



*Partners for Your Future*

## SECTION 2 - PSERS FY2017-18 BUDGET

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## Section 2 - FY2017-18 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, 2016.

<b>Table 6.1 Investment and Pension Fund Administration Consultants</b>		
<b><u>Firm</u></b>	<b><u>Services Provided</u></b>	<b><u>Consultant Fee</u></b>
ViTech Systems Group, Inc.	Pension administration system services	\$ 5,500,000 *
Greenhill Cogent, LP	Private market consulting	\$ 2,914,331
Portfolio Advisors, LLC	Private market consulting	\$ 2,037,542
Aksia LLC	Hedge fund investment consulting	\$ 700,000
AonHewitt	General investment consulting	\$ 679,292
Buck Consultants LLC	Pension benefit actuarial services	\$ 644,679 *
Financial Control Systems, Inc.	Investment accounting application service provider	\$ 643,256
Courtland Partners, Ltd.	Real estate investment consulting	\$ 278,750
Gartner Group, Inc.	Information technology services	\$ 273,190
Glass, Lewis & Co., LLC	Proxy voting	\$ 174,315
OST, Inc.	Webmaster consulting	\$ 146,614

<b>Table 6.2 Health Options and Premium Assistance Program Consultants</b>		
<b><u>Firm</u></b>	<b><u>Services Provided</u></b>	<b><u>Consultant Fee</u></b>
CoreSource, Inc.	Postemployment healthcare benefits administration and claims adjudication	\$ 23,460,388 *
Optum Rx, Inc.	Administration of postemployment healthcare benefits and prescription drug plan	\$ 6,806,395 *
The Segal Company, Inc.	Consulting services for the Health Options Program and prescription drug plan	\$ 2,588,395 *
Independent Pharmaceutical Consultants, Inc.	Pharmacy benefit consulting services	\$ 575,878 *
Healthways, Inc.	Administration of Silver Sneakers Fitness Program	\$ 669,169 *

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

**Legislation**

**PSERS Related Legislation Activities during Calendar Year 2016**

**Act 13A of 2016**

On July 8, 2016, Governor Wolf signed into law House Bill Number 2182, Printer's Number 3557. This legislation makes an appropriation in the amount of \$44,739,000 from the Public School Employees' Retirement Fund to provide for the administrative expenses of PSERS for the fiscal year July 1, 2016 to June 30, 2017.

**Pension Legislative Proposals**

Throughout 2016, the PSERS staff was actively engaged in providing actuarial data, legislative analyses and related technical information to members of the General Assembly and Executive Branch Officials on a range of pension legislative proposals.

## Section 2 - FY2017-18 Budget

### Public School Employees' Retirement System Fiscal Year 2017-18 Administrative Budget

Table 7.1	<u>Budget FY2015-2016</u>	<u>Budget FY2016-2017</u>	<u>PSERS' Budget Request FY2017-2018</u>
<b>Total Personnel Services</b>	\$ 25,483,000	\$ 25,644,000	\$ 26,591,000
<b>Operating Expenses and Fixed Assets</b>			
Travel	\$ 146,750	\$ 147,900	\$ 149,500
Training & Conference Registration	154,400	133,300	134,900
Telecomm - Recurring	383,500	349,700	362,200
Telecomm - Non-Recurring	11,300	12,500	13,000
Telecomm - Voice Hardware less than \$5,000	3,000	-	5,000
Electricity	35,000	35,000	30,000
Consultant Services - Non EDP	1,091,150	1,729,250	2,026,900
Consulting - Managed Services	1,111,600	1,631,000	1,600,000
Outsourced IT Consulting for apps & development	-	17,200	-
Consulting - Maint & Support - (post implementation)	45,000	79,800	60,000
Consulting - General IT Support	357,000	317,500	193,500
Consulting - Outsourced Infrastructure Svcs (DPH)	1,111,600	10,000	10,000
Legal Services/Fees	-	64,000	64,000
Specialized Services	405,100	427,300	443,800
Other Specialized Services	199,300	181,300	194,700
Advertising	10,000	10,000	10,000
Medical, Mental, & Dental Services	4,100	5,000	4,000
Software Licensing - Maintenance	1,124,200	1,608,700	1,721,300
Hardware Server - Maintenance	12,000	1,500	1,000
Hardware Network - Maintenance	21,500	22,000	23,000
Hardware Storage - Maintenance	88,000	33,400	-
Hardware Periph - Maintenance	8,000	8,000	8,000
Hardware Desktop - Maintenance	3,000	1,000	1,000
Contracted Maintenance Non EDP	143,840	153,500	166,100
Telecomm Data Services	82,000	87,700	89,800
Contracted Repairs - Non EDP	61,000	105,000	15,200
Real Estate Rental	1,998,200	2,006,000	2,036,500
Vehicle Rental	1,600	1,600	2,600
Office Equipment Rental	278,200	193,800	201,000
Other Rentals	44,360	3,900	8,300
Office Supplies	220,000	214,500	211,500
Educational Supplies (Books)	11,000	10,000	9,000
Medical Supplies	1,000	400	2,600

## Section 2 - FY2017-18 Budget

### Public School Employees' Retirement System Fiscal Year 2017-18 Administrative Budget (continued)

Table 7.1	Budget FY2015-2016	Budget FY2016-2017	PSERS Budget Request FY2017-2018
Software License non-recurring less than \$5,000	47,300	53,700	71,600
Hardware Desktop less than \$5,000	56,000	76,000	301,100
Furniture and Fixtures	49,500	58,450	58,100
Other Equipment	2,000	2,000	7,000
Motorized Equipment Supplies	21,000	21,000	21,000
Postage	1,159,800	1,113,600	1,091,800
Freight	5,000	5,000	5,000
Printing	237,700	213,000	212,500
Subscriptions	110,200	306,000	311,300
Membership Dues	33,800	34,500	35,200
Conference Expense	49,000	49,000	49,000
Insurance, Surety, & Fidelity Bonds	23,000	23,000	23,000
Other Operational Expenses	1,927,000	1,963,000	1,927,000
Hardware-Server	-	-	300,000
Automobiles	20,000	40,000	40,000
Network Hardware	-	-	165,000
Purchase EDP - Computers	-	7,500	-
Software License non-recurring greater than \$5,000	95,400	-	-
Software License recurring greater than \$5,000	5,500,000	5,500,000	4,805,000
Office Equipment	24,600	27,500	28,000
<b>Total Operating Expenses and Fixed Assets</b>	<b>\$ 18,528,000</b>	<b>\$ 19,095,000</b>	<b>\$ 19,250,000</b>
<b>Total Administrative Budget</b>	<b><u>\$ 44,011,000</u></b>	<b><u>\$ 44,739,000</u></b>	<b><u>\$ 45,841,000</u></b>

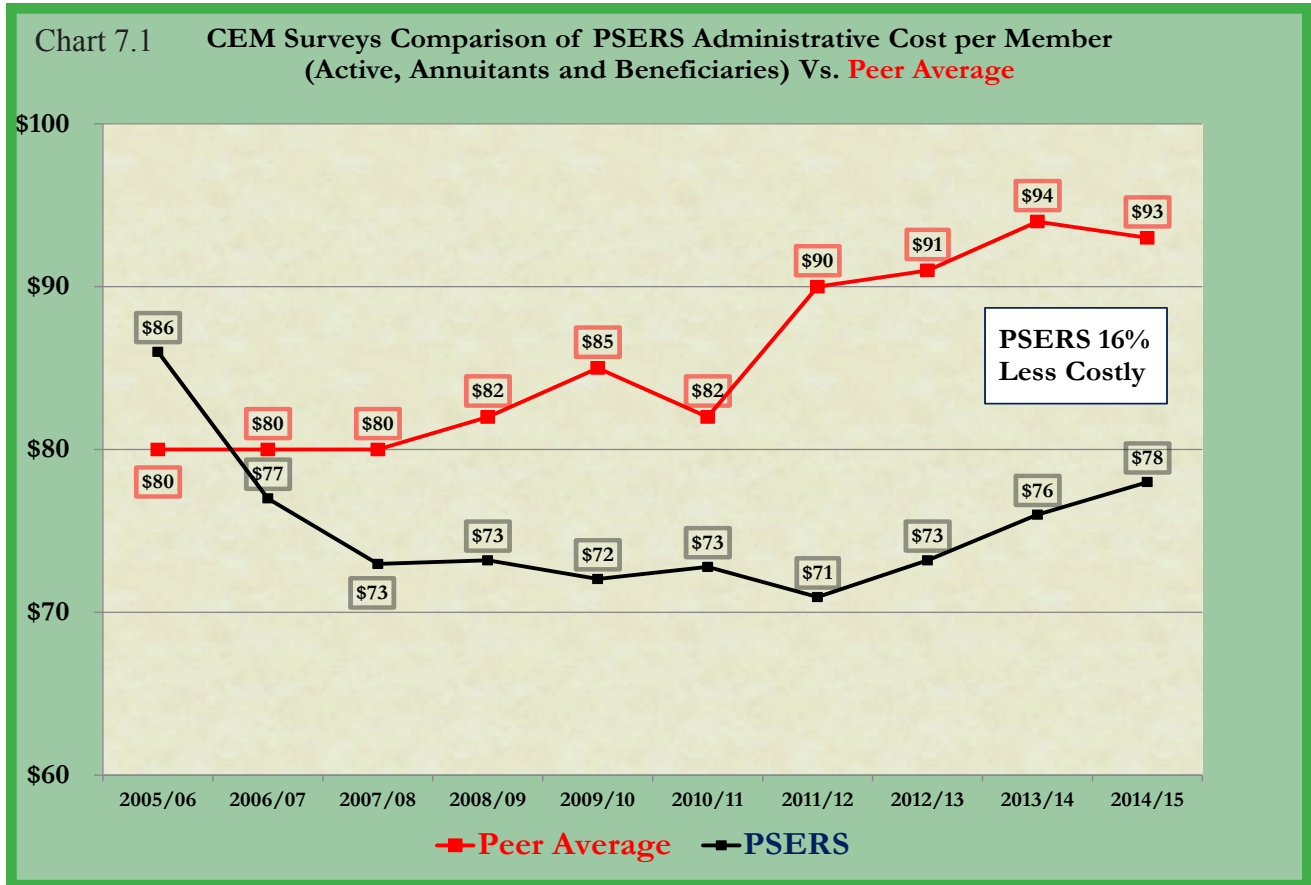
### Administrative Budget

Table 7.1 displays PSERS Administrative Budget Request for FY 2017-18. The \$45,841,000 administrative budget is not funded from the Commonwealth's General Fund, rather from the earnings of the Fund itself. PSERS has annually underspent its approved budget, keeping more funds available to invest for PSERS' members.

In FY 2016, PSERS entered into a new agreement for its hardware and server maintenance resulting in significant savings. PSERS reduced mailings to members, producing savings in both printing and postage costs. Working with its actuary, PSERS saved over \$100,000 in actuarial fees by completing various analyses in-house. Other reductions were made to wages, overtime, travel, and training, all part of PSERS' ongoing efforts to control costs and improve operational efficiency.

## Section 2 - FY2017-18 Budget

### Public School Employees' Retirement System Fiscal Year 2017-18 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 29% fewer full-time equivalent staff per member than the peer group average. Chart 7.1 above illustrates that PSERS had a 16% 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 \$7.3 million annually compared to its peer funds.

**PSERS Directed Commissions  
Recapture Program  
(unaudited)**

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 the 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**

	<u>Actual Expenditures FY2015-2016</u>	<u>Available FY2016-2017</u>	<u>PSERS' Budget FY2017-2018</u>
Budgetary Reserve	-	<u>\$2,000,000</u>	<u>\$2,000,000</u>
Total	-	<u>\$2,000,000</u>	<u>\$2,000,000</u>