


**Commonwealth of Pennsylvania
Public School Employees' Retirement System
Office of the Chief Financial Officer
5 North Fifth Street, Harrisburg, PA 17101**

DATE: September 26, 2016

SUBJECT: Chief Financial Officer's Report
June 30, 2016 Financial Statements

TO: PSERS' Board of Trustees

FROM: Brian S. Carl, CPA, CTP 
Chief Financial Officer

During the October 6, 2016 Audit/Budget Committee meeting the June 30, 2016 financial statements will be presented as part of the Chief Financial Officer's report.

A PowerPoint presentation and the June 30, 2016 comparative Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position as well as the financial statement package, including Management's Discussion and Analysis and footnotes, in draft format, follow this memo for your review prior to the meeting. The financial statements will be finalized and submitted to the Commonwealth's Comptroller Operations after the Board meeting.

Since my presentation will be given in the Audit/Budget Committee meeting there will not be a Chief Financial Officer's report during the October 7th Board meeting but I will be available to answer any questions.

Please call me at 717-720-4905 with any questions prior to the meeting.

Public School Employees' Retirement System

**Budget Request
Fiscal Year 2017-18**



Budget Request 2017-18

Cost Drivers

- Overall membership continues to grow
- Services provided are required by Law - PSERS cannot eliminate programs or services
- Scheduled salary increases and higher retirement contributions
- New investments to improve member services

Key Considerations

- PSERS continues to make investments to improve efficiencies to the System
- PSERS staff constantly looks for cost saving opportunities
- PSERS administrative costs are below peer group average
- PSERS Admin Budget funded from investment earnings

Budget Request 2017-18

- **Personnel Services** - \$26,591,000
3.7% increase above FY2016-17 Personnel Services budget
Calculated at the “cost-to-carry” PSERS staff
- **Operational & Fixed Assets** - \$19,250,000
0.8% increase above FY2016-17
- **Total** \$45,841,000
Overall a 2.5% increase over FY2016-17

Budget Request 2017-18

- **Personnel Services**

- Employer Retirement Contributions increased by 9.2%
- Salaries increased by 3.6%
- Wages and Overtime combined decreased by 20.8%

- **Operational & Fixed Assets**

- The Operational and Fixed Asset Line Items increased by 0.8% overall
- Investments in member services are being implemented

- **Formal Worksheets/Templates Due to Office of the Budget upon Board Approval**

- Upon Board approval of the Resolution - staff will finish the preparation of all required schedules and templates and forward them to the Office of the Budget

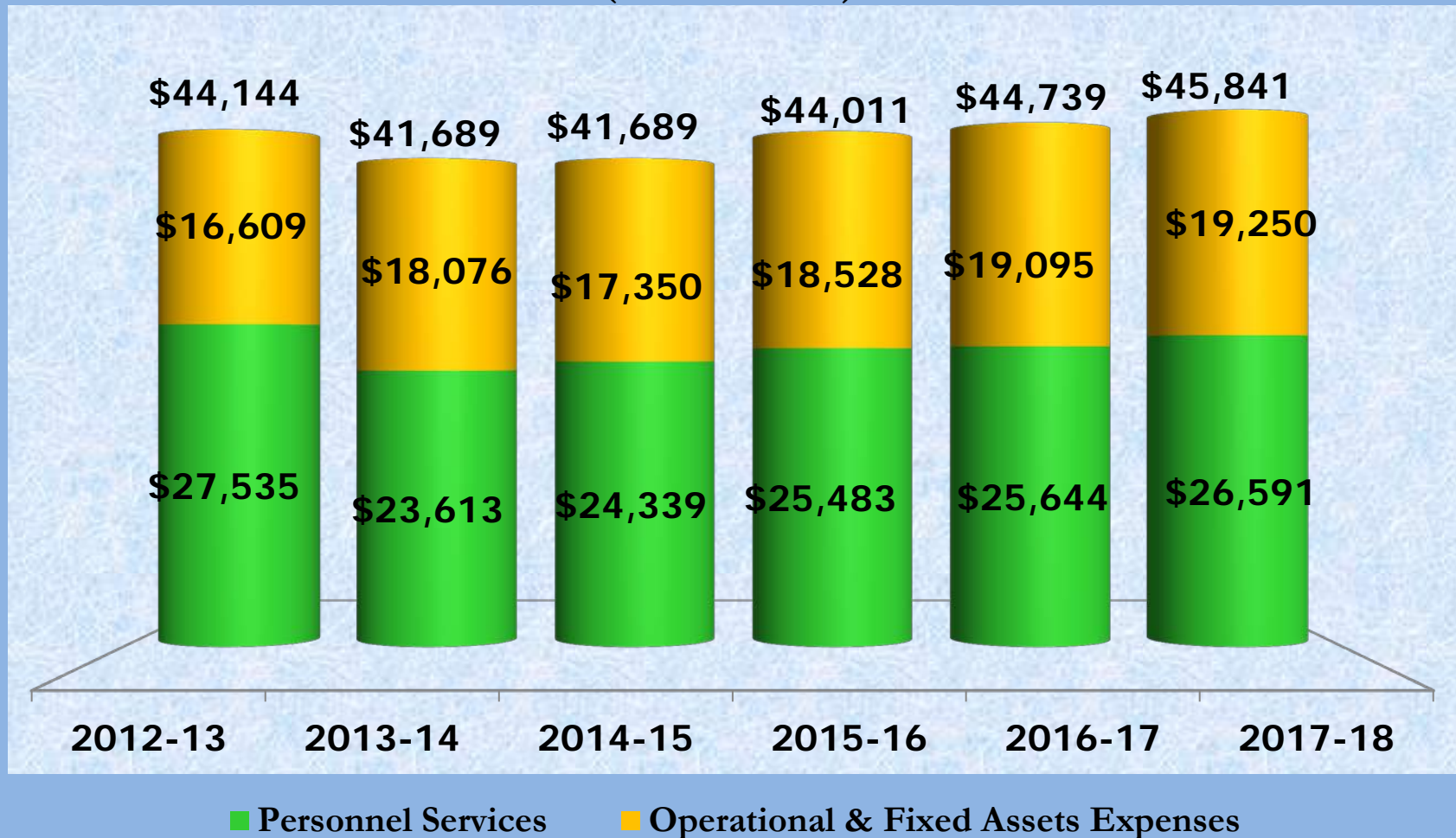
Budget Request 2017-18

SUMMARY BY FUND & APPROPRIATION
Public School Employees' Retirement System
(\$ in thousands)

| <u>Appropriation</u> | <u>FY2017-18 Budget</u> |
|--|-------------------------------|
| Administrative | \$45,841 |
| Directed Commissions | 2,000 |
| Health Insurance Account (HIA) (Administrative only) | 2,411 |
| HIA Health Options Program (Administrative only) | 781 |
| Investment Related | 20,959 |
| TOTAL | <u><u>\$71,992</u></u> |

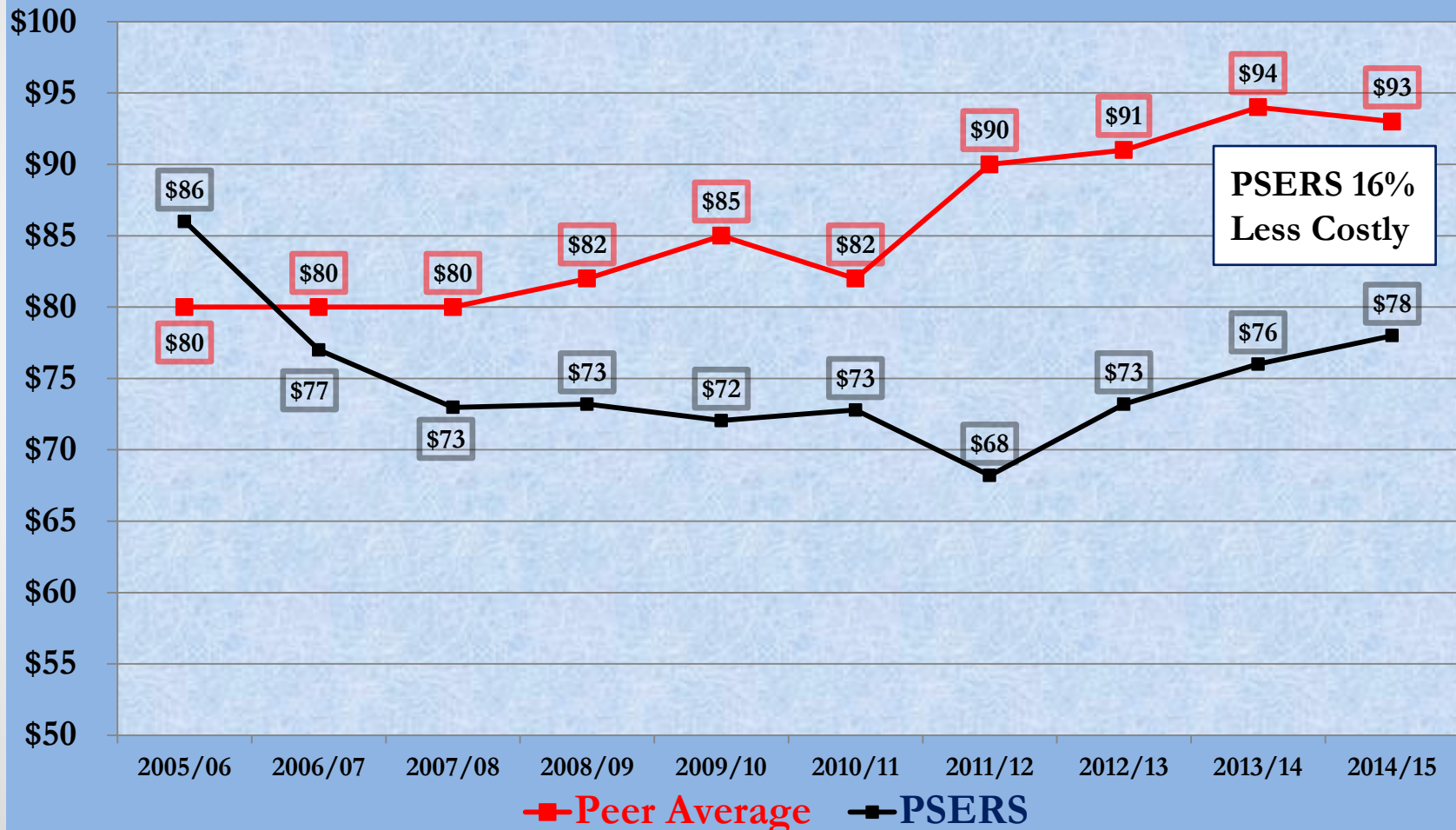
Budget Request 2017-18

Six Year Budget Comparison
(in thousands)



Budget Request 2017-18

CEM Surveys Comparison of PSERS Administrative Cost per Member (Active, Annuitants and Beneficiaries) Vs. Peer Average



Budget Request 2017-18

Current Annual Cost Saving Initiatives

- PSERS Admin Cost/Member is \$15 under peer avg. – savings of \$7.3 Million
- Shift to Internally Managed Investments– reduction of \$32,000,000
- Oracle Products thru Universal Licensing Agreement – savings of \$3.2 Million/5yrs.
- Overtime Reduced from Peak of \$605,000 in FY2011-12 to \$257,000 in FY2015-16
- Reduced Number of Member Newsletters– reduction of \$187,000/yr.
- Replaced High Speed Color Copiers/Printers – reduction of \$53,000/yr.
- Browser Electronic Communications– reduction of \$100,000/yr.
- Benefit Change Letters Mailed w/1099s & Increased use of EFT's – reduction of \$100,000/yr.
- Active Member Newsletter – Employer Electronic Distribution Pilot

Budget Request 2017-18

- **Personnel Services**
 - General Salary increase of 2.00% July 2017
 - Longevity increase of 2.25% January 2018
 - Wages and Overtime combined decreased by 20.8%
 - **Increase to Retirement contributions of 9.2%**

Budget Request 2017-18

- **Operational & Fixed Assets**
 - 63 – ViTech - \$4,805,000
 - 39 - Real Estate Rental - \$2,036,500
 - 19 – Consultant Services Non EDP - \$2,026,900
 - 58 - Treasury Services & Other Operational Expenses - \$1,927,000
 - 30 - Software Licensing – Maintenance - \$1,721,300
 - 20 – PA Compute Services (PACS) - \$1,600,000
 - 51 - Postage - \$1,091,800

Budget Request 2017-18

In Summary –

Administrative Budget Request Total is
\$45,841,000

2017-18 Directed Commissions Recapture Program

Directed Commissions Appropriation Budget

\$2,000,000

(same as 2016-17)

Budgetary Reserve - May be used for actuarial fees, change orders, and enhancements to the pension system required due to pension legislation.

QUESTIONS?

