

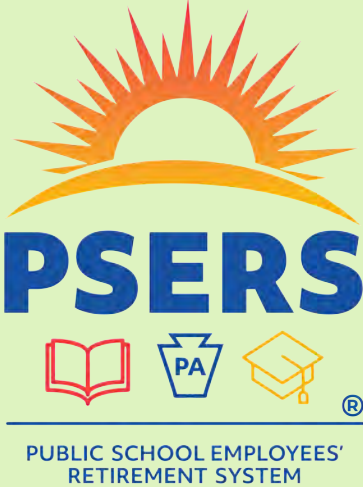
# PSERS BUDGET REPORT - FY2023-24



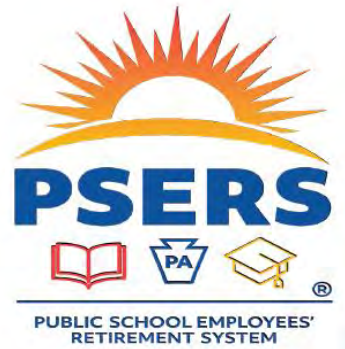
## SECTION 2 - PSERS FY2023-24 BUDGET

Consultants Fees and Legislation ..... Tab 6

PSERS FY2023-24 Administrative, Defined Contribution Administrative, and  
Directed Commissions Recapture Program Budgets ..... Tab 7



# Consultants Fees and Legislation



## Section 2 - FY2023-24 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, 2022.

**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	\$ 5,500,188 *
Hamilton Lane Advisors LLC	Private market consulting	\$ 2,000,000
Verus Advisory Inc.	General investment consulting	\$ 1,405,000
OST Inc.	Information technology services	\$ 862,702 *
Aksia LLC	Hedge fund investment consulting	\$ 842,616
Aon Investment Consulting	General investment consulting	\$ 674,475
Buck Global, LLC	Pension benefit actuarial services	\$ 529,864 *
Constellation Advisors LLC	Compliance consulting	\$ 518,679
Hudepohl & Associates Inc.	Executive search consulting	\$ 199,818
Glass, Lewis & Co., LLC	Proxy voting consulting	\$ 149,106
Clifton Larson Allen LLP	Financial audit - pension, defined contribution, healthcare	\$ 140,730 *

**Table 6.2**

#### Health Options and Premium Assistance Program Consultants

<u>Firm</u>	<u>Services Provided</u>	<u>Consultant Fee</u>
Trustmark Health Benefits	Post employment healthcare benefits administration and claims adjudication	\$ 31,979,496 *
Optum Rx, Inc.	Post employment healthcare benefits administration and prescription drug plan	\$ 6,921,876 *
The Segal Company, Inc.	Consulting services for the Health Options Program and prescription drug plan	\$ 3,536,054 *
Gallagher Benefits Services, Inc.	Pharmacy benefit consulting services	\$ 1,401,119 *
Tivity Health	Silver Sneakers Fitness Program administration	\$ 847,858 *

### Legislation PSERS-Related 2022

#### Act 8A of 2022 (House Bill 2657)

Act 8A of 2022 (House Bill 2657) appropriates \$55,467,000 from the Public School Employees Retirement Fund for expenses incurred by the Public School Employees Retirement Board to administer the system for the fiscal year beginning July 1, 2022, and for the payment of bills incurred and remaining unpaid at the close of the fiscal year ending June 30, 2022. The FY2022-23 appropriation is a 6% increase over the prior fiscal year.

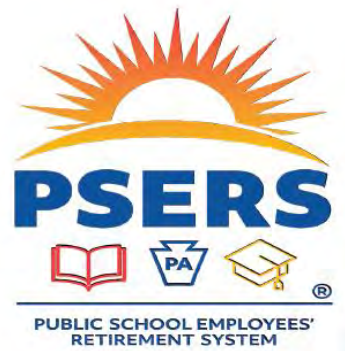
Additionally, the bill budgets \$949,000 from the PSERS Defined Contribution Fund restricted revenue account for expenses incurred by the PSERS Board for the administration of the defined contribution plan authorized by Act 5 of 2017 for the fiscal year beginning July 1, 2022, and for the payment of bills incurred and remaining unpaid at the close of the fiscal year ending June 30, 2022. The FY2022-23 appropriation is a 0.63% decrease from the prior fiscal year.

#### Act 132 of 2022 (House Bill 2447)

Act 132 of 2022 (House Bill 2447) creates the Russia and Belarus Divestiture Act. The Act directs the State Treasurer, the State Employees Retirement System (SERS), the Public School Employees Retirement System (PSERS), and the Pennsylvania Municipal Retirement System (PMRS) to divest their respective assets relating to Russia and Belarus. Divestiture of direct, indirect and alternative investment is to occur in accordance with federal law. The act also prohibits future investments related to the two countries.

The Commonwealth is required to reimburse each public fund for net losses, costs, and expenses incurred as a result of compliance with the act. For reimbursement, the affected public funds must submit an itemization of the amount by the General Assembly to the Budget Secretary for its net losses, costs, and expenses. Upon appropriation by the General Assembly, the reimbursement will be paid by the State Treasurer through the Department of Revenue to the applicable fund within 90 days.

# PSERS FY2023-24 Administrative, Defined Contribution Administrative, and Directed Commissions Recapture Program Budgets





## Section 2 - FY2023-24 Budget

### Public School Employees Retirement System Fiscal Year 2023-2024 Administrative Budget

Table 7.1	<u>Appropriated Budget FY2021-22</u>	<u>Appropriated Budget FY2022-23</u>	<u>Budget Request FY2023-24</u>
<b>Total Personnel Services</b>	\$ 29,466,000	\$ 29,381,000	\$ 32,174,000
<b>Operating Expenses and Fixed Assets</b>			
Travel	\$ 163,800	\$ 158,800	\$ 153,300
Training & Conference Registration	170,400	164,900	196,200
Telecomm	415,200	427,000	409,300
Electricity	20,700	20,700	25,900
Consultant Services - Non EDP	1,602,000	1,576,100	1,714,500
Outsourced IT Consulting For Appl & Developmt	70,000	—	—
Consulting - Maint & Support - (Post Implementation)	45,000	45,000	116,400
Consulting - Security (Outsourced Inf Sec Services)	45,000	50,000	50,000
Consulting - General IT Support	1,108,600	1,050,600	1,026,600
Consulting - Outsourced Infrastructure Svcs (PACS)	2,095,000	2,655,000	2,285,600
Legal Services/Fees	352,000	1,329,700	1,379,700
Specialized Services	736,000	856,400	781,200
Other Specialized Services	244,400	244,700	219,800
Advertising	10,000	10,000	10,000
Medical, Mental & Dental Services	6,500	6,500	6,500
IT Shared Services	240,000	240,000	686,000
Software Licensing - Maintenance	1,114,100	1,096,800	1,756,700
Hardware - Maintenance	58,000	73,000	74,000
Contracted Maintenance Non EDP	162,800	166,000	164,700
Telecomm Data Services	64,000	56,000	28,000
Contracted Repairs - Non EDP	15,500	15,500	15,500
Real Estate Rental	2,039,100	2,022,900	1,982,500
Vehicle Rental	7,000	7,600	6,900
Office Equipment Rental	158,400	158,400	149,400
Other Rentals	10,000	15,600	3,500
Office Supplies	166,500	135,400	127,300
Educational & Medical Supplies	6,600	4,800	4,500
Software License Non-Recurring	261,000	246,100	234,400
Software Licensing - Proc. - Recurring	399,100	464,400	423,100
Hardware Desktop	134,500	49,500	55,500
Furniture and Fixtures	65,200	60,200	56,000
Other Equipment	10,000	10,000	10,000

## Section 2 - FY2023-24 Budget

**Table 7.1**

	<u>Appropriated Budget FY2021-22</u>	<u>Appropriated Budget FY2022-23</u>	<u>Budget Request FY2023-24</u>
Motorized Equipment Supplies	\$ 19,500	\$ 20,000	\$ 17,500
Postage and Freight	794,000	727,000	665,000
Printing	203,300	183,400	165,500
Subscriptions	48,300	37,200	37,400
Member Dues	44,800	49,500	56,400
Conference Expense	74,700	69,700	63,000
Insurance, Surety & Fidelity Bonds	170,000	191,800	314,000
Other Operational Expenses	2,630,900	4,641,500	2,714,000
HW Network and Server	—	—	—
Automobiles	19,800	20,000	—
Software License	6,798,000	6,700,000	6,710,500
Office Equipment	28,300	28,300	31,700
<b>Total Operating Expenses and Fixed Assets</b>	<b>\$ 22,828,000</b>	<b>\$ 26,086,000</b>	<b>\$ 24,928,000</b>
<b>Total Administrative Budget</b>	<b>\$ 52,294,000</b>	<b>\$ 55,467,000</b>	<b>\$ 57,102,000</b>

### Administrative Budget

Table 7.1 displays PSERS Administrative Budget Request for FY2023-24. The \$57,102,000 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 FY2023-24 resulted in an increase of \$1,635,000 or 2.95% above the FY2022-23 available budget. The majority of the increase is in personnel costs due to rising healthcare expenses, in particular the contributions to the Retired Employee Health Program.

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. In the past four years, 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 \$275,000 per year in postage, printing and paper costs. During FY2021-22 specifically, the agency lowered its postage costs, reduced contracted maintenance and repair services, decreased rental of equipment and software, and achieved significant savings in subscriptions, all of which helps to maintain more investment earnings for the benefit of the Fund. In addition to these savings, PSERS reduced costs by eliminating unnecessary parking leases at its headquarters location due to the adoption of an Agency-wide telework policy.

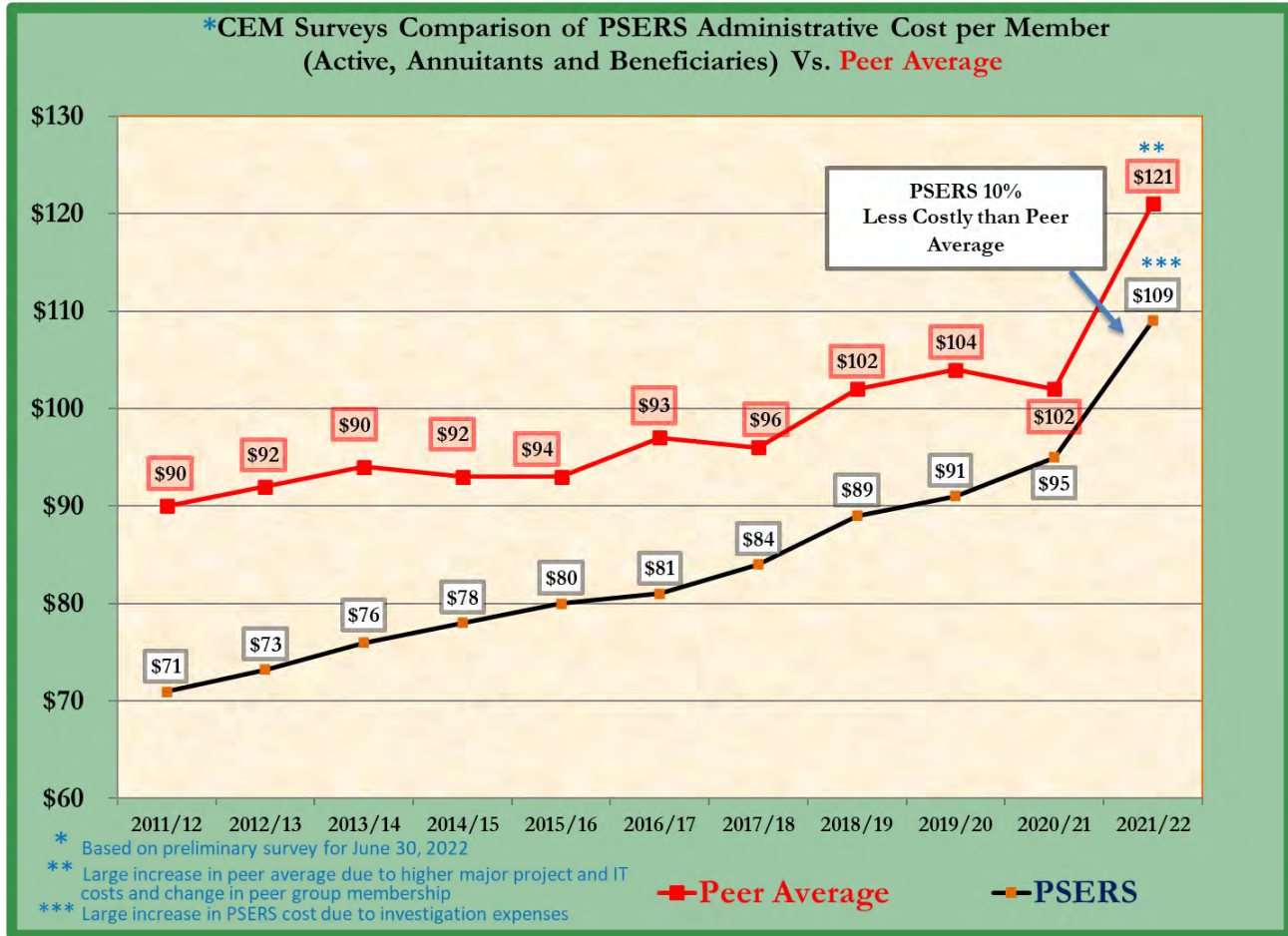
## Section 2 - FY2023-24 Budget

### 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 22% fewer full-time equivalent staff per member than the peer group average. Chart 7.1 below illustrates that PSERS had

a 10% 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 \$5.9 million annually in administrative expenses compared to its peers.

Chart 7.1





## Section 2 - FY2023-24 Budget

### Fiscal Year 2023-24 Defined Contribution (DC) Administrative Budget

	<u>Budget</u> <u>FY2021-22</u>	<u>Budget</u> <u>FY2022-23</u>	<u>Budget</u> <u>Request</u> <u>FY2023-24</u>
<b>Total Personnel Services</b>	\$586,000	\$808,000	<b>\$881,000</b>
<b>Operating Expenses and Fixed Assets</b>			
Consultant Services - Non EDP	207,000	96,000	<b>175,000</b>
Legal Services/Fees	25,000	20,000	<b>50,000</b>
Insurance, Surety & Fidelity Bonds	25,000	25,000	<b>30,000</b>
Other Operational Expenses	112,000	—	<b>40,000</b>
<b>Total Operating Expenses and Fixed Assets</b>	<b>\$369,000</b>	<b>\$141,000</b>	<b>\$295,000</b>
<b>Total Administrative Budget</b>	<b>\$955,000</b>	<b>\$949,000</b>	<b>\$1,176,000</b>

#### Defined Contribution Administrative Budget

Table 7.2 displays PSERS Defined Contribution Administrative Budget Request for FY2023-24. The \$1,176,000 amount requested represents an increase of 23.9% above the FY2022-23 available budget. The significant increase is due to several factors: a reallocation of staff time between the Administrative and Defined Contribution appropriations; higher anticipated usage of consultant and legal services; renewed consultant and legal contracts at higher amounts; and the allocation of rent, telecom, and audit costs.

#### 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.

	<u>Budget</u> <u>FY2021-22</u>	<u>Budget</u> <u>FY2022-23</u>	<u>Budget</u> <u>Request</u> <u>FY2023-24</u>
Budget	\$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>