

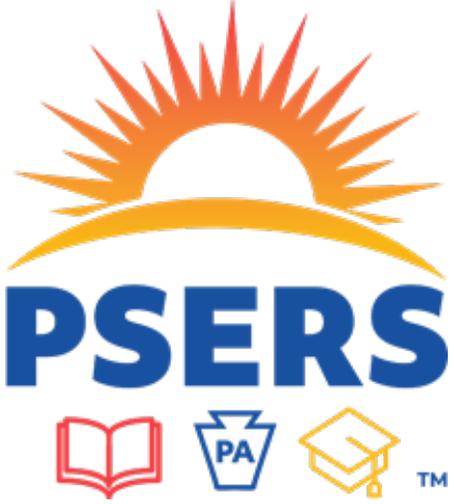
**PSERS Budget Report**

Fiscal Year 2020 - 2021



**SECTION 2 - PSERS FY2020-21 BUDGET**

**PSERS Consultants' Fees and Legislation..... Tab 6**  
**PSERS FY2020-21 Administrative, Defined Contribution Administrative, and Directed Commissions Recapture Program Budgets ..... Tab 7**



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## Section 2 - FY2020-21 Budget

### Consultants' Fees (\$100,000 and Over)

Tables 6.1 and 6.2 list professional service firms under contract to provide services to PSERS during the fiscal year ended June 30, 2019.

**Table 6.1**

#### Investment, Pension and Defined Contribution Plan Administration Consultants

<u>Firm</u>	<u>Services Provided</u>	<u>Consultant Fee</u>
ViTech Systems Group, Inc.	Pension administration system services	\$ 6,290,000 *
Hamilton Lane Advisors LLC	Private market consulting	\$ 1,718,205
Unisys Corporation	Server maintenance	\$ 1,594,053
Voya Holdings, Inc.	Defined Contribution Plan administration	\$ 1,380,000 *
Aksia LLC	Hedge fund investment consulting	\$ 875,000
Aon Investment Consulting	General investment consulting	\$ 762,500
Bloomberg Finance LP	Investment consulting	\$ 709,121
OST, Inc.	Information technology services	\$ 489,423 *
Buck Global LLC	Pension Benefit Actuarial Services	\$ 225,758 *
Glass, Lewis & Co., LCC	Proxy voting	\$ 178,681
Ernst and Young US LLP	Investment consulting	\$ 165,033
Gartner, Inc.	Information Technology consulting services	\$ 161,400 *
Charles W. Cammack Associates	Defined Contribution Plan consulting services	\$ 133,332 *
Clifton Larson Allen LLP	Financial audit - pension, defined contr., healthcare	\$ 112,450 *

**Table 6.2**

#### Health Options and Premium Assistance Program Consultants

<u>Firm</u>	<u>Services Provided</u>	<u>Consultant Fee</u>
Coresource, Inc	Post employment healthcare benefits administration and claims adjudication	\$ 31,307,090 *
Optum Rx, Inc	Post employment healthcare benefits administration and prescription drug plan	\$ 5,681,861 *
The Segal Company, Inc.	Consulting services for the Health Options Program and prescription drug plan	\$ 3,571,134 *
Blue Peak Advisors LLC	Pharmacy benefit consulting services	\$ 1,263,817 *
Tivity Health	Silver Sneakers Fitness Program administration	\$ 838,823 *

\* Amounts as reported in PSERS' Comprehensive Annual Financial Report.

## **Legislation**

### **PSERS-Related Legislation 2019**

#### **House Bill 1960, Printer's Number 2794 (Consolidation)**

House Bill 1960, Printer's Number 2794 would amend Title 24 (Education), Title 64 (Public Authorities and Quasi-public Corporations) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes, to establish a new state government agency known as the Commonwealth Pension Investment Office (CPIO). The stated purpose of the CPIO is to manage and invest the combined assets of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS). The day-to-day management of the consolidated pension fund assets of PSERS and SERS would be transferred from the respective retirement Boards to the newly created CPIO.

In general, HB 1960 seeks to combine the investment offices of SERS and PSERS based upon the assumption that consolidation would generate cost savings and enhance net investment returns, as discussed in the Public Pension Management and Asset Investment Review Commission (PPMAIRC) Final Report (released December 13, 2018) upon which many of the bill's provisions are based.

However, the alleged savings and return assumptions are not guaranteed to materialize, possibly leading to increased government operating costs for employers and taxpayers, according to detailed analysis that was conducted on behalf of the Independent Fiscal Office.

PSERS authorized its consultants to conduct the analyses upon request from the Independent Fiscal Office. By statute, IFO provides cost estimates of pension-related legislation for the General Assembly. The IFO did not dispute the findings of PSERS' consultants.

Major provisions of the bill are as follows:

- The CPIO would consist of nine paid members: three appointed by the SERS board, three appointed by the PSERS board and three appointed by the six appointees of the two boards. It is unknown who would set the salaries for the CPIO Board, as PSERS and SERS Boards are currently unpaid.
- Trustees would serve four-year terms and no trustee could serve more than two full or partial terms. All trustees would be appointed from a pool of candidates identified and maintained by an independent third-party consultant.
- Trustees must have demonstrated competencies in various disciplines such as economics, finance, financial management and accounting.
- Administrative expenses of the CPIO would be shared between PSERS (60 percent) and SERS (40 percent) and paid from investment earnings. The administrative budget of the CPIO would be prepared and approved by the trustees after transmission to the boards of SERS and PSERS for review and comment. By November 1 of each year, a copy of the approved budget will be provided to the boards of SERS and PSERS.
- Investment expenses for internally managed funds and externally managed funds would be divided in a just and reasonable way based on the share of each investment held by SERS and PSERS.
- The CPIO would have authority to invest the retirement funds of SERS and PSERS. The office would have authority to (1) diversify investments to minimize risk, (2) hold, purchase, sell, lend, assign, transfer or dispose of securities and investments in which money in the client funds has been invested, (3) invest, reinvest, assign, reassign, sell and transfer client funds and portfolios of the client boards and (4) other necessary actions to generally invest and manage the assets of SERS and PSERS.
- The CPIO would not be subject to a number of provisions under the Administrative Code of 1929 and the Procurement Code,

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- ostensibly to allow the office greater flexibility regarding the structure and salary level of investment staff and contractors.
- The bill also establishes two restricted funds that would receive employer contributions through a certified transfer from the Department of Revenue in order to establish a dedicated funding mechanism to ensure that the full actuarially required contributions are made each year. The transfer would come from personal income tax revenues.

While well intentioned, the overall impact of HB 1960, as written, could impose additional costs on employers (and by extension, taxpayers) in return for no increase in investment performance as indicated in the Buck and Aon reports. Those reports are available on IFO's and PSERS' websites. In its November 15, 2019 actuarial analysis, PSERS consulting actuary, Buck, indicated enactment of House Bill 1960 would result in additional employer costs of \$775,347,000 through fiscal year 2052.

Finally, PSERS' investment consultant, Aon, indicated in its Nov. 13, 2019 letter, that the bill largely would preserve the status quo with respect to investment returns, and there would be no meaningful change in the investment returns for the private market investments. Furthermore, Aon said the estimated increase in administrative costs associated with establishing an entirely new state agency exceeds the expected decrease in PSERS fees that could result from combining SERS' assets with PSERS' current internal management.

### **House Bill 1964, Printer's Number 2897 (Transparency and Reporting)**

House Bill 1964, Printer's Number 2897 would amend Title 24 (Education) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes, by mandating additional fee and other reporting requirements applicable to both PSERS and SERS. Certain mandates, however, contained in House Bill 1964 could result in investment

losses of \$1 billion annually to the PSERS Fund and could impose costly administrative burdens on the System, according to an analysis conducted by PSERS' general investment consultant, Aon, and PSERS' private markets advisor, Hamilton Lane. Those unintended consequences would have to be paid by the state and public school employers and, eventually impact taxpayers.

PSERS consultants conducted the analysis upon request from the Independent Fiscal Office. By statute, IFO provides cost estimates of pension-related legislation for the General Assembly. The IFO did not dispute the findings of PSERS' consultants.

The bill contains the following provisions:

- The State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) must livestream board meetings for public access and post unedited video and records of those meetings online. The videos and records must be retained on the website for seven years.
- Both systems must publish additional reports submitted to the Governor and General Assembly and publish those reports online. The reports would detail (1) investment performance over various periods, (2) performance by asset class and manager, (3) fees and expenses paid to or retained by all investment managers, (4) travel and other expenses incurred by system staff and paid by an external investment manager, fund or consultant and (5) internal control representations relative to deficiencies in systems of internal control.
- Classifies all investment records, including alternative investments, as public records subject to the Right to Know Law, unless a majority of the board finds that access would cause substantial competitive harm to the entity providing the information or have a substantial detrimental impact on the value of an investment to be acquired, held or disposed of by the system or would

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cause a breach of the system's fiduciary duty.

- Amends the SERS code to make access to its alternative investment records consistent with the rules for PSERS.
- Prohibits the systems from entering into any investment management contract or agreement that contains terms or provisions contrary to the legislation.

As indicated earlier, the bill's mandates could have unintended consequences related to investment losses and increased costs by crippling PSERS' alternative investment program which currently comprises over 40% of the total Fund.

In its analysis, Aon projects a decline in expected investment returns of 4 basis points in fiscal year 2021 and falling by 85 basis points per year beginning in fiscal year 2031 and beyond. Buck's preliminary cost estimate for HB 1964 is \$29.2 billion in additional employer contributions between 2021 and 2052. School employers and taxpayers would have to pay for the additional contributions through higher employer rates.

Following are additional concerns and observations related to specific provisions contained in the bill:

- Livestreaming all board meetings and maintaining the recordings for a period of seven years is a significant cost to the system, requiring the purchase of additional equipment, bandwidth, and server space. (bill page 1, line 16 - page 2, line 6)
- This bill makes every record of the system and board a public record unless the board determines by majority vote that the disclosure of the information will either cause substantial competitive harm or have a substantial detrimental impact on the value of an investment. This appears to include information on specific members, banking information, material non-public information (the disclosure of which may constitute insider trading), privileged documents (including attorney/client), and medical information. (bill page 2, lines 7-29)
  - o PSERS would now be required to

compile and disclose information that does not currently exist in a record thus adding additional administrative costs.

- o This broad level of disclosure could violate privileges and other laws, including:
  - Federal/SEC prohibitions including insider trading disclosures
  - Attorney-Client privilege
  - Sensitive personal and banking information - including individual members' Defined Contribution Account information and PSERS banking information
  - Sensitive or financial alternative investment information that was only obtained by agreeing not to redisclose the information is no longer protected and must be disclosed. There is no exception for information obtained under existing contracts, meaning PSERS could be required to violate contracts currently in effect. (bill page 2, line 16-21).
  - This provision also puts PSERS at a competitive disadvantage as it would no longer be able to guaranty confidentiality, and therefore, will not receive confidential information necessary to perform due diligence or negotiate fee reductions.
  - The new section requiring disclosure of "unredacted marketing materials, including, without limitation, proposed fee terms, prospectuses, staff and consultant investment memorandum, subscription agreements, investment management agreements, contracts, side letters, and annual investor reports of the alternative investment vehicle" for all alternative investments is a drastic increase in disclosure that appears to require the unredacted disclosure of alternative investment contracts, side letters, proposed fee terms, and staff and consultant investment memorandum. This requires the disclosure of confidential information (including PSERS banking information) and represents a significant administrative cost. Because the information must be disclosed "unredacted," this provision would most likely result in PSERS being shut out of investing in alternative investments as most

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managers would not work with PSERS if their sensitive investment information is disclosed. (bill page 5, lines 21-26)

- The broad disclosure requirement without any “reasonableness” or time limit would further increase the administrative burden and expense of complying with this legislation as currently written. (the addition of subsection (s) beginning page 5, line 28).
- Disclosure of internal control representations/management letters from auditors and independent accounting firms could result in the disclosure of confidential and privileged information. These letters often contain system vulnerabilities, the disclosure of which would make PSERS more susceptible to cyber/criminal attack. (bill page 7, lines 3-15).
  - o At a time when the Commonwealth and school district employers are struggling to make the required actuarially-determined contribution to the Fund, it would be counterproductive to impose these costly new mandates on PSERS and risk a substantial decline in investment opportunities, favorable terms and investment returns. If this bill passes in its current form, the Board may be obligated to reduce the actuarial expected rate of return from 7.25% to 6.50% due to our model of lost earnings, thereby increasing the unfunded liability by billions of dollars and increasing the employer contribution rate.

### **House Bill Number 1962 Printer’s Number 2896. (Stress Testing)**

House Bill Number 1962 Printer’s Number 2896. (Stress Testing) The bill would amend Title 24 (Education) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes, by requiring that the State Employees’ Retirement System (SERS) and the Public School Employees’ Retirement System (PSERS) conduct annual stress test evaluations. The required stress test would include a scenario analysis, simulation analysis and sensitivity analysis as detailed by the legislation. The bill

would require each board to submit the results of the stress test to the Governor, the General Assembly, and the Independent Fiscal Office (IFO) by January 1 (PSERS) or July 1 (SERS) of each year. The IFO would be responsible for producing report that summarizes the results of the stress test, including a calculation of the ratio of employer contributions to projected state revenues, by March 1 (PSERS) or September 1 (SERS) each year. The requirements would apply beginning with fiscal year 2020-21 for PSERS and the valuation year 2020 for SERS.

Stress-testing, which involves analysis of various economic scenarios to ascertain their impacts upon system funding, is a well-established practice at PSERS. PSERS consultants regularly perform 5,000 extensive, robust stress-testing analyses involving thousands of potential scenarios. By contrast, the legislation does not reflect industry best-practices and is overly prescriptive by mandating scenarios that will generate an unbalanced and unrealistic picture of the true liabilities of PSERS. In particular, the use of the 30-year Treasury yield as one mandated scenario adds no decision-making value for policymakers because it is merely one of many thousands of possible scenarios that the PSERS Board looks at when developing the asset allocation policy. Moreover, the mandates contained in the bill would impose an unnecessary unfunded mandate on the system, the costs of which must be borne by the system, its members and ultimately the taxpayers of the Commonwealth.

### **House Bill Number 1963, Printer’s Number 2705. (Contribution Collars)**

House Bill Number 1963, Printer’s Number 2705. (Contribution Collars) The bill would amend Title 24 (Education) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes, by prohibiting the use of collared employer contribution rates moving forward for the State Employees’ Retirement System (SERS) and the Public School Employees’ Retirement

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System (PSERS) after June 30, 2019. The bill would establish that the contribution collars which artificially suppressed the PSERS and SERS contribution rates for a number of years are no longer in effect. While PSERS already interprets the existing language to mean that the collars no longer apply, this additional language will add clarification of PSERS existing interpretation.

### **Amendment Number A04426, Proposed COLA for PSERS Retirees**

An actuarial cost note for a cost-of-living adjustment (COLA) for PSERS retirees has been posted by the IFO. The actuarial note addresses only the COLA proposal contained in Amendment A04426 and not the underlying bill in the form of Senate Bill 951, P.N. 1369. Senate Bill 951 mandates the consolidation of investment offices of SERS and PSERS and is nearly identical to House Bill 1960, Printer's Number 2794. The proposed COLA amendment (A04426) has not yet been included in any bill. If enacted, the proposed COLA would increase monthly pension benefits between 4.5% to 15% for school employees who retired prior to July 1, 2001.

### **Cost Impact of COLA**

Provides no additional state funding for the enhanced benefits. PSERS unfunded liability would rise by \$339.5 million.

The COLA would cost an additional \$524.3 million in employer contributions between 2020 and 2052.

PSERS actuary, Buck, cautioned: "increasing benefits at a time when the funded status of the plan is only at 56.5% based on the actuarial value of assets at June 30, 2018 and employer contribution levels are at a rate of 34.29% of payroll may be inadvisable. However, Buck does not take a position in favor of or in opposition to the proposed legislation."

**The IFO did not take a position, but noted the legislation would increase PSERS' and SERS' unfunded liability and require higher taxpayer costs.**

### **Act 1 of 2019**

On March 28, 2019, Governor Wolf signed into law Senate Bill Number 113, Printer's Number 398, which amends the act of July 8, 1978 (P.L. 752, No. 140), known as the Public Employee Pension Forfeiture Act. The legislation expands the definition of "crimes related to public office or public employment" to provide that public pension benefit forfeiture shall occur when a public official or employee is found guilty of any state or federal criminal offense classified as a felony or that is punishable by a term of imprisonment exceeding five years. Language is added to the Act to specify the forfeiture shall not be stayed or affected by the pendency of an appeal. Section 7 of the Public Employee Pension Forfeiture Act is also repealed by the bill. Section 7 made the provisions of the act retroactive to December 1, 1972. Court rulings have deemed the retroactive application of the Act unconstitutional.

### **Act 11A of 2019**

On June 28, 2019, Governor Wolf signed into law Senate Bill Number 239, Printer's Number 990. This legislation makes an appropriation in the amount of \$51,838,000 from the Public School Employees' Retirement Fund to provide for the administrative expenses of PSERS for the fiscal year beginning July 1, 2019.

The legislation also appropriates the sum of \$2,454,000 from the PSERS Defined Contribution Fund authorized under section 1799.8-E of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, to the Public School Employees' Retirement Board for the payment of all salaries, wages and other compensation and travel expenses of the employees and members of the Public School Employees' Retirement Board, for

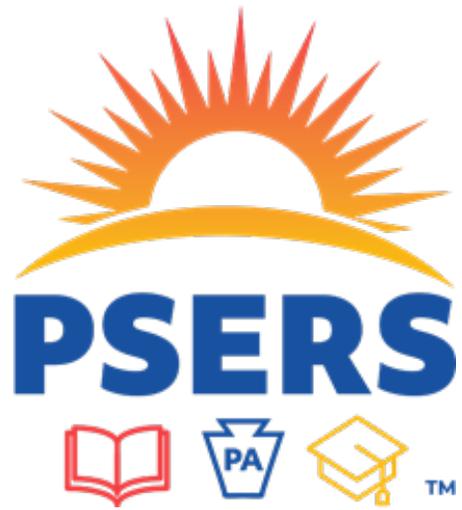
## Section 2 - FY2020-21 Budget

contractual services and other expenses necessary for the proper conduct of the duties, functions and activities of the board related to the administration of the School Employees' Defined Contribution Plan established under 24 Pa.C.S. Ch. 84 (relating to School Employees' Defined Contribution Plan) for the fiscal year beginning July 1, 2019.

Finally, the legislation appropriates the sum of \$4,000,000 from the Public School Employees' Retirement Fund to the Public School Employees' Retirement Board for any contractual services and all expenses necessary for the proper conduct of the duties, functions and activities of the board related to investment office consolidation for the fiscal year beginning July 1, 2019.

### Act 72 of 2019

On July 2, 2019, Governor Wolf signed into law Senate Bill Number 724, Printer's Number 1046. This legislation amends Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, to make technical changes necessary to clarify provisions added to the retirement codes by Act 5 of 2017; add provisions to provide for nonparticipatory employer withdraw liabilities of the Public School Employees' Retirement System (PSERS); and for the statutory establishment of the PSERS Public Markets Emerging Investment Manager Program.



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## Section 2 - FY2020-21 Budget

### Public School Employees' Retirement System Fiscal Year 2020-2021 Administrative Budget

**Table 7.1**

	<u>Budget</u> <u>FY2018-19</u>	<u>Budget</u> <u>FY2019-20</u>	<u>Budget Request</u> <u>FY2020-21</u>
<b>Total Personnel Services</b>	\$28,014,000	\$28,293,000	\$28,749,000
<b>Operating Expenses and Fixed Assets</b>			
Travel	167,130	167,900	159,100
Training & Conference Registration	199,400	181,400	185,600
Telecomm	440,900	460,900	419,200
Electricity	22,300	22,300	20,700
Consultant Services - Non EDP	2,657,500	2,190,100	2,173,500
Outsourced IT Consulting For Appl & Development	-	40,000	110,000
Consulting - Maint & Support - (Post Implementation)	109,000	53,000	83,000
Consulting - Security (Outsourced Inf Sec Services)	125,000	75,000	75,000
Consulting - General IT Support	810,600	985,000	1,278,000
Consulting - Outsourced Infrastructure Svcs (PACS)	921,000	1,075,000	1,250,000
Legal Services/Fees	289,000	227,000	227,000
Specialized Services	484,750	646,500	706,800
Other Specialized Services	174,000	221,200	220,300
Advertising	10,000	10,000	10,000
Medical, Mental & Dental Services	3,500	4,700	4,200
IT Shared Services	-	255,800	204,640
Software Licensing - Maintenance	1,753,100	1,338,400	1,079,560
Hardware - Maintenance	91,000	96,000	90,300
Contracted Maintenance Non EDP	168,000	167,800	162,800
Telecomm Data Services	88,900	92,500	83,200
Contracted Repairs - Non EDP	15,500	15,500	15,500
Real Estate Rental	2,059,500	2,080,100	1,917,200
Vehicle Rental	2,600	2,600	2,600
Office Equipment Rental	236,300	290,700	314,900
Other Rentals	8,400	8,400	8,400
Office Supplies	228,100	253,000	240,500
Educational & Medical Supplies	9,100	8,600	8,100
Software License Non-Recurring < \$5,000	31,300	27,800	11,900
Hardware - Network	140,000	-	-
Hardware Desktop < \$5,000	407,200	286,500	281,500
Furniture and Fixtures	68,100	69,500	67,200
Other Equipment	13,000	13,000	13,000
Motorized Equipment Supplies	21,000	21,000	21,000

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### Public School Employees' Retirement System Fiscal Year 2020-21 Administrative Budget (continued)

<b>Table 7.1</b>	<u>Budget</u>	<u>Budget</u>	<u>Budget Request</u>
	<u>FY2018-19</u>	<u>FY2019-20</u>	<u>FY2020-21</u>
Postage and Freight	1,151,500	1,086,500	<b>953,000</b>
Printing	221,000	210,200	<b>210,400</b>
Subscriptions	431,340	342,400	<b>346,000</b>
Member Dues	38,280	41,500	<b>44,300</b>
Conference Expense	64,000	61,000	<b>64,200</b>
Insurance, Surety & Fidelity Bonds	10,000	10,000	<b>10,000</b>
Other Operational Expenses	2,135,700	2,851,200	<b>2,838,300</b>
HW Network and Server	89,000	-	<b>340,000</b>
Automobiles	20,000	19,800	<b>19,800</b>
Software License	7,678,000	7,507,000	<b>7,246,000</b>
Office Equipment	<u>29,000</u>	<u>28,200</u>	<u>28,300</u>
<b>Total Operating Expenses and Fixed Assets</b>	<b>\$23,623,000</b>	<b>\$23,545,000</b>	<b>\$23,545,000</b>
<b>Total Administrative Budget</b>	<b><u>\$51,637,000</u></b>	<b><u>\$51,838,000</u></b>	<b><u>\$52,294,000</u></b>

### Administrative Budget

Table 7.1 displays PSERS Administrative Budget Request for FY2020-21. The \$52,294,000 administrative budget is not funded from the Commonwealth's General Fund, but rather from the earnings of the Fund itself. Historically, PSERS has under spent its approved budget, keeping more funds available to invest for PSERS' members.

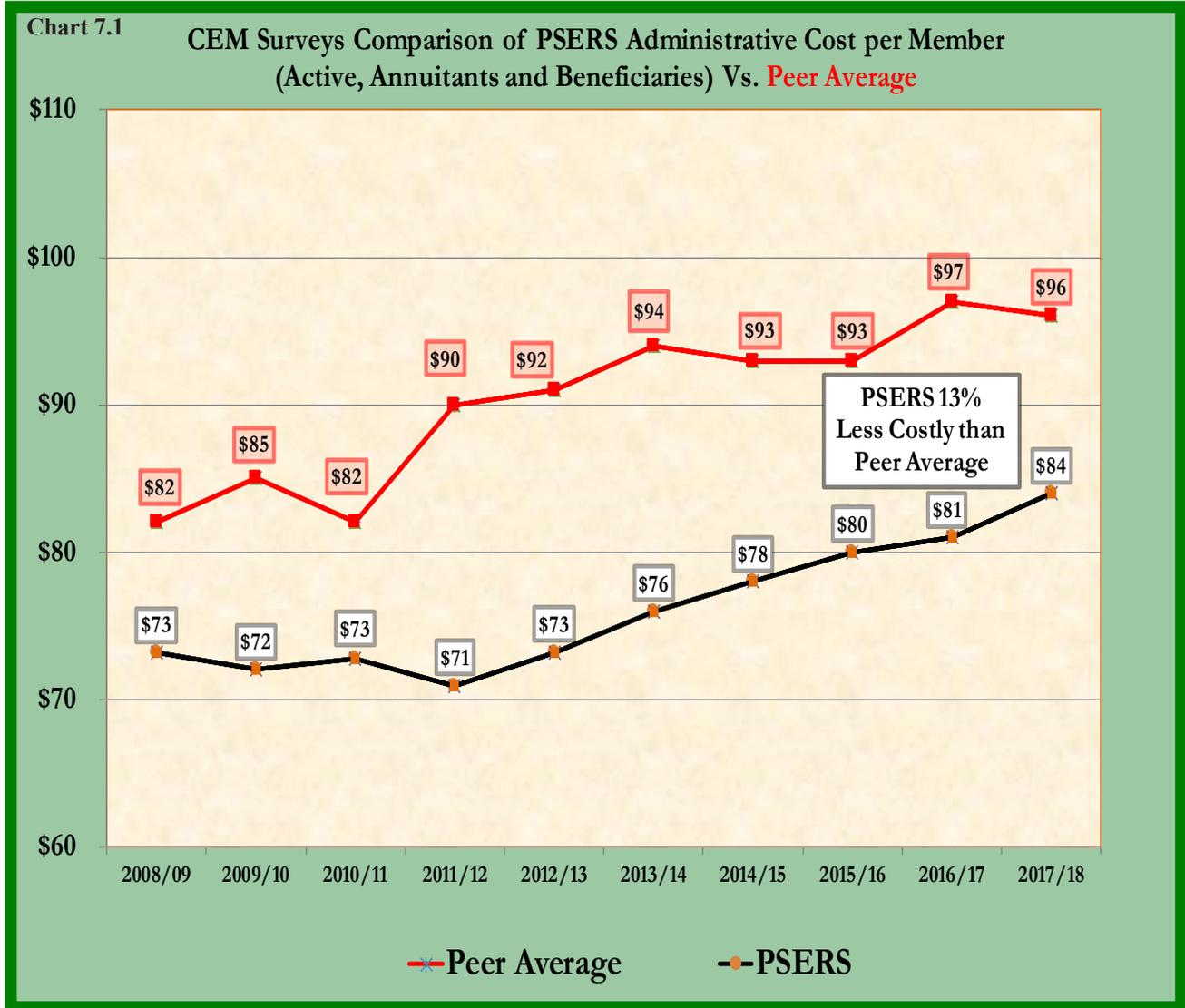
PSERS' Administrative Budget Request for FY 2020-21 represents an increase of \$456,000 or 0.9% above the FY 2019-20 available budget. Operating costs remain the same while personnel costs reflect increases in salaries and related benefits.

PSERS continues to be a leader among large U.S. public pension funds in its effective control of expenses while providing necessary services to its membership. Within the past eighteen months, the System has added significantly to

the number of active and retired members electing to receive newsletters, statement of accounts, 1099-Rs and other publications electronically, which saves the agency over \$200,000 per year in postage, printing and paper costs. During FY2019 specifically, the agency achieved a substantial decline in overtime, reduced consultant and legal fees, decreased election and data storage services, and lowered subscriptions, all of which helps to maintain more investment earnings for the benefit of the Fund. In addition to these savings, PSERS purchased programming hours from its pension administration system vendor at a reduced prepaid rate in order to allow for vital changes to be made in the near future to comply with Act 5 of 2017.

**Section 2 - FY2020-21 Budget**

**Public School Employees' Retirement System  
Fiscal Year 2020-21 Administrative Budget  
(continued)**



**PSERS' Administrative Costs are Significantly Below Peers**

PSERS participates in an independent, international benchmarking survey evaluating its costs and service performance in comparison to other similar public pension funds. Based on the results of the most recent survey, PSERS has 31% fewer full-time equivalent staff per member than the peer group average. Chart 7.1 above illustrates that PSERS had a 13% lower pension administration cost per member than the average cost for its peer group. By running a lean and efficient operation, PSERS saves the Commonwealth and school employers approximately \$6.2 million annually in administrative expenses compared to its peers.

## Section 2 - FY2020-21 Budget

### Public School Employees' Retirement System Fiscal Year 2020-21 Defined Contribution (DC) Administrative Budget

**Table 7.2**

	<u>Budget</u> <u>FY2018-19</u>	<u>Budget</u> <u>FY2019-20</u>	<u>Budget Request</u> <u>FY2020-21</u>
<b>Total Personnel Services</b>	\$771,000	\$895,000	<b>\$497,000</b>
<b>Operating Expenses and Fixed Assets</b>			
Consultant Services - Non EDP	2,415,000	640,000	<b>270,000</b>
Legal Services/Fees	250,000	145,000	<b>50,000</b>
Other Operational Expenses	131,500	70,000	<b>66,000</b>
SW License recurring > \$,5000	<u>1,382,500</u>	<u>700,000</u>	<u><b>200,000</b></u>
<b>Total Operating Expenses and Fixed Assets</b>	\$4,179,000	\$1,555,000	<b>\$586,000</b>
<b>Total Administrative Budget</b>	<u><b>\$4,950,000</b></u>	<u><b>\$2,450,000</b></u>	<u><b>\$1,083,000</b></u>

### Defined Contribution (DC) Administrative Budget

Table 7.2 displays PSERS' Defined Contribution (DC) Administrative Budget Request for FY 2020-21. The \$1,083,000 amount requested represents a decrease of more than 50% from the FY 2019-20 available budget. As the implementation stage of Act 5 is completed, the need for consulting services and software programming changes decreases significantly.

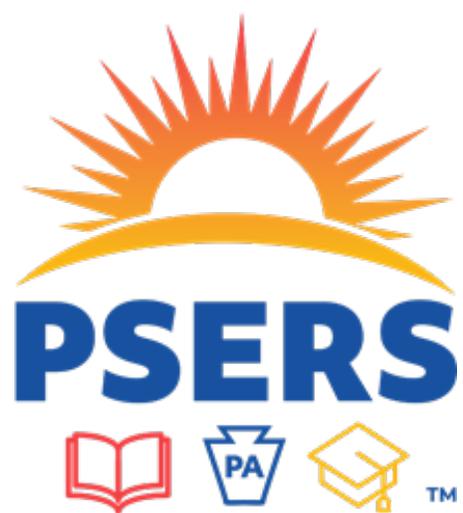
## Section 2 - FY2020-21 Budget

### PSERS Directed Commissions Recapture Program

Directed Commissions Recapture is a program whereby a portion of commissions incurred by PSERS through investment trading activity is returned to PSERS. These funds can be used for the administration of the Fund or can be reinvested back into the asset allocation through a transfer to PSERS Retirement Account. Expenditures paid from the Directed Commissions Recapture Program Budget have the same PSERS' internal approval process as any other expenditure made by the Fund.

#### Directed Commissions Recapture Program - Directed Commissions Appropriation #6012700000

Table 7.3	<u>Budget</u>	<u>Budget</u>	<u>Budget Request</u>
	<u>FY2018-19</u>	<u>FY2019-20</u>	<u>FY2020-21</u>
Budgetary Reserve	\$2,000,000	\$2,000,000	\$2,000,000
<b>Total</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>



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