Expendable:	
Scholarships and fellowships	52,203
Capital projects	66,343
Other	23,113
Unrestricted	(1,806,400)
Total Net Position	<u>(560,045)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 4,357,286</u></u>

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

**Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025**

(dollars in thousands)

	2025
Operating Revenues	
Tuition and fees, net	\$ 529,669
Grants and contracts	218,313
Sales and services	44,853
Auxiliary enterprises, net	317,144
Other revenues, net	8,953
Total Operating Revenues	1,118,932
Operating Expenses	
Instruction	615,708
Research and Public Service	89,979
Academic support	162,028
Student services	183,121
Institutional support	254,382
Operations and maintenance of plant	113,287
Depreciation and amortization	184,226
Student aid	32,880
Auxiliary enterprises	235,585
Total Operating Expenses	1,871,196
Operating Loss	(752,264)
Nonoperating Revenues (Expenses)	
State appropriations, general and restricted	705,755
Federal and State appropriations and grants-COVID	22,954
Pell grants	153,406
Investment income, net	50,680
Unrealized gain on investments	18,439
Gifts for other than capital purposes	39,090
Interest expense on capital asset-related debt	(51,769)
Loss on disposal/acquisition of assets	(2,116)
Loss on termination of Perkins Loan Program	(30)
Gain on bond defeasance	3,928
Other nonoperating revenue	18,300
Net Nonoperating Revenues	958,637
Income before other revenues	206,373
State appropriations, capital	22,814
Capital gifts and grants	12,896
Income	242,083
Increase in Net Position	242,083
Net position—beginning of year	(802,128)
Net position—end of year	\$ (560,045)

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

Statement of Cash Flows For the Year Ended June 30, 2025 *(dollars in thousands)*

	2025
Cash Flows from Operating Activities	
Tuition and fees	\$ 531,356
Grants and contracts	214,007
Payments to suppliers for goods and services	(486,298)
Payments to employees	(1,312,691)
Loans issued to students	(292)
Loans collected from students	595
PLUS, Stafford, and other loans receipts (non-Perkins)	605,573
PLUS, Stafford, and other loans disbursements (non-Perkins)	(605,573)
Student aid	(34,059)
Auxiliary enterprise charges	317,408
Sales and services	45,242
Other receipts	38,533
Net cash used in operating activities	(686,199)
Cash Flows from Noncapital Financing Activities	
State appropriations	705,755
Gifts and nonoperating grants for other than capital purposes	191,489
Principal paid on prefunding pension bond	(37,140)
Agency transactions, net	(5,213)
Other	11,655
Net cash provided by noncapital financing activities	866,546
Cash Flows from Capital Financing Activities	
Proceeds from capital debt and leases	40,040
Capital appropriations	22,814
Capital grants and gifts received	13,011
Proceeds from sales of capital assets	63
Purchases of capital assets	(81,976)
Principal paid on capital debt and leases	(183,577)
Interest paid on capital debt and leases	(60,614)
Net cash used in capital financing activities	(250,239)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	36,427,016
Interest on investments	50,903
Purchase of investments	(36,417,126)
Net cash provided by investing activities	60,793
Net Decrease in Cash and Cash Equivalents	(9,099)
Cash and cash equivalents—beginning of year	34,383
Cash and cash equivalents—end of year	\$ 25,284

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

Statement of Cash Flows *(continued)*

For the Year Ended June 30, 2025

(dollars in thousands)

	2025
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (752,264)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	184,226
Expenses paid by Commonwealth or donor	6,644
Effect of changes in operating assets, liabilities, deferred outflows of resources, and deferred inflows of resources:	
Receivables, net	(2,104)
Other assets	(52,953)
Accounts payable	8,654
Unearned revenue	(823)
Student deposits	754
Compensated absences	10,146
Loans to students and employees	303
Net pension activity	(17,485)
Net other postemployment benefits (OPEB) activity	(153,119)
Other liabilities	(9,163)
Deferred inflows of resources related to lease receivable	90,985
Net cash used in operating activities	<u>\$ (686,199)</u>
Noncash Activities	
Capital assets included in payables	\$ 15,592
Capital assets acquired by notes payable (financed purchase)	6,639
Capital assets acquired by new right of use leases	235
Capital assets acquired by new right of use leases with Component Units	132
Capital assets acquired by new subscription agreements	19,997
Capital assets acquired by gift or appropriation	1,086
Like-kind exchanges	1
Commonwealth on-behalf contributions to PSERS	6,644

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

Component Units Statement of Financial Position

(dollars in thousands)

	<u>June 30, 2025</u>
Assets	
Cash and cash equivalents	\$ 152,278
Accounts and interest receivable	4,576
Contributions/pledges receivable	27,095
Due from universities	2,188
Inventories and prepaid expenses	6,005
Restricted cash and cash equivalents	43,814
Short-term investments	25,677
Long-term investments	870,636
Land, buildings, and equipment, net	417,592
Right of use assets	7,182
Other assets	154,655
Total Assets	<u><u>\$ 1,711,698</u></u>
Liabilities	
Accounts and interest payable	\$ 19,654
Deferred revenue	7,989
Annuity liabilities	4,487
Due to universities	22,279
Deposits payable	46,470
Interest rate swap agreements	61
Lease liabilities	6,954
Bonds and notes payable	694,990
Other liabilities	16,081
Total Liabilities	<u>818,965</u>
Net Assets	
Without donor restrictions	190,760
With donor restrictions	701,973
Total Net Assets	<u>892,733</u>
Total Liabilities and Net Assets	<u><u>\$ 1,711,698</u></u>

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

Component Units Statement of Activities

For the Year Ended June 30, 2025

(dollars in thousands)

	2025
Changes in net assets without donor restrictions	
Contributions	\$7,871
Sales and services	27,673
Student fees	30,577
Grants and contracts	18,933
Rental income	82,324
Investment return, net	22,645
Other revenues and gains	17,851
Net assets released from restrictions	<u>51,656</u>
Total Revenues and Gains	259,530
Expenses and Losses	
Program services:	
Scholarships and grants	31,585
Student activities and programs	33,707
University stores	18,179
Housing	76,822
Other programs	44,113
Management and general	34,238
Fundraising	<u>11,881</u>
Total Expenses	250,525
Other expenses and losses	<u>3,078</u>
Total Expenses and Losses	253,603
Change in net assets without donor restrictions	5,927
Changes in net assets with donor restrictions	
Contributions	\$ 54,155
Investment return, net	62,704
Other revenue and gains	3,936
Other expenses and losses	(5,543)
Net assets released from restrictions	<u>(51,656)</u>
Change in net assets with donor restrictions	63,596
Change in total net assets	<u>69,523</u>
Net assets—beginning of year (restated)	823,210
Net assets—end of year	<u><u>\$ 892,733</u></u>

See accompanying notes to financial statements.

Pennsylvania's State System of Higher Education

**Component Units Expenses by Nature and Function
For the Year Ended June 30, 2025**

(dollars in thousands)

2025										
Natural Expense	Program Activities						Supporting Activities			Total Expenses
	Scholarships and grants	Student activities and programs	University stores	Housing	Other programs	Total Programs	Management and general	Fundraising	Total Supporting	
Salaries and benefits	\$5,684	\$4,996	\$3,659	\$6,904	\$9,331	\$30,574	\$15,040	\$6,913	\$21,953	\$52,527
Gifts and grants	20,187	8,263	0	1,475	4,141	34,066	4,622	21	4,643	38,709
Supplies and travel	36	11,099	4,773	478	4,710	21,096	808	1,126	1,934	23,030
Services and professional fees	52	2,382	372	6,905	5,753	15,464	4,308	2,413	6,721	22,185
Office and occupancy	20	1,248	1,155	15,650	1,771	19,844	2,026	231	2,257	22,101
Depreciation	0	251	328	17,290	2,366	20,235	1,100	36	1,136	21,371
Interest	0	0	0	20,763	1,418	22,181	894	39	933	23,114
Other	5,606	5,468	7,892	7,357	14,623	40,946	5,440	1,102	6,542	47,488
Total Expenses	\$31,585	\$33,707	\$18,179	\$76,822	\$44,113	\$204,406	\$34,238	\$11,881	\$46,119	\$250,525

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pennsylvania's State System of Higher Education (State System) is a body corporate and politic, created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (Commonwealth) and is governed by a Board of Governors (Board), as provided in Act 188. The State System comprises ten universities and the System Office.

Reporting Entity

The State System functions as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB).

Certain affiliated organizations are included in the State System's financial statements as discretely presented component units. Some of the organizations, such as university student associations, are included because the Board has oversight responsibility for the organizations. The criteria used in determining the organizations for which the State System has oversight responsibility include financial interdependency, the ability to select members of the governing body, the ability to designate management, the ability to influence operations significantly, and accountability for fiscal matters. Other affiliated organizations for which the Board does not have oversight responsibility, such as university foundations and alumni associations, are included when the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the State System, the activity of the organization is significant to the State System universities, and the State System historically has received a majority of these economic resources. Neither the State System nor its universities control the timing or amount of receipts from these organizations.

During fiscal year 2024-25, Commonwealth University of Pennsylvania revised its reporting entity to include the Mansfield University Mountaineer Foundation as a discretely presented component unit. As a result, the beginning net assets of the component unit financial statements for fiscal year 2024-25 have been restated, increasing beginning net assets by \$116,500.

The State System does not consider any of its component units to be major and has aggregated all component unit information into a separate set of financial statements. Information on individual component units can be obtained by contacting the respective universities.

Transactions between the universities and the System Office have been eliminated in the accompanying financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and comparable items are recognized as revenue as soon as all eligibility requirements have been met.

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment of FASB Codification Topic 958, *Not-for-Profit-Entities*. As such, certain revenue recognition criteria

and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

Operating Revenues and Expenses

The State System records tuition, all academic, instructional, and other student fees, student financial aid, auxiliary activity, and corporate partnerships as operating revenue. In addition, governmental and private grants, and contracts in which the grantor receives equal value for the funds given to the university are recorded as operating revenue. All expenses, except for interest expense, are recorded as operating expenses. Appropriations, gifts, investment income, parking and library fines, capital grants, gains and losses on investments, gains and losses on the acquisition and disposal of assets, and governmental and private research grants and contracts in which the grantor does not receive equal value for the funds given to the university are reported as nonoperating.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for *Deferred Outflows of Resources* and *Deferred Inflows of Resources*.

Deferred Outflows of Resources, reported after *Total Assets*, is defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). *Deferred Inflows of Resources*, reported after *Total Liabilities*, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s).

Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The State System is required to report the following as Deferred Outflows of Resources or Deferred Inflows of Resources.

- Deferred gain or loss on bond refundings, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.
- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the State System's proportion of expenses and liabilities of the pension and OPEB plans as a whole, differences between the State System's pension and OPEB contributions and its proportionate share of contributions, and State System pension and OPEB contributions subsequent to the respective pension or OPEB plan valuation measurement date.
- For lessor accounting: a deferred inflow of resources associated with leases where the State System is a lessor, recognized as income ratably over the term of the lease.

Net Position

Net position is the residual of Assets, plus Deferred Outflows of Resources, less Liabilities, less Deferred Inflows of Resources. The State System maintains the following classifications of net position.

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted—nonexpendable: The portion of net position subject to externally imposed conditions requiring that it be maintained by the State System in perpetuity.

Restricted—expendable: The portion of net position use of which is subject to externally imposed conditions that can be fulfilled by the actions of the State System or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated for specific purposes by the Board.

When both restricted and unrestricted funds are available for expenditure, the restricted funds will be used first.

Cash Equivalents and Investments

The State System considers all demand and time deposits and money market funds to be cash equivalents. Investments purchased are stated at fair value. Investments received as gifts are recorded at their fair value or appraised value as of the date of the gift. The State System classifies investments as short-term when they are readily marketable and intended to be converted to cash within one year.

Accounts and Loans Receivable

Accounts and loans receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants, contracts, and other miscellaneous sources. Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the universities' historical losses and periodic review of individual accounts.

Capital Assets

Land and buildings at the university campuses acquired or constructed prior to its creation on July 1, 1983, are owned by the Commonwealth and made available to the universities of the State System. Since the State System neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed using capital funds appropriated by the Commonwealth after June 30, 1983 and made available to the universities.

All assets with a purchase cost, or acquisition value if acquired by gift, more than \$5,000, with an estimated useful life of two years or greater, are capitalized. Buildings, portions of buildings, and capital improvements acquired or constructed by the universities after June 30, 1983, through the expenditure of university funds or the incurring of debt are stated at cost less accumulated depreciation.

Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized on a composite basis in the year of purchase. Assets purchased under financed leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Assets under right of use leases or subscription-based information technology agreements are recorded at the present value of the minimum lease payments plus any other amounts that must be included per the GASB standards. The State System provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under right of use leases or subscription-based information technology agreements are included in depreciation and amortization expense over the shorter of the agreement term or the life of the underlying asset. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

The State System does not capitalize collections of art, rare books, historical items, or comparable items, as they are held for public exhibition, education, or research rather than financial gain.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment

are charged to operations at the time impairment is identified. No write-down of capital assets was required for the year ended June 30, 2025.

Leases and Subscription-Based Information Technology Arrangements

The State System routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The State System's lease contracts relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the State System recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the State System is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the State System recognized a lease or subscription liability and an intangible right of use asset based on the present value of the future lease payments or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right of use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position. The right of use lease and subscription assets are amortized over the term of the lease or SBITA, as the State System is not expected to lease assets beyond the underlying asset's useful life. The State System also serves as a lessor for certain real estate. For those agreements required to be capitalized, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

The State System uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs unless the rate the lessor charges is known. This rate is based on the general obligation bonds' weighted average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease or SBITA, the present value is remeasured, and corresponding adjustments made. Payments based on future performance are not included in the measurement of the lease or subscription liability or lease receivable but recognized as expense or revenue in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

A minimum dollar threshold was established for lease and SBITA reporting purposes of \$30,000, effective July 1, 2025. Agreements prior to July 1, 2025, were subject to a reporting threshold of \$25,000.

Unearned Revenue

Unearned revenue includes amounts for tuition and fees, grants, corporate sponsorship payments, and certain auxiliary activities received prior to the end of the fiscal year but earned in a subsequent accounting period.

Compensated Absences

The estimated cost of future payouts of annual leave and sick leave that employees have earned for services rendered, and which the employees may be entitled to receive upon termination or retirement, is recorded as a liability.

Pension Plans and OPEB Plans

Eligible employees of the State System enroll in one of three available pension plans immediately upon employment. The State System also offers healthcare and tuition benefits to eligible employees upon employment, which vary depending upon the employee's labor group.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) and additions to/deductions from SERS and PSERS fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System Plan, Retired Employees Health Program (REHP) and Premium Assistance Program (Premium Assistance) and additions to/deductions from the System Plan, REHP and Premium Assistance plans' fiduciary net position have been determined on the same basis as they are reported by the System Plan, REHP and Premium Assistance plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Investments are reported at fair value.

Scholarships and Waivers

In accordance with the National Association of College and University Business Officers (NACUBO) in Advisory Report 2003-01, the State System allocates the cost of scholarships, waivers, and other student financial aid between *Discounts and allowances* (netted against tuition and fees and auxiliary enterprises) and *Student aid expense*. The cost of tuition waivers granted to employees is reported as employees' benefits expense.

Income Taxes

The State System and its member universities are tax-exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Component Unit Restatements

Certain component units restated their prior year financial statements. These restatements resulted in no effect on the beginning of year net assets reflected in the accompanying Component Units Statement of Activities.

New Accounting Standards

In June 2022, GASB issued Statement No. 101, Compensated Absences, effective for reporting periods beginning after December 15, 2023. Statement No. 101, which supersedes Statement No. 16, Accounting for Compensated Absences, defines compensated absences and provides a unified model for recognition of a liability and expense for leave that has not been used, provided it meets specified criteria. The State System adopted Statement No. 101 during the fiscal year ended June 30, 2025. Implementation of the new standard resulted in the recognition of \$86,000 in reduced compensated absences expense during the current fiscal year. The impact on beginning net position as of June 30, 2024, was evaluated and determined to be immaterial; therefore, the opening net position was not restated.

(2) DEPOSITS AND INVESTMENTS

On June 30, 2025, the carrying amount of the State System's demand and time deposits and certificates of deposit for all funds was \$25,299,000, compared to bank balances of \$26,603,000. The difference is caused primarily by items in transit. Of the bank balances, \$3,361,000 were covered by federal government depository insurance or collateralized by a pledge of U.S. Treasury obligations held by Federal Reserve banks in the name of the banking institutions; \$2,060,000 were uninsured and uncollateralized; and \$21,182,000 were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirements by pooling eligible investments to cover total public funds on deposit more than federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

Board of Governors Policy 1986-02-A: *Investment*, authorizes the State System to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the Board or university trustees may be invested in the investments described above as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, universities use local financial institutions for activities such as deposits of cash. In addition, universities may accept gifts of investments from donors if risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, the State System recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be made in U.S. dollar-denominated debt of high-quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained, and guidelines are followed.

Safety of principal and liquidity are the top priorities for the investment of the State System's operating funds. Within those guidelines, income optimization is pursued. Speculative investment activity is not allowed: this includes investing in asset classes such as commodities, futures, short-sales, equities, real or personal property, options, venture capital investments, private placements, letter stocks, and unlisted securities.

The State System's operating funds are invested and reinvested in the following types of instruments with qualifications as provided. (See [Board of Governors Policy 1986-02-A: *Investment*](#), for a complete list of and more details on permissible investments and associated qualifications.)

Investment Categories	Qualifications/Moody's Ratings Requirements
United States Government Securities	Together with repurchase agreements, must comprise at least 20% of the market value of the fund.
Repurchase Agreements	Underlying collateral must be direct obligations of the U.S. Treasury and be in the State System's or its agent's custody.
Commercial Paper	P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer. Total may not exceed 20% of the market value of the fund.
Municipal Bonds	Bonds must carry long-term debt rating of A or better. Total may not exceed 20% of the market value of the fund.
Corporate Bonds	15% must carry long-term debt rating of A or better; 5% may be rated Baa2 or better. Total may not exceed 20% of the market value of the fund.
Collateralized Mortgage Obligations (CMOs)	Must be rated Aaa and guaranteed by the U.S. government. Total may not exceed 20% of the market value of the fund.
Asset-Backed Securities	Must be Aaa rated. Total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer.
System Investment Fund Loans (university loans and bridge notes)	Total may not exceed 20% of the market value of the fund, and loan terms may not exceed 5 years.

CMO Risk: CMOs sometimes are based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in the State System's portfolio do not have IO or PO structures; however, they are subject to extension or contraction risk based on movements in interest rates.

Moody's Rating: The State System uses ratings from Moody's Investors Service, Inc., to indicate the credit risk of investments, i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An Aaa rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with Aa indicate

high quality obligations subject to very low credit risk; ratings that begin with *A* indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with *Baa* indicate medium-grade obligations, subject to moderate credit risk, which may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of *P-1* indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of *P-2* indicates that issuers have a strong ability to repay short-term debt obligations.

Modified Duration: The State System denotes interest rate risk, or the risk that changes in interest rates will affect the fair value of an investment, using *modified duration*. *Duration* is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. *Modified duration* considers changing interest rates. The State System maintains a portfolio duration target of 1.8 years with an upper limit of 2.5 years for the intermediate-term component of the operating portion of the investment portfolio. The State System's duration targets are not applicable to its long-term investments.

Fair Value Hierarchy: GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as *observable* or *unobservable*: *Observable inputs* are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability;" *Unobservable inputs* are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability."

Statement No. 72's fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Investments whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market, such as stocks listed in the S&P 500 or NASDAQ. If an up-to-date price of the investment can be found on a major exchange, it is a Level 1 investment.

Level 2: Investments whose values are based on quoted prices in active markets for similar assets, or quoted prices in inactive markets for identical assets, or whose values are based on models, and the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Investments that trade infrequently, and as a result do not have reliable market prices. Valuations of Level 3 investments typically are based on management assumptions or expectations. For example, a private equity investment or complex derivative would likely be a Level 3 investment.

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

Commonfund investments, held locally by the universities, are valued based upon the unit values (NAV) of the funds held by the universities at year end. Unit values are based upon the underlying assets of the funds derived from inputs principally from or corroborated by observable market data, by correlation, or other means. Redemption restrictions for the Commonfund vary, depending upon the type of fund in which the universities

have invested, and are restricted to withdrawals only on a weekly basis or the last business day of the month. All withdrawals require five days' notice.

State System Pooled Deposits and Investments

The carrying values (fair values) of deposits and investments for the State System's pooled funds in M&T Bank on June 30, 2025, follow.

State System Pooled Deposits and Investments				
June 30, 2025				
(in thousands)				
	Fair Value Hierarchy Level	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
Deposits				
Demand and time deposits				\$443
Total deposits				443
Investments				
Commercial paper	2	P1		133,848
Government money market mutual fund	2	Aaa		3,845
U.S. government and agency obligations	2	Aa1	2.18	196,635
Asset-backed securities	2	Aaa	0.65	174,377
	2	NR	0.20	4,995
Collateralized mortgage obligations (CMOs)	2	Aa1	2.17	175,687
Corporate bonds and notes	2	Aaa	2.65	2,124
	2	Aa2	1.65	13,515
	2	Aa3	1.52	25,101
	2	A1	1.11	43,781
	2	A2	1.39	30,303
	2	A3	1.58	38,378
	2	Baa1	1.02	9,553
	2	Baa2	1.8	10,846
	2	Baa2	0.55	1,166
Total investments				864,154
Total deposits and investments				\$864,597

Of the investments noted above at June 30, 2022, \$443,000 was held by a trustee to be used for projects funded under the Pennsylvania Higher Educational Facilities Authority/State System of Higher Education bond issues (note 12). Such investments are made subject to the restrictions of the bond indenture and may be liquidated only for the payment of costs associated with the projects described in the bond indenture.

University Local Deposits and Investments

The carrying values (fair values) of local university deposits and investments on June 30, 2025, follow.

University Local Deposits and Investments				
June 30, 2025				
(in thousands)				
	Fair Value Hierarchy Level	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
Deposits				
Demand and time deposits				\$24,841
Certificates of deposit				15
Total deposits				24,856
Investments				
U.S. government and agency obligations	1		0.01	552
	2		5.45	6,864
Bond mutual funds	1		120.02	4,641
	2		2.06	2,605
	NAV		0.16	8,426
Debt Securities	1	A2	1.74	139
	1	A3	2.11	249
	1	Baa1	2.47	126
	1	Baa2	3.07	126
	1	NR	0.00	1,670
	2	Aaa	5.42	105
	2	Aa2	5.42	120
	2	Aa3	5.42	324
	2	A1	5.42	453
	2	A2	5.42	674
	2	A3	5.42	627
	2	Baa1	5.42	216
	2	Baa2	5.42	200
	2	NR	5.42	10
Equity/balanced mutual funds	1			12,266
	2			30,004
	3			1,935
	NAV			16,967
Common stock	1			3,465
Total investments				92,764
Total deposits and investments				\$117,620

Gross investment revenue totaled \$51,314,000 for the year ended June 30, 2025. After deducting related investment expenses of \$634,000, net investment revenue was \$50,680,000.

(3) STUDENT REVENUE AND ACCOUNTS RECEIVABLE

Accounts receivable for tuition and fees charged to current and former students totaled \$91,836,000 at June 30, 2025. Of this amount, \$43,572,000 is estimated to be uncollectible based upon the universities' historical losses and periodic review of individual accounts. Other receivables are reported at net realizable value. Accounts will be written off when they are determined to be uncollectible based upon management's assessment of individual accounts.

Tuition and fee revenue is reported net of scholarship discounts and allowances. Gross tuition and fee revenue totaled \$901,937,000 at June 30, 2025. Of this amount, \$372,268,000 represents the amount of student grants, waivers, and scholarships calculated to be a discount against tuition and fees.

Revenue from auxiliary enterprises, which primarily comprise fees from student room and board, student recreation centers, and parking, is reported net of discounts. Gross auxiliary revenue totaled \$360,169,000 at June 30, 2025. After deducting calculated auxiliary discounts of \$43,025,000, net auxiliary enterprises revenue was \$317,144,000.

(4) LEASE RECEIVABLES

The State System routinely leases various land or facilities to third parties and component units. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur.

The lease revenue, interest income and variable lease income for the fiscal year ended June 30, 2025, is summarized in the following schedule.

	June 30, 2025	
	Third Parties	Component Units
Lease Revenue	\$8,031	\$303
Lease Revenue - Variable	233	116
Interest Income	1,048	164
Total	\$9,312	\$583

The following summary provides aggregated information reported for June 30, 2025, for lease receivables including additions and reductions for the year then ended.

<i>(in thousands)</i>				
	Beginning Balance	Additions	Reductions	Ending Balance
Lease Receivable, Third Parties	\$8,966	\$99,386	(\$21,314)	\$87,038
Lease Receivable, Comp Units	7,604	0	(153)	7,451
Total	\$16,570	\$99,386	(\$21,467)	\$94,489

(5) BENEFICIAL INTERESTS

At June 30, 2025, the fair value of beneficial interests totaled \$29,249,000. Of this amount, \$29,248,000 represent gifts that donors placed in trust in perpetuity with third parties, with the respective universities receiving a restricted revenue stream in accordance with the donors' wishes; and \$1,000 represent a split-interest agreement that a donor placed in trust with a third party, and to which the university will take title upon the death of the donor.

(6) CAPITAL ASSETS

Classifications of capital assets and related depreciation and amortization at June 30, 2025 follows.

<i>(in thousands)</i>				
	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Land	\$33,777	\$0	\$0	\$33,777
Construction in progress	69,444	46,606	(51,938)	64,112
Total capital assets not being depreciated	103,221	46,606	(51,938)	97,889
Buildings, including improvements	3,442,025	32,727	26,805	3,501,557
Improvements other than buildings	356,675	4,127	6,842	367,644
Equipment and furnishings	565,009	21,591	(7,957)	578,643
Library books	70,107	242	(461)	69,888
Right of use assets land	1,586	0	0	1,586
Right of use assets buildings	96,354	0	(4,028)	92,326
Right of use assets equipment	4,747	1,046	(1,769)	4,024
Subscription assets	60,266	19,997	3,770	84,033
Total capital assets being depreciated or amortized	4,596,769	79,730	23,202	4,699,701

<i>(in thousands)</i>	<i>(Continued)</i>			
	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Less accumulated depreciation and amortization:				
Buildings and improvements	(1,605,477)	(116,981)	960	(1,721,498)
Land improvements	(245,131)	(12,832)	766	(257,197)
Equipment and furnishings	(500,644)	(23,865)	12,730	(511,779)
Library books	(67,607)	(558)	461	(67,704)
Right of use assets land	(1,074)	(279)	0	(1,353)
Right of use assets buildings	(69,656)	(5,382)	3,149	(71,889)
Right of use assets equipment	(3,000)	(859)	1,769	(2,090)
Subscription assets	(22,696)	(23,470)	6,042	(40,124)
Total accumulated depreciation and amortization	(2,515,285)	(184,226)	25,877	(2,673,634)
Total capital assets being depreciated, net	2,081,484	(104,496)	49,079	2,026,067
Capital assets, net	\$2,184,705	(\$57,890)	(\$2,859)	\$2,123,956

(7) WORKERS' COMPENSATION

The State System is self-insured for workers' compensation losses. For claims occurring prior to July 1, 1995, State System universities must pay up to \$100,000; for claims occurring on or after July 1, 1995, State System universities must pay up to \$200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all State System universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the universities contributed \$674,000, and \$828,000 to the Reserve Fund during the years ended June 30, 2025, and 2024, respectively.

For the years ended June 30, 2025, and 2024, the aggregate liability for claims under the self-insurance limit was \$6,457,000 and \$6,983,000, respectively. The Reserve Fund assets of \$14,325,000 and \$14,221,000 were equal to the liability for claims in excess of the self-insurance limits for the years ended June 30, 2025, and 2024, respectively. Changes in the workers' compensation claims liability in fiscal years 2024 and 2025 follow.

<i>(in thousands)</i>				
Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2024	\$20,992	\$4,516	(\$4,304)	\$21,204
2025	\$21,204	\$4,973	(\$5,395)	\$20,782

(8) COMPENSATED ABSENCES

Compensated absences are absences for vacation, holiday, and sick leave for which employees will be paid in cash at termination or retirement. Changes in the compensated absences liability in fiscal years 2024 and 2025 are as follows.

<i>(in thousands)</i>				
Year	Beginning Balance	Additions *	Reductions *	Ending Balance
2024	\$119,473	\$4,417		\$123,890
2025	\$123,890	\$10,146		\$134,036

* The change in the compensated absences liability is presented as a net change.

(9) PENSION BENEFITS

Employees of the State System enroll in one of three available retirement plans immediately upon employment: the Commonwealth of Pennsylvania State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), or the Alternative Retirement Plan (ARP).

Following is the total of the State System's pension liabilities, deferred outflows and inflows of resources related to pensions, and the pension expense for the fiscal year ended June 30, 2025.

<i>(in thousands)</i>				
	SERS	PSERS	ARP	Total
Net pension liabilities	\$ 802,940	\$ 75,799	\$ -	\$ 878,739
Deferred outflows of resources:				
Difference between expected and actual experience	36,393	-	-	36,393
Net difference between projected and actual investment earnings on pension plan investments	23,573	1,255	-	24,828
Changes in assumptions	14,142	-	-	14,142
Difference between employer contributions and proportionate share of contributions	2,351	(122)	-	2,229
Changes in proportion	-	1,145	-	1,145
Contributions after the measurement date	54,592	9,783	-	64,375
Total deferred outflows of resources	\$ 131,051	\$ 12,061	\$ -	\$ 143,112

<i>(in thousands)</i>	<i>(Continued)</i>				
		SERS	PSERS	ARP	Total
Deferred inflows of resources:					
Difference between expected and actual experience		897	1,192	-	2,089
Net difference between projected and actual investment earnings on pension plan investments		-	-	-	-
Difference between employer contributions and proportionate share of contributions		295	-	-	295
Changes in proportion		35,165	745	-	35,910
Total deferred inflows of resources		\$ 36,357	\$ 1,937	\$ -	\$ 38,294
Pension expense, excluding prefunding credit		\$ 81,067	\$ 13,064	\$ 47,693	\$ 141,824
Contributions recognized by pension plans		\$ 95,296	\$ 9,783	N/A	\$ 105,079

The State System will recognize the \$54,592,000 reported as 2025 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the \$9,783,000 reported as 2025 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

<i>(in thousands)</i>		
Fiscal Year Ended	Amortization	
	SERS	PSERS
June 30, 2026	\$ 15,971	\$ (1,623)
June 30, 2027	49,475	2,194
June 30, 2028	(19,494)	28
June 30, 2029	(6,244)	(258)
June 30, 2030	394	-
Totals	\$ 40,102	\$ 341

SERS

Plan Description

SERS is the administrator of the State Employees' Retirement fund, a cost-sharing multiple-employer defined benefit pension plan. SERS also is the administrator of the State Employees' Defined Contribution Plan, which was established as part of Commonwealth Act 2017-5. The Commonwealth established both the defined benefit plan and the defined contribution plan to provide retirement benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the SERS website at www.sers.pa.gov.

Membership in SERS is mandatory for most state employees. Members and employees of the General Assembly, certain elected or appointed officials in the executive branch, department heads, and certain employees in the field of education are not required, but are given the option, to participate.

Benefits Provided

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's Constitution assigns the authority to establish and amend the benefit provisions of the plan to the General Assembly. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly.

Employees who were hired prior to January 1, 2011, and retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit; members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service. Act 120 of 2010 (Act 120) preserved all benefits in place for members but mandated benefit reductions for new members effective January 1, 2011, through December 31, 2018. The benefit reduction included a new class of membership that accrues benefits at 2% of members' final average salary instead of the previous 2.5%. The vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated deductions was eliminated. The new normal retirement age is sixty-five for most employees and fifty-five for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 preserved all benefits in place for members but fundamentally changed retirement options for new hires beginning January 1, 2019: most employees who first become SERS members on or after January 1, 2019, must choose from one of two new defined benefit/defined contribution hybrid options or a straight 401(a) defined contribution option.

According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Prefunding Adjustment

Act 105 issued in November 2019 authorizes eligible employers to make a one-time advance payment to SERS in exchange for a schedule of credits against the employer's future annual accrued liability contributions to SERS for a period of up to thirty (30) years. In the agreement established with SERS, the State System provided a lump sum payment to SERS of approximately 75 percent of its unfunded actuarial liability (UAL) for \$825 million, through the proceeds of the Series of 2021 bond issuance. In exchange for the lump sum payment, SERS established a schedule of setoff credits that will be issued to the State System totaling over \$1.5 billion over the term of the agreement commencing with the fiscal year ended June 30, 2022. These credits are assigned to each year of the agreement and will be used to support the annual bond payment and will offset the SERS employer expense incurred, generating net savings each year. For the fiscal year ended June 30, 2025, the State System recognized reduced pension expense associated with these credits of \$50,007,000. This amount and the remaining prefunding balance of \$716,086,000 at June 30, 2025, is not reflected in the subsequent tables and schedules related to the SERS plan. The prefunding balance at June 30, 2025, based on the actuarial valuation dated December 31, 2024, was \$ 744,336,434.

Contributions

The contribution rate for both active members and the State System depends upon when the active member was hired and what benefits class was selected. Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions on behalf of all active members and annuitants to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS' funding valuation, expressed as a percentage of annual retirement covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the Defined Benefit Plan through the employer contributions rate rather than to other non-pension obligations.

For the SERS defined benefit plan, the State System's actuarially determined contribution rate for most active members was 40.33% of active members' annual covered payroll at June 30, 2025, with less common rates ranging between 27.09% and 31.74%, depending upon the defined benefit plan chosen by the employee. For the SERS defined benefit/defined contribution hybrid plan, the State System's actuarially determined contribution rate was either 16.84% or 17.09% of annual covered payroll, depending upon the hybrid plan chosen by the employee. In addition, the State System was required to contribute to the defined benefit plan 15.54% of the annual covered payroll of employees who selected the straight 401(a) defined contribution plan. The State System's contributions to the SERS defined benefit plan for the year ended June 30, 2025, was \$95,296,000, equal to the required contractual contribution.

The contribution rate of most active members who participate in the SERS defined benefit plan was 6.25% of gross salary, with less common rates ranging between 5.00% and 9.30% of salary, depending upon when the member was hired and what class of membership was elected. Defined benefit contribution rates for active members who participate in the defined benefit/defined contribution hybrid plan were either 3.25% or 3.50% of gross salary, depending upon what class of membership was elected. The contribution rate to the defined contribution plan for active members who participate in the straight 401(a) defined contribution plan was 7.5% of gross salary.

For the SERS defined contribution plan, the State System contributed at actuarially determined rates of between 2.00% and 3.50% of active members' annual covered payroll at June 30, 2025, depending upon the plan chosen by the employee. The contributions for the year ended June 30, 2025, were \$806,000. The vesting period for employer contributions to the defined contribution plan, both for members who participate in the straight 401(a) defined contribution plan and those who participate in one of the defined benefit/defined contribution hybrid plans, is three years. Once money is contributed to the plan, it cannot be removed from the plan, except for making distribution payments to participants. Forfeitures of unvested employer contributions and earnings are invested in the PA Treasury short-term investment fund. The funds are forfeited to the employee's most recent employer and used to offset future contributions to the plan and correct funding discrepancies. Forfeitures seized under the Pension Forfeiture Act are used for administrative expenses of the plan.

Actuarial Methods and Assumptions

Actuarial valuations are performed annually using a December 31 measurement date. Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The *19th Investigation of Actuarial Experience* study for the period 2015–2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost, and some decreased it, but the overall result was a slight increase to the net pension liability. The SERS Board adopted the actuarial assumptions set forth in the *19th Investigation of Actuarial Experience* at its September 2020 meeting. In addition, SERS reviews its investment return assumption considering economic conditions every year. At its June 2024 meeting, the SERS Board approved maintaining the assumed investment rate of return at 6.875%. The next SERS actuarial experience review will occur in summer 2025 and will be used for its 2025 annual valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2024, measurement date.

- Entry age actuarial cost method.
- Investments amortized on a straight-line, closed-period basis over five years; assumption changes and noninvestment gains/losses amortized over the average expected remaining service lives of all employees who are provided benefits.
- Inflation of 2.50%.
- Investment return of 6.875%, net of manager fees and including inflation.
- Salary increases based on an average of 4.58%, with a range of 3.30% to 6.95%, including inflation.

- Asset valuation using fair (market) value.
- Mortality rates based on the projected PubG-2010 and PubNS-2010 Mortality Tables, adjusted for actual plan experience and future improvement.
- No cost-of-living adjustments.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2024, are summarized below.

Asset Class	Target Allocation	Long-Term Real Rate of Return
Private equity	16.00%	6.25%
Real estate	7.00%	5.15%
U.S. equity	37.00%	5.15%
International developed equity	14.00%	5.00%
Emerging markets equity	2.00%	5.20%
Fixed income	19.00%	2.85%
Inflation protection (TIPS)	3.00%	2.55%
Cash	2.00%	0.50%
	<u>100.00%</u>	

The discount rate used to measure the total SERS pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State System's proportionate share of the SERS net pension liability at June 30, 2025, calculated using the discount rate of 6.875%, as well as what the SERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.875%) or one percentage point higher (7.875%) than the current rate.

Sensitivity of the State System's Proportionate Share of the SERS Net Pension Liability to Changes in the Discount Rate		
(in thousands)		
1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
\$980,984	\$802,940	\$525,608

Proportionate Share

At June 30, 2025, the amount recognized as the State System's proportionate share of the SERS net pension liability, measured at December 31, 2024, was \$802,940,000.

The allocation percentage assigned to each participating employer is based on a projected contribution method. For the allocation of the December 2024 amounts, this methodology applies the most recently calculated contribution rates for fiscal year 2025-26, from the December 31, 2024, funding valuation, to the expected funding payroll. At the December 31, 2024 measurement date, the State System's proportion was 3.9837%, a decrease of 0.0791% from its proportion calculated as of the December 31, 2023 measurement date.

PSERS

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, and death benefits to public school employees of the Commonwealth. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101–8535) (the Code) is the authority by which PSERS benefits provisions and contribution requirements are established. The Commonwealth's General Assembly has the authority to amend the benefit terms by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. The Code requires contributions by active members, the employer (State System), and the Commonwealth. PSERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019, and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components (Class T-G and Class T-H) and a stand-alone defined contribution plan (Class DC). A stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

PSERS issues a publicly available financial report that may be obtained at www.psers.pa.gov.

Benefits Provided

Members who joined prior to July 1, 2011, are eligible for monthly retirement benefits upon reaching age 62 with at least one year of credited service, age 60 with 30 or more years of credited service, or any age with 35 or more years of service. Act 120 of 2010 preserved the benefits of members who joined prior to July 1, 2011, and introduced benefit reductions for individuals who become new members on or after July 1, 2011, through June 30, 2019, by creating two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must complete a minimum of 35 years of service with a combination of age and service that totals 92 or greater, or they must work until age 65 with a minimum of three years of service. Act 5 of 2017 introduced benefit reductions for individuals who become new members on or after July 1, 2019, by creating two new membership classes: Class T-G and Class T-H. To qualify for normal retirement, Class T-G members must complete a minimum of 35 years of service with a combination of age and service that totals ninety-seven or greater, or they must work until age 67 with a minimum of three years of service. Class T-H must work until age 67 with a minimum of three years of service.

Depending upon membership class, benefits are generally between 1% to 2.5% of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011, vest after completion of five years of service and may elect early retirement benefits. Class T-E, Class T-F, Class T-G and Class T-H members vest after completion of 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits vary depending upon membership class. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, age 67 with at least three years of credited service for Class T-G and Class T-H members) or has at least five years of credited service (10 years for Class T-E, Class T-F, Class T-G and Class T-H members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.5% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001, and before July 1, 2011, contribute at 7.5% (Class T-D). For these hires and for members who elected Class T-D, the 7.5% contribution rate began with service rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011, contribute at the rate of 7.5% (Class T-E) or 10.3% (Class T-F) of their qualifying compensation. Class T-E and Class T-F members are subject to a "shared risk" provision in Act 120 that could cause the rate in future years to fluctuate between 7.5% and 9.5% for Class T-E and 10.3% and 12.3% for Class T-F. Members who joined PSERS after June 30, 2019, contribute at the total rate of 8.25% (Class T-G) or 7.5% (Class T-F) of their qualifying compensation. Class T-G and Class T-H members are also subject to a "shared risk" provision, as well as a "shared gain" provision in Act 5 that could cause the rate in future years to increase or decrease 3% below or 3% above the member's basic contribution rate in increments of 0.75% for Class T-G and Class T-H.

Employer Contributions

The State System's contractually required contribution rate for PSERS for fiscal year ended June 30, 2025, was 33.09% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System contributed was 16.545% of covered payroll. The State System's reported contributions for year ended June 30, 2025, were \$9,783,000 which is equal to the required contractual contribution.

For the PSERS defined contribution plan, the State System is required to contribute at actuarially determined average rate 0.27% of active members' annual covered payroll for the year ending June 30, 2025, depending upon the plan chosen by the employee. Members were first eligible to choose the defined contribution plan on July 1, 2019. The contributions for the year ended June 30, 2025, were \$30,000.

Actuarial Assumptions

The State System records its PSERS pension liability annually utilizing a measurement date one year prior to its fiscal year end. The total PSERS pension liability, as of the June 30, 2024 measurement date, was determined by rolling forward PSERS' total pension liability at June 30, 2023, to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement.

- Valuation date - June 30, 2023
- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% with 2.50% inflation.
- Salary increases based on an effective average of 4.5%, which comprises a 2.50% allowance for inflation and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension

plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

PSERS' policy about the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PSERS Board of Trustees adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Asset Class	Target Allocation	Long-Term Real Rate of Return
Global public equity	30.00%	4.80%
Private equity	12.00%	6.70%
Fixed income	33.50%	3.90%
Commodities	5.00%	2.50%
Infrastructure	10.00%	6.40%
Real estate	9.50%	5.90%
	100.00%	

The discount rate used to measure the total PSERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the State System's proportionate share of the PSERS net pension liability at June 30, 2025, calculated using the discount rate of 7.00%, as well as what the PSERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of the State System's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate		
(in thousands)		
1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
\$99,851	\$75,799	\$55,490

Proportionate Share

The amount recognized as the State System's proportionate share of the PSERS net pension liability, plus the related PSERS pension support provided by the Commonwealth, is as follows.

(in thousands)		
	2025	2024
Total PSERS net pension liability associated with the State System	\$ 151,598	\$ 163,176
Commonwealth's proportionate share of the PSERS net pension liability associated with the State System	(75,799)	(81,588)
State System's proportionate share of the PSERS net pension liability	\$ 75,799	\$ 81,588

PSERS measured the 2025 net pension liabilities as of June 30, 2024. PSERS calculated the employer's proportion of the net pension liability using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. At June 30, 2024, the State System's proportion was 0.1811%, a decrease of 0.0023% from its proportion calculated as of June 30, 2023.

ARP

The ARP is a defined contribution pension plan administered by the State System. Benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. The State System recognizes annual pension expenditures equal to its contractually required contributions to the plan. The State System's contribution rate on June 30, 2024, was 9.29% of qualifying compensation. The contributions to the ARP for the year ended June 30, 2025, was \$ 46,470,000, from the State System; and \$25,011,000 from active members. No liability is recognized for the ARP.

(10) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Other postemployment benefits (OPEB) are benefits such as healthcare benefits that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or retirement payments for sick leave. (See note 8)

State System employees who retire after meeting specified service and age requirements are eligible to receive healthcare and tuition benefits in retirement. Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), PASSHE Officers Association (POA), Security Police and Fire Professionals of America (SPFPA), Office and Professional Employees International Union (OPEIU), and nonrepresented employees participate in a defined benefit healthcare plan administered by the State System (System Plan). Employee members of the American Federation of State, County and Municipal Employees (AFSCME); Pennsylvania Doctors Alliance (PDA); and Service Employees International Union (SEIU, Local 668), formerly Pennsylvania Social Services Union (PSSU), participate in the Retired Employees Health Program (REHP), which is a defined benefit healthcare plan sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). In addition to the above, any employee who participates in the Public School Employees' Retirement System (PSERS) pension plan is eligible to receive benefits from the PSERS Health Insurance Premium Assistance Program (Premium Assistance), a defined benefit plan, and all eligible retirees and their eligible dependents receive tuition waivers at any of the 10 State System universities.

Following is the total of the State System's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense for the fiscal year ended June 30, 2025.

(in thousands)

	System Plan	REHP	Premium Assistance	Total
Net OPEB liabilities	\$ 838,185	\$ 245,647	\$ 3,185	\$ 1,087,017
Deferred outflows of resources:				
Difference between expected and actual experience	-	7,680	12	7,692
Net difference between projected and actual investment earnings on OPEB plan investments	-	-	3	3
Changes in assumptions	7,034	7,350	194	14,578
Changes in proportion	-	46,375	82	46,457
Contributions after the measurement date	26,690	17,841	189	44,720
Total deferred outflows of resources	\$ 33,724	\$ 79,246	\$ 480	\$ 113,450
Deferred inflows of resources:				
Difference between expected and actual experience	196,620	59,063	48	255,731
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,380	-	1,380
Changes in assumptions	179,884	63,394	486	243,764
Changes in proportion	-	97,557	141	97,698
Total deferred inflows of resources	\$ 376,504	\$ 221,394	\$ 675	\$ 598,573
OPEB expense	\$ 53,811	\$ 54,698	\$ 217	\$ 108,726
Contributions recognized by OPEB plans	N/A	\$ 17,841	\$ 189	\$ 18,030

The State System will recognize the deferred outflows of resources resulting from contributions after the measurement date, totaling \$26,690,000 for the System Plan, \$17,841,000 for the REHP plan, and \$189,000 for the PSERS OPEB plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Fiscal Year Ended	Amortization		
	System Plan	REHP	Premium Assistance
June 30, 2026	\$ (127,574)	\$ (55,087)	\$ (97)
June 30, 2027	(109,277)	(54,225)	(127)
June 30, 2028	(109,277)	(36,282)	(129)
June 30, 2029	(23,342)	(17,150)	(11)
June 30, 2030	-	2,755	(20)
Thereafter	-	-	-
Totals	\$ (369,470)	\$ (159,989)	\$ (384)

System Plan

Plan Description

The System Plan is a single employer defined benefit healthcare plan administered by the System Office. Act 188 empowers the Board to establish and amend benefit provisions and to require the System Office to pay OPEB as the benefits come due. The System Office discretely accounts for and accumulates all System Plan contributions that have been collected from the universities (employer) and retirees, but not yet been paid to the provider; however, the System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

The System Plan provides eligible retirees and their eligible dependents with healthcare benefits, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverages based on the benefits in effect when they retired, and benefits may continue for the retiree's lifetime. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Non-spouse dependents may be covered until age 19 or until age 25 if a certified full-time student. SCUPA, SPFPA, POA, OPEIU, and nonrepresented employees whose retirement date is on or after January 1, 2016, and APSCUF employees whose retirement date is on or after July 1, 2017, receive the same pre-Medicare benefits as active employees, with benefits changing as active employee benefits change. All other pre-Medicare retirees continue to receive the same benefits to which they were entitled at retirement.

A total of 10,975 individuals are covered by the benefit terms (down from 11,307 in the prior actuarial valuation), including 5,476 active employees that may be entitled to receive benefit payments upon retirement, 484 retired participants entitled to but not yet receiving benefits, and 5,015 retired participants receiving benefits.

Effective January 16, 2016, the State System OPEB plan became closed to newly hired SCUPA, SPFPA, POA, OPEIU, and nonrepresented employees, while newly hired APSCUF employees (faculty and coaches) continue to be eligible to participate in the plan.

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement or the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2025.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members, except for nonfaculty coaches, who retired on or after July 1, 2005, and prior to July 1, 2008, and who are under age 65, pay the same dollar amount they paid as active employees on the day of retirement. When these plan members become eligible for Medicare, they pay 18% of the current cost of their Medicare coverage and current cost of coverage for covered dependents. The rate changes annually, and future adjustments will apply if contributions increase for active employees.
- Plan members, except for nonfaculty coaches, who retire on or after July 1, 2008, pay 18% of the plan premium in effect for active employees on their retirement date. Future adjustments will apply if contributions increase for active employees.
- Nonfaculty coaches who retired on or after July 1, 2005, pay 3.0% of their final annual gross salary at the time of retirement. Future adjustments will apply if contributions increase for active employees.

Actuarial Assumptions and Other Inputs

The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year end. The actuarial valuation on which the total OPEB liability as of June 30, 2025, is based is dated July 1, 2024, which is the measurement date. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Healthcare cost trend rate of 7.0% in 2024, with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.

- Annual salary increase of 4%.
- 90% of employees eligible for a subsidy and 7.5% of employees not eligible for a subsidy are assumed to elect coverage. 2% of vested former members are assumed to return to coverage each year upon reaching age 45.
- The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in specified age and gender brackets.
- Retiree premium cost sharing for retired participants covered under "Other Less Subsidized Health Coverage" is assumed to remain at 18% and increase at the same rate as the Health Care Cost Trend Rate. Otherwise, retiree premium cost sharing is not assumed to increase after retirement.
- APSCUF mortality rates based on PubT-2010 Above Median Income Headcount-Weighted Mortality Table, including rates for disabled retirees and contingent survivors. All other groups mortality rates based on the PubG-2010 Above Median Income Headcount-Weighted Mortality Table, including rates for disabled retirees and contingent survivors. Both tables incorporate rates projected generationally using Scale MP-2021 to reflect mortality improvement.
- The discount rate increased from 4.13% to 4.29%, based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2024.
- Participant data is based on census information as of July 1, 2024.
- Rates of withdrawal vary by age and years of service.
- Costs have been loaded by 1.5% to account for dependent medical coverage and 0.5% to account for tuition reimbursements, which are offered to all eligible retirees, regardless of employee bargaining unit when active, and including those not represented when active, who meet years of service and/or age criteria.

The following presents the System Plan's net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.0% decreasing to 3.0%) or one percentage point higher (8.0% decreasing to 5.0%) than the current healthcare cost trend rates (7.0% decreasing to 4.0%).

Sensitivity of the System Plan's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
<i>(in thousands)</i>		
1% Decrease (6.0% decreasing to 3.0%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
\$714,102	\$838,185	\$994,215

The following presents the State System's net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current discount rate (4.29%).

Sensitivity of the System Plan's Net OPEB Liability to Changes in the Discount Rate		
<i>(in thousands)</i>		
1% Decrease 3.29%	Current Rate 4.29%	1% Increase 5.29%
\$958,455	\$838,185	\$739,504

System Plan OPEB Liability

The System Plan's total OPEB liability of \$838,185,000 was measured and determined by an actuarial valuation as of July 1, 2024.

Changes in the System Plan Total OPEB Liability (in thousands)	
Fiscal Year Ending	June 30, 2025
Balance beginning of year	\$ 937,363
Service cost	26,330
Interest	38,929
Changes of benefit terms	-
Differences between expected and actual experience	(115,000)
Changes of assumptions	(10,503)
Benefit payments	(38,934)
Net Changes	(99,178)
Balance end of year	\$ 838,185

Effective January 1, 2025, Medicare-eligible retirees and covered spouses enrolled in Medicare Part A and Part B transitioned from the self-insured Medicare Supplement Plan to a fully insured Medicare Advantage PPO Plan. Going forward, newly eligible retirees and spouses will also be enrolled in this Medicare Advantage Plan.

This change is expected to generate significant annual cost savings and, based on current assumptions, reduce the plan's Total OPEB Liability by approximately 40%. However, because premiums for Medicare Advantage Plans may fluctuate, the actual impact on the Total OPEB Liability could differ from the projected reduction.

The plan change will be reflected in the actuarial valuation as of July 1, 2025, for the fiscal year ending June 30, 2026.

REHP

Plan Description

The Retired Employees Health Program (REHP) is a single employer defined benefit OPEB plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The REHP is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and the Secretary of Administration. The REHP does not have a governing board.

The REHP is reported in the Commonwealth's Annual Comprehensive Financial Report (ACFR) as a Pension (and Other Employee Benefit) Trust. The REHP is reported using the economic resources measurement focus and the accrual basis of accounting. The ACFR is an audited financial statement and is available at <https://www.pa.gov/agencies/budget.html>.

The REHP provides eligible retirees and their eligible dependents with subsidized healthcare for the retiree's lifetime. Benefits include healthcare, including hospital, medical/surgical, prescription drugs, and major medical coverage, as well as a Medicare supplement for individuals over age 65. Retirees receive varying coverage based on the plan they choose. Spouse benefits cease upon the retiree's death, but the surviving spouse may continue coverage at full cost. Non-spouse dependents may be covered until age 26.

Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, and their salary at retirement. Following are the contribution rates of eligible plan members receiving benefits as of June 30, 2025.

- Plan members who retired prior to July 1, 2005, are not required to make contributions.
- Plan members who retired on or after July 1, 2005, and prior to July 1, 2007, pay 1% of their final annual salary.
- Plan members who retired on or after July 1, 2007, and prior to July 1, 2011, pay 3% of either final gross annual base salary or final average salary, whichever is less. Members eligible for Medicare pay 1.5% of either final gross annual base salary or final average salary, whichever is less.
- Plan members who retire on or after July 1, 2011, pay 3% of final average salary. Members eligible for Medicare pay 1.5% of final gross annual base salary.

Employer contribution requirements are established by the Commonwealth as provided by pertinent statutory authority. Except for certain employing agencies, employers contributed to the REHP Trust a retiree health assessment rate of \$251 per pay period for each current REHP eligible active employee during the period July 1, 2024 through June 30, 2025. The rate during the period July 1, 2023 through June 30, 2024 was \$275 per pay period.

Actuarial Assumptions and Other Inputs

The State System records its REHP pension liability annually utilizing a measurement date one year prior to its fiscal year end. The Commonwealth's State Employees' Retirement System (SERS) performs experience studies periodically to determine reasonable and appropriate economic and demographic assumptions for purposes of valuing the defined benefit pension plan. The most recent SERS experience study covered the years 2015 through 2019 and was presented to the SERS Board in July 2020. The approved recommendations from that study were used to determine the assumptions in the REHP annual valuations, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook.

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Participant data based on census information as of December 31, 2023, for the June 30, 2024 measurement date.
- Actuarial Cost Method is Entry Age Normal, which requires an estimate of the projected benefit payable at retirement to determine costs and liabilities.
- Inflation of 2.50%.
- Healthcare cost trend rate of 8.2%, with rates gradually decreasing to 3.9% in 2075 and later, based on the SOA-Getzen trend rate model version 2024_1b.
- Average salary growth of 2.50% per year and an assumed 2.80% payroll growth rate.
- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates for active employees based on PUB-2010 General Employees Headcount-Weighted Mortality Tables and adjusted for mortality improvements using projection scale MP-2021.

The following assumptions were made regarding the discount rate:

- Discount rate of 6.09% as of June 30, 2024.
- The discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool (6.75%) and a municipal bond rate of 3.93% based on the 20-year Bond Buyer GO Index as of the end of June 2024.

The long-term expected rate of return on REHP plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over

extended periods of time to produce an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	42.00%	5.00%
Non-US equity	22.00%	5.10%
US Fixed income	22.00%	2.40%
Public REITs	4.00%	0.00%
Infrastructure	4.00%	4.30%
Core real estate	4.00%	3.80%
Cash and cash equivalents	1.00%	1.20%
Private Equity	1.00%	8.80%
	<u>100.00%</u>	

The Commonwealth calculated an allocated share of the REHP OPEB liability for each participating employer based upon their actual contributions made to the REHP. The State System's proportion of the collective net OPEB liability was 3.5257% for the measurement date of June 30, 2024, and 3.0292% for the measurement date of June 30, 2023.

The following presents the State System's share of the REHP net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.2% decreasing to 2.9%) or one percentage point higher (9.2% decreasing to 4.9%) than the current healthcare cost trend rates (8.2% decreasing to 3.9%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in thousands)		
1% Decrease (7.2% decreasing to 2.9%)	Healthcare Cost Trend Rates (8.2% decreasing to 3.9%)	1% Increase (9.2% decreasing to 4.9%)
\$214,189	\$245,647	\$283,394

The following presents the State System's share of the REHP net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (5.09%) or one percentage point higher (6.09%) than the current discount rate (7.09%).

Sensitivity of the REHP Net OPEB Liability to Changes in the Discount Rate (in thousands)		
1% Decrease 5.09%	Current Rate 6.09%	1% Increase 7.09%
\$275,449	\$245,647	\$220,055

The assets of the REHP are managed by the Commonwealth's Treasury in an investment pool. The REHP investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania's amendment to fiscal code 72 P.S. §30.1, the principles of Prudent Investors Standards.

Premium Assistance

Plan Description

The Health Insurance Premium Assistance Program (Premium Assistance) is a governmental cost sharing, multiple-employer OPEB plan administered by the administrative staff of PSERS. The members eligible to participate in the program include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (PSERS Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of PSERS by passing bills in the Senate and House of Representatives and sending them to the Governor for approval. Additional plan information can be found in the PSERS Annual Comprehensive Financial Report at www.psers.pa.gov

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees. Plan members receiving benefits are not required to make contributions.

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The contribution policy is governed by applicable provisions of the Retirement Code. The contractually required employer contribution rate was 0.64% of covered payroll for the fiscal year ended June 30, 2024, and 0.75% of covered payroll for the fiscal year ended June 30, 2023. Per §8327 of the Code, the Commonwealth is required to contribute 50% of the contribution rate directly to PSERS on behalf of the State System, meaning that the amount that the State System contributed was 0.32% of covered payroll.

Actuarial Assumptions and Other Inputs

The State System records its PSERS OPEB liability annually utilizing a measurement date one year prior to its fiscal year end. The total OPEB liability, as of the June 30, 2024 measurement date, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2023, to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2023
- Actuarial cost method was entry age normal, level percent of pay.
- Investment return of 4.21% based on the S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.

- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Eligible retirees pre-age 65 are assumed to participate at 50%, while eligible retirees post-age 65 are assumed to participate at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022, determined the employer contribution rate for fiscal year 2024.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following assumptions were made regarding the discount rate:

- The discount rate used to measure the total OPEB liability was 4.21% at June 30, 2024, and 4.13% at June 30, 2023.
- Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.
- The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is a pay-as-you-go plan. A discount rate of 4.21%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.
- Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The OPEB plan's policy regarding the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2024.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.00%	1.70%
	<u>100.00%</u>	

The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2023, to June 30, 2024. An employer's proportion is calculated utilizing the employer's one-year reported covered payroll as a

percentage of total one-year reported covered payroll. The State System's proportion of the collective net OPEB liability was 0.1793% and 0.1821% for the measurement dates of June 30, 2024 and 2023, respectively.

The following presents the State System's share of the Premium Assistance net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (between 4.0% and 5.8%) or one percentage point higher (between 6.0% and 7.8%) than the current healthcare cost trend rates (between 5.0% and 6.8%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
(in thousands)		
1% Decrease (between 4.0% and 5.8%)	Healthcare Cost Trend Rates (between 5.0% and 6.8%)	1% Increase (between 6.0% and 7.8%)
\$3,185	\$3,185	\$3,185

The following presents the State System's share of the Premium Assistance net OPEB liability at June 30, 2025, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (3.21%) or one percentage point higher (5.21%) than the current discount rate (4.21%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate at June 30, 2024		
(in thousands)		
1% Decrease 3.21%	Current Rate 4.21%	1% Increase 5.21%
\$3,598	\$3,185	\$2,839

(11) RIGHT OF USE LEASES, SUBSCRIPTION AGREEMENTS AND FINANCED PURCHASES

The State System routinely leases various facilities and equipment and enters subscription-based information technology arrangements (SBITAs) instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease or subscription liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2025, lease and subscription variable payments, based on performance, totaled \$520,000. There were no termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2025. Interest expense on leases and SBITAs for the fiscal year ended June 30, 2025 totaled \$1,128,000 and \$782,000, respectively. Leases that provide for the transfer of title to the State System at the end of the lease term are accounted for as financed purchases. Interest expense recognized on these leases for the fiscal year ended June 30, 2025 totaled \$3,799,000.

The following schedule provided future minimum principal and interest payments to maturity for financed purchases, right of use leases and SBITAs.

<i>(in thousands)</i>								
	Financed Purchases		Right of Use Leases with Third Parties		Right of Use Leases with Component Units		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year Ending June 30								
2026	\$8,187	\$6,608	\$3,323	\$215	\$5,344	\$619	\$15,527	\$428
2027	9,863	6,361	3,143	139	3,951	402	5,768	173
2028	10,177	6,042	2,105	75	2,648	264	3,293	81
2029	10,148	5,715	721	43	1,756	152	2,400	18
2030	9,424	5,394	534	28	822	114	412	-
2031 - 2035	46,622	22,153	1,018	45	4,442	379		
2036 - 2040	41,631	15,181	17	20	2,540	59		
2041 - 2045	27,293	9,923	19	18				
2046 - 2050	18,996	5,856	16	16				
2051 - 2055	19,825	1,979	25	13				
2056 - 2060	1,446	18	28	10				
2061 +			66	8				
Total	\$203,612	\$85,230	\$11,015	\$630	\$21,503	\$1,989	\$27,400	\$700

The following summary provides aggregated information reported for June 30, 2025 financed purchases, right of use lease liabilities and subscription liabilities on SBITAs including additions, reductions and reported liabilities for the year then ended.

<i>(in thousands)</i>				
	Beginning Balance	Additions	Reductions	Ending Balance
Financed Purchases	\$208,185	\$6,639	(\$11,211)	\$203,613
Leases, Third Parties	14,670	235	(3,890)	11,015
Leases, Comp Units	27,250	132	(5,879)	21,503
Subscription liabilities	25,231	19,997	(17,829)	27,399
Total	\$275,336	\$27,003	(\$38,809)	\$263,530

(12) BONDS PAYABLE

Bonds payable on June 30, 2025, consisted of several outstanding tax-exempt revenue and taxable bond series issued by the Pennsylvania Higher Educational Facilities Authority (PHEFA), except for Series 2021 which has been issued by the Pennsylvania Economic Development Financing Authority (PEDFA). In connection with the bond issuance, the State System entered into a loan agreement with PHEFA and PEDFA under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The bonds were issued to provide funds to undertake various capital projects at the universities, to refund certain previously issued bonds, or to undertake a prefunding savings program (SERS).

The Series of 2021 bond through PEDFA was permitted by Act 105 of November 2019 which authorizes eligible employers to make a one-time advance payment to SERS in exchange for a schedule of credits against the employer's future annual accrued liability contributions to SERS for a period of up to thirty (30) years. In the agreement established with SERS, the State System provided a lump sum payment to SERS of approximately 75 percent of its unfunded actuarial liability (UAL) for \$825 million, through the proceeds of the Series of 2021 bond issuance. In exchange for the lump sum payment, SERS established a schedule of setoff credits that will be issued to the State System totaling over \$1.5 billion over the term of the agreement. These credits are assigned to each year of the agreement and will be used to support the annual bond payment and will offset the SERS employer expense incurred, generating net savings each year.

Activity for the various bond series for the year ended June 30, 2025, was as follows.

Bonds Payable (in thousands)							
June 30, 2025 and 2024							
Description	Original Issuance	Weighted Average Interest Rate	Balance June 30, 2024	Bonds Issued	Bonds Redeemed/ Refunded	Balance June 30, 2025	Current Portion
Series AQ issued in May 2015, final maturity June 2036	94,975	3.75%	29,540	-	7,275	22,265	5,120
Series AR issued in September 2015, final maturity June 2040	102,365	3.64%	68,965	-	3,270	65,695	3,435
Series AS issued in June 2016, final maturity June 2037	47,280	3.93%	25,230	-	3,140	22,090	2,985
Series AT issued in September 2016, final maturity June 2055	298,110	3.86%	235,635	-	57,030	178,605	7,385
Series AU issued in September 2017, final maturity June 2042	128,260	3.36%	76,255	-	10,250	66,005	6,835
Series AV issued in September 2018, final maturity June 2045	236,945	4.09%	172,490	-	6,000	166,490	5,810
Series AW issued in September 2019, final maturity June 2044	84,980	4.36%	34,215	-	4,215	30,000	4,420
Series AX issued in July 2020, final maturity June 2042	94,985	3.48%	71,685	-	4,545	67,140	4,765
Series AY issued in October 2020, final maturity June 2036	78,925	1.82%	41,920	-	8,495	33,425	4,950
SERS 2021 issued in April 2021, final maturity June 2042	827,580	2.54%	719,780	-	37,140	682,640	37,575
Series AZ issued in June 2021, final maturity June 2047	142,710	2.74%	130,020	-	4,435	125,585	4,560
Total	2,137,115		1,605,735	-	145,795	1,459,940	87,840

Principal and interest requirements to maturity are as follows.

(in thousands)			
	Principal	Interest	Total
2026	\$ 87,840	\$ 45,291	\$ 133,131
2027	94,750	42,686	137,436
2028	95,585	39,900	135,485
2029	96,105	37,010	133,115
2030	94,380	34,034	128,414
2031 - 2035	432,095	129,188	561,283
2036 - 2040	388,615	64,177	452,792
2041 - 2045	162,920	13,575	176,495
2046 - 2047	7,650	309	7,959
			-
Total	\$1,459,940	\$ 406,170	\$ 1,866,110

The State System's outstanding bonds contain a provision that in an event of default, PHEFA or PEDFA may declare the outstanding principal plus accrued interest to be immediately due and payable. An event of default occurs if the State System fails to make the required payment when due, if the State System fails to perform any of its other covenants or obligations, or if a State System bankruptcy is instituted or commenced.

On October 31, 2023, the State System defeased \$55,435,000 principal amount of eleven different bonds series originally issued between May 2014 and October 2020. As of June 30, 2025, the principal amount of in-substance defeased debt that remains outstanding totals \$42,150,000 (\$49,190,000 at June 30, 2024).

On September 12, 2024, the State System defeased \$58,600,000 principal amount of eight different bonds series originally issued between May 2015 and October 2020. The in-substance defeasance was accomplished by depositing funds irrevocably in trust with an escrow agent, such funds used to purchase U.S. Government Securities. This redemption and in-substances defeasance were performed to reduce average annual debt service by approximately \$2,906,000 at Indiana University and \$2,812,000 at Commonwealth University and resulted in an accounting gain of \$3,928,000. The funds associated with this redemption and defeasance were provided by the Commonwealth of Pennsylvania as part of their 2024-25 State Budget. As of June 30, 2025, the principal amount of in-substance defeased debt that remains outstanding totals \$55,075,000.

(13) RATING ACTIONS

In February 2025, Moody's Ratings maintained the State System's bond rating of Aa3, and stable outlook. The stable outlook reflects Moody's expectations that continued successful execution of the system redesign initiative will enhance prospects for sustainability, aligning expense structures to anticipated smaller enrollment levels, as noted earlier in the Enrollment section. The outlook also reflects expectations of continued strong liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's maintained the State System's Environmental, Social, and Governance (ESG) and Credit Impact Scores (CIS) of CIS-3. CIS-3 indicates that ESG considerations have a limited impact on the current credit rating, with potential for greater negative impact over time. Strong fiscal management and significant financial resources partly mitigate ESG risk exposure. In February 2025, Fitch Ratings reviewed the State System's rating of A+ with stable outlook, and no rating change was made.

(14) DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The classifications of deferred outflows of resources and deferred inflows of resources at June 30, 2024, follow.

<i>(in thousands)</i>		June 30, 2025
Deferred Outflows of Resources		
Pension related (see note 9)	\$	143,112
OPEB related (see note 10)		113,450
Unamortized loss on refunding of debt		2,592
Total Deferred Outflows of Resources	\$	<u>259,154</u>
Deferred Inflows of Resources		
Lease receivable (see note 4)	\$	106,697
Pension related (see note 9)		38,294
OPEB related (see note 10)		598,573
Unamortized gain on refunding of debt		1,062
Split-interest agreements		7
Total Deferred Inflows of Resources	\$	<u>744,633</u>

(15) CONTINGENCIES AND COMMITMENTS

Contingencies

The nature of the educational industry is such that, from time to time, the State System is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

The State System receives support from federal and Commonwealth grant programs, primarily for student financial assistance, including federal CARES, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and American Rescue Plan Act (ARPA) funding received between fiscal years 2020-21 and 2022-23. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2025, the State System estimates that adjustments, if any, because of such audits would not have a material adverse effect on the accompanying financial statements.

Cheyney University of Pennsylvania

As a result of self-reported compliance issues reported in August 2015, Cheyney University entered into a settlement agreement with the U.S. Department of Education (ED) in February 2020 which resulted in (1) an assessment of \$14,308,377, (2) waiver of its rights to any administrative appeal, and (3) entry into an acceptable repayment agreement with ED. Cheyney made payments as required by the agreement between June 2020 and July 2024. In October 2024, Cheyney satisfied all remaining outstanding debt related to this settlement agreement.

Cheyney had been under the U.S. Department of Education's (ED) Heightened Cash Monitoring 2 (HCM2) status since September 2015. Effective June 2, 2025, Cheyney was returned to the Advanced method of payment and was removed from the HCM2 method of payment. As the university is no longer on a reimbursable method of payment, it has discontinued submitting requests for payment to the regional Payment Analyst.

Insurance

The State System is self-insured for workers' compensation up to stated limits (note 6). For all other risks of loss, the State System pays annual premiums to the Commonwealth to participate in its Risk Management Program. The State System does not participate in any public entity risk pools and does not retain risk related to any exposure, except for those amounts incurred relative to policy deductibles that are not significant. The State System has not significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the State System's insurance coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2025, were approximately \$55,252,000.

Indiana University Proposed College of Osteopathic Medicine

Indiana University of Pennsylvania is pursuing accreditation for a proposed College of Osteopathic Medicine (COM). As part of the accreditation process with the Commission on Osteopathic College Accreditation (COCA), the university was required to deposit funds totaling \$37.5 million into separate, segregated reserve accounts on August 1, 2025. The Operating Reserve Fund Account is required to be maintained until graduation of the first class of students. The Escrow Reserve Fund Accounts are required to be used solely to pay teach-out costs of students, should such a determination be reached. Funds in these accounts must be invested in publicly traded money market funds (or such other investments as specifically approved) and interest earned on such investments must be maintained in the funds. The agreements also require certain minimal level of funds to be maintained in these accounts over their life.

Indiana University of Pennsylvania's initial class of students is planned to begin in fall 2027. COCA standards require that a new COM must ramp up enrollment over 3 years, with year 1 at 50 percent of a full class, year 2 at 75 percent, and year 3 with a full class.

As part of the process to seek accreditation for this new endeavor, a new side letter for the faculty CBA is being negotiated to address new pay scales and other working rules for the faculty hired to teach in this COM.

Labor Concentration

Approximately 84% of PASSHE's full-time equivalent (FTE) employees are covered by nine collective bargaining agreements. Seven of those agreements are effective through June 30, 2027 and include the following: American Federation of State, County, and Municipal Employees (AFSCME); Association of Pennsylvania State College and University Faculties (APSCUF); APSCUF Non-Faculty Athletic Coaches; Office of Professional Employees International Union Healthcare Pennsylvania (OPEIU); State College & University Professional Association (SCUPA); Employees International Union (SEIU) and Pennsylvania Doctors Alliance (PDA). The current collective bargaining agreements for police supervisors and security officers with the International Union, Security, Police, and Fire Professionals of America (SPFPA) and PASSHE Officers Association (POA) expired August 31, 2025. The terms of the prior contracts remain in effect until a successor agreement is reached.

(16) SUBSEQUENT EVENTS

Appropriations Delay

The State System receives monthly general appropriations from the Commonwealth of Pennsylvania. For the fiscal year ended June 30, 2025, general appropriations represented approximately 28% of total revenues. Monthly transfers from the Commonwealth during that fiscal year averaged approximately \$51.73 million.

As of the issuance date of these financial statements, the Commonwealth has not enacted its annual budget for the fiscal year beginning July 1, 2025. No general appropriations have been received for July, August, or September 2025, and the timing and amount of future funding are dependent upon the enactment of the annual budget.

The delay in general appropriations funding may affect the liquidity and financial operations of the State System and its universities. To mitigate the impact of delayed appropriations, the State System has adopted several strategies, including utilizing reserves and adjusting cash flows. When required, short-term funding is provided to universities through Appropriation Advance Notes issued from the System's Investment Fund Loan Program, in accordance with Board of Governors' Policy 1986-02-A: Investment. As of the date of issuance of these financial statements, one university has undertaken such an Appropriation Advance Note totaling almost \$1.3 million. This note will be repaid via deduction from the "catch up" appropriation distribution the university will receive for the months of July, August, and September.

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2025

(Unaudited)

Schedule of Proportionate Share of SERS Net Pension Liability (NPL)

Determined as of SERS' December 31 measurement dates

(in thousands)

Fiscal Year	State System's Proportion	State System's Proportionate Share	State System's Covered- Employee Payroll	State System's Proportionate Share of NPL as a Percentage of Covered-Employee Payroll	SERS Fiduciary Net Position as a Percentage of Total Pension Liability
2015-16	4.72%	\$858,417	\$297,714	288%	58.90%
2016-17	4.84%	\$931,620	\$300,803	310%	57.80%
2017-18	4.91%	\$848,315	\$309,084	275%	63.00%
2018-19	4.90%	\$1,020,123	\$318,501	320%	56.40%
2019-20	4.77%	\$867,669	\$315,000	276%	63.10%
2020-21	4.42%	\$808,636	\$297,904	271%	67.00%
2021-22	4.18%	\$608,705	\$279,479	218%	76.00%
2022-23	4.15%	\$948,291	\$283,603	334%	61.50%
2023-24	4.06%	\$858,718	\$288,184	298%	65.30%
2024-25	3.98%	\$802,940	\$295,745	271%	67.70%

SERS Schedule of Contributions

Determined as of State System's June 30 fiscal year end dates

(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015-16	\$69,021	\$69,021	\$0	\$291,594	23.67%
2016-17	\$83,754	\$83,754	\$0	\$301,828	27.75%
2017-18	\$94,727	\$94,727	\$0	\$304,575	31.10%
2018-19	\$97,467	\$97,467	\$0	\$315,369	30.90%
2019-20	\$97,074	\$97,074	\$0	\$305,074	31.82%
2020-21	\$93,434	\$93,434	\$0	\$291,237	32.08%
2021-22	\$91,297	\$91,297	\$0	\$283,328	32.22%
2022-23	\$92,544	\$92,544	\$0	\$285,524	32.41%
2023-24	\$99,236	\$99,236	\$0	\$294,495	33.70%
2024-25	\$95,296	\$95,296	\$0	\$294,462	32.36%

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)

Determined as of PSERS' June 30 measurement dates

(in thousands)

Fiscal Year	PSERS Net Pension Liability				State System's Covered-Employee Payroll	State System's Proportionate Share of NPL as a Percentage of Covered-Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total Pension Liability
	State System's Proportion	State System's Proportionate Share	Commonwealth's Proportionate Share	Total			
2015-16	0.1852%	\$80,220	\$80,220	\$160,440	\$47,670	168%	54.4%
2016-17	0.1833%	\$90,838	\$90,838	\$181,676	\$47,485	191%	50.1%
2017-18	0.1811%	\$89,442	\$89,442	\$178,884	\$48,236	185%	51.8%
2018-19	0.1836%	\$88,137	\$88,137	\$176,274	\$49,437	178%	54.0%
2019-20	0.1886%	\$88,232	\$88,232	\$176,464	\$52,020	169%	55.7%
2020-21	0.1856%	\$91,388	\$91,388	\$182,776	\$51,994	173%	54.3%
2021-22	0.1777%	\$72,958	\$72,958	\$145,916	\$53,184	137%	63.7%
2022-23	0.1788%	\$79,492	\$79,492	\$158,984	\$55,460	143%	61.3%
2023-24	0.1834%	\$81,588	\$81,588	\$163,176	\$58,119	140%	61.9%
2024-25	0.1811%	\$75,799	\$75,799	\$151,598	\$60,262	126%	64.6%

PSERS Pension Schedule of Contributions

Determined as of State System's June 30 fiscal year end dates

(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015-16	\$6,012	\$6,012	\$0	\$48,419	12.41%
2016-17	\$7,107	\$7,107	\$0	\$49,518	14.35%
2017-18	\$7,880	\$7,880	\$0	\$50,586	15.58%
2018-19	\$8,565	\$8,565	\$0	\$53,394	16.04%
2019-20	\$8,771	\$8,771	\$0	\$53,324	16.45%
2020-21	\$8,746	\$8,746	\$0	\$51,994	16.82%
2021-22	\$8,896	\$8,896	\$0	\$53,184	16.73%
2022-23	\$9,342	\$9,342	\$0	\$55,460	16.84%
2023-24	\$9,486	\$9,486	\$0	\$58,119	16.32%
2024-25	\$9,783	\$9,783	\$0	\$60,262	16.23%

State System Plan OPEB Liability
Determined as of the July 1 measurement dates
(in thousands)

Fiscal Year	Beginning OPEB Liability	Service cost	Interest	Changes of benefit terms	Differences between expected and actual experience	Changes of assumptions	Benefit payments	Ending OPEB Liability
2017-18	\$1,559,134	\$48,636	\$39,441	\$0	\$0	(\$143,201)	(\$43,968)	\$1,460,042
2018-19	\$1,460,042	\$42,364	\$46,251	(\$1,018)	(\$175,819)	(\$11,542)	(\$45,671)	\$1,314,607
2019-20	\$1,314,607	\$35,611	\$39,561	\$0	\$0	(\$68,676)	(\$41,864)	\$1,279,239
2020-21	\$1,279,239	\$33,131	\$43,290	\$0	(\$150,225)	\$291,462	(\$44,263)	\$1,452,634
2021-22	\$1,452,634	\$44,750	\$27,454	\$0	\$0	(\$91,484)	(\$39,394)	\$1,393,960
2022-23	\$1,393,960	\$40,815	\$32,205	(\$8,221)	(\$209,238)	(\$306,370)	(\$41,120)	\$902,031
2023-24	\$902,031	\$25,367	\$36,829	\$0	\$0	\$10,551	(\$37,415)	\$937,363
2024-25	\$937,363	\$26,330	\$38,929	\$0	(\$115,000)	(\$10,503)	(\$38,934)	\$838,185

Note to Schedule: The System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors. This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

State System Plan OPEB Covered Payroll
Determined as of the July 1 measurement dates
(in thousands)

Fiscal Year	Covered Employee Payroll	OPEB Liability as a Percent of Covered Payroll
2017-18	\$592,245	246.53%
2018-19	\$582,841	225.55%
2019-20	\$582,841	219.48%
2020-21	\$570,846	254.47%
2021-22	\$570,846	244.19%
2022-23	\$515,352	175.03%
2023-24	\$515,352	181.89%
2024-25	\$531,606	157.67%

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Schedule of Proportionate Share of the REHP Net OPEB Liability

Determined as of REHP's June 30 measurement dates

(in thousands)

Fiscal Year	State System's Proportion	State System's Proportionate Share	State System's Covered-Employee Payroll	State System's Proportionate Share of Net OPEB Liability as a Percentage of Covered-Employee Payroll	REHP's Fiduciary Net Position as a Percentage of Total OPEB Liability
2017-18	4.374%	\$860,881	\$117,366	734%	1.40%
2018-19	4.573%	\$658,214	\$117,400	561%	2.20%
2019-20	4.370%	\$455,091	\$116,857	389%	3.80%
2020-21	4.275%	\$526,658	\$116,118	454%	3.67%
2021-22	4.026%	\$411,946	\$104,727	393%	6.12%
2022-23	3.648%	\$359,910	\$100,940	357%	5.92%
2023-24	3.029%	\$235,554	\$105,080	224%	8.81%
2024-25	3.526%	\$245,647	\$104,417	235%	11.61%

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

REHP Schedule of Contributions

Determined as of State System's June 30 fiscal year end dates

(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017-18	\$21,441	\$21,441	\$0	\$141,268	15.18%
2018-19	\$25,787	\$25,787	\$0	\$144,385	17.86%
2019-20	\$19,567	\$19,567	\$0	\$139,418	14.03%
2020-21	\$10,369	\$10,369	\$0	\$131,491	7.89%
2021-22	\$9,181	\$9,181	\$0	\$126,955	7.23%
2022-23	\$8,291	\$8,291	\$0	\$125,654	6.60%
2023-24	\$18,688	\$18,688	\$0	\$131,030	14.26%
2024-25	\$17,841	\$17,841	\$0	\$132,369	13.48%

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Schedule of Proportionate Share of PSERS Net OPEB Liability

Determined as of PSERS' June 30 measurement dates

(in thousands)

Fiscal Year	PSERS Net OPEB Liability				State System's Covered- Employee Payroll	System's Proportionate Share of Net OPEB Liability as a Percentage of Covered- Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
	State System's Proportion	State System's Proportionate Share	Common- wealth's Proportionate Share	Total			
2017-18	0.1811%	\$3,690	\$3,690	\$7,380	\$48,236	7.65%	5.73%
2018-19	0.1836%	\$3,828	\$3,828	\$7,656	\$49,437	7.74%	5.56%
2019-20	0.1886%	\$4,011	\$4,011	\$8,022	\$52,020	7.71%	5.56%
2020-21	0.1852%	\$4,002	\$4,002	\$8,004	\$51,994	7.70%	5.69%
2021-22	0.1770%	\$4,196	\$4,196	\$8,392	\$50,192	8.36%	5.30%
2022-23	0.1780%	\$3,277	\$3,277	\$6,554	\$52,352	6.26%	6.86%
2023-24	0.1821%	\$3,295	\$3,295	\$6,590	\$55,801	5.90%	7.22%
2024-25	0.1793%	\$3,185	\$3,185	\$6,370	\$56,937	5.59%	7.13%

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

PSERS OPEB Schedule of Contributions

Determined as of State System's June 30 fiscal year end dates

(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017-18	\$204	\$204	\$0	\$50,586	0.40%
2018-19	\$217	\$217	\$0	\$53,394	0.40%
2019-20	\$220	\$220	\$0	\$53,324	0.41%
2020-21	\$216	\$216	\$0	\$52,900	0.41%
2021-22	\$212	\$212	\$0	\$53,184	0.40%
2022-23	\$204	\$204	\$0	\$55,460	0.37%
2023-24	\$184	\$184	\$0	\$58,119	0.32%
2024-25	\$189	\$189	\$0	\$60,262	0.31%

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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