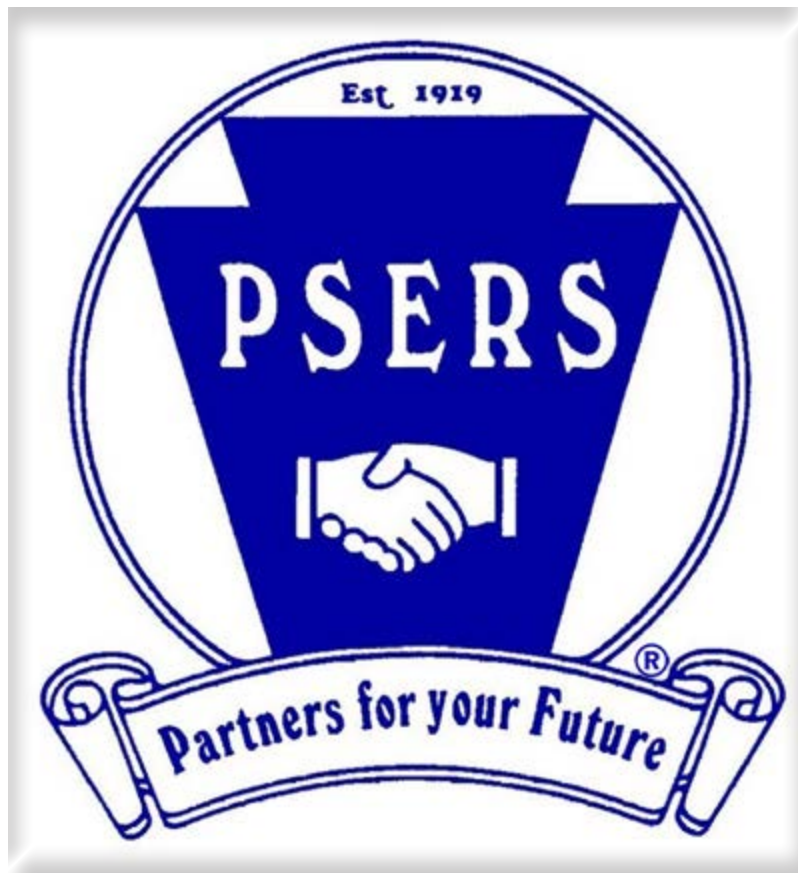
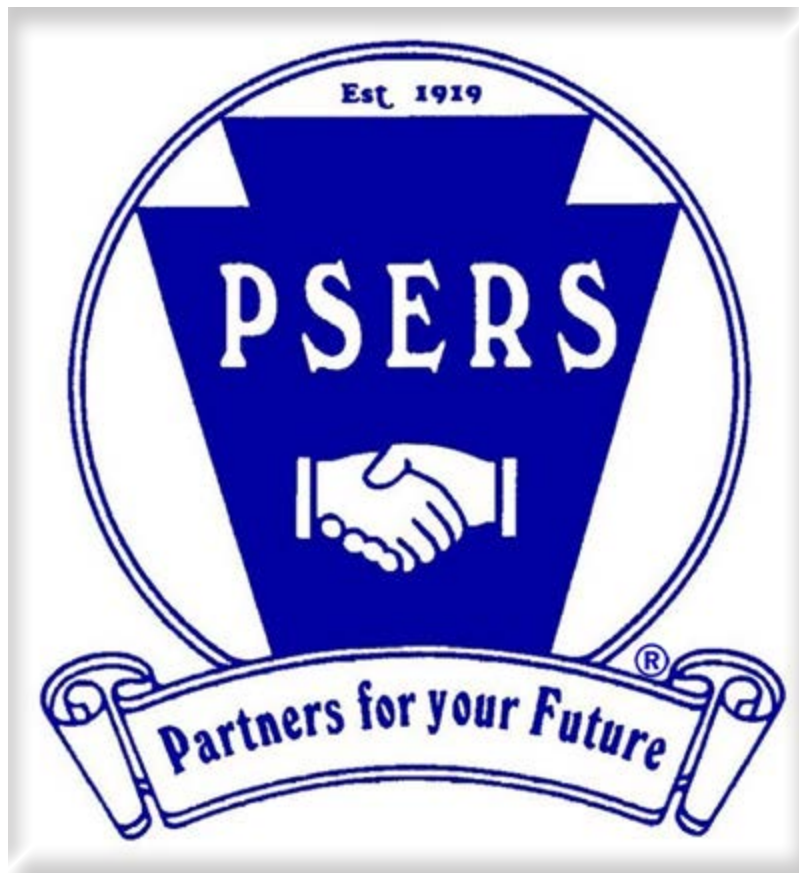


## Section 2 - PSERS FY2014/15 Budget





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## Section 2 - FY2014/15 Budget

### Public School Employees' Retirement System Fiscal Year 2014/15 Administrative Budget

	<u>Actual</u> <u>2012/2013</u>	<u>Available</u> <u>2013/2014</u>	<u>Governor's</u> <u>Budget</u> <u>Recommendation</u> <u>2014/2015</u>
<b>Total Personnel Services</b>	\$ 26,850,110	\$ 23,613,000	\$ 23,961,000
<b>Operating Expenses</b>			
Travel	\$ 88,891	\$ 133,800	\$ 85,300
Training & Conference Registration	120,014	122,800	115,500
Telecomm - Recurring	437,881	417,000	408,500
Telecomm - Non-Recurring	9,504	11,000	11,000
Telecomm - Voice Hardware less than \$5,000	1,103	2,000	2,000
Electricity	36,244	41,700	44,000
Consultant Services - Non EDP	714,101	722,000	800,600
Consulting Services - (vendor hosted SW)	80,254	-	10,000
Consulting - Maint & Support - (post implementation)	103,836	62,000	63,000
Consulting - Project Management	2,753	-	-
Consulting - General IT Support	152,313	275,500	209,000
Consulting - Outsourced Infrastructure Svcs (DPH)	1,896,810	2,030,000	2,130,000
Legal Services/Fees	-59,222	58,000	48,000
Specialized Services	345,045	420,300	405,200
Other Specialized Services	95,972	249,300	109,400
Advertising	1,750	10,000	10,000
Medical, Mental, & Dental Services	4,803	2,500	4,500
Software Licensing - Maintenance	978,290	1,042,200	1,052,800
Hardware Server - Maintenance	348	1,000	1,000
Hardware Network - Maintenance	18,640	13,000	6,000
Hardware Periph - Maintenance	21,889	20,000	20,000
Hardware Desktop - Maintenance	4,762	4,000	4,000
Contracted Maintenance Non EDP	143,637	188,000	195,300
Telecom Data Services	47,863	60,000	43,000
Contracted Repairs - Non EDP	7,351	11,300	15,500
Real Estate Rental	1,853,732	1,777,000	1,885,400
Vehicle Rental	2,419	2,000	1,700
Office Equipment Rental	267,656	286,400	302,300
Other Rentals	28,759	35,500	25,300
Office Supplies	184,125	216,400	209,000
Educational Supplies (Books)	1,554	11,300	6,000
Medical Supplies	1,280	100	5,300
Software License non-recurring less than \$5,000	41,966	55,250	63,600
Hardware Network	20,453	-	-
Hardware Desktop less than \$5,000	184,459	140,000	201,000
Furniture and Fixtures	19,311	23,300	21,500

## Section 2 - FY2014/15 Budget

### Public School Employees' Retirement System Fiscal Year 2014/15 Administrative Budget (continued)

	Actual 2012/2013	Available 2013/2014	Governor's Budget Recommendation 2014/2015
Other Equipment	5,953	2,600	2,000
Motorized Equipment Supplies	16,610	22,000	13,000
Postage	1,227,843	1,145,600	1,025,000
Freight	5,068	5,800	7,000
Printing	165,543	270,600	246,700
Subscriptions	86,500	97,350	90,300
Membership Dues	36,861	31,900	35,200
Conference Expense	35,710	51,000	31,000
Insurance, Surety & Fidelity Bonds	19,393	24,000	23,000
Other Operational Expenses	<u>1,598,039</u>	<u>1,823,500</u>	<u>1,931,800</u>
<b>Total Operating Expenses</b>	<b>\$ 11,058,067</b>	<b>\$ 11,919,000</b>	<b>\$ 11,919,700</b>
<b>Fixed Assets</b>			
Automobiles	\$ 21,100	\$ -	\$ -
Network Hardware	47,830	-	-
Software License non-recurring greater than \$5,000	30,745	30,000	30,000
Software License recurring greater than \$5,000	3,275,156	6,127,000	5,778,300
Office Equipment	<u>5,900</u>	<u>-</u>	<u>-</u>
<b>Total Fixed Assets</b>	<b>\$ 3,380,731</b>	<b>\$ 6,157,000</b>	<b>\$ 5,808,300</b>
<b>Total Administrative Budget*</b>	<b><u>\$ 41,288,908</u></b>	<b><u>\$ 41,689,000</u></b>	<b><u>\$ 41,689,000</u></b>

\*Investment Related expenditures that were previously included in the Administrative Appropriation are now accounted for as non-budgeted appropriated expenditures and reported in the same manner as other investment expenditures.

PSERS' Budget Request included a modest 2% increase over the prior fiscal year appropriated Administrative fund. In the table below, the differences between PSERS' request and the Governor's Recommended Budget are provided by major object.

	PSERS' Budget Request 2014/2015	Governor's Budget Recommendation 2014/2015	Difference
Personnel Services	\$ 24,579,000	\$ 23,961,000	\$ 618,000
Operating Expenses	12,135,700	11,919,700	216,000
Fixed Assets	<u>5,808,300</u>	<u>5,808,300</u>	<u>-</u>
<b>Total Administrative Budget*</b>	<b><u>\$ 42,523,000</u></b>	<b><u>\$ 41,689,000</u></b>	<b><u>\$ 834,000</u></b>

## Section 2 - FY2014/15 Budget

### Public School Employees' Retirement System Fiscal Year 2014/15 Administrative Budget (continued)

#### 10 Year Trend of PSERS' Administrative Cost per Member (Active, Annuitants and Beneficiaries)



Note: Fiscal Years 2011-2015 exclude non-recurring costs for Act 120 and V3 Browser Conversion.

#### Administrative Cost per Member

PSERS participates in an international benchmarking survey evaluating its costs and service performance in comparison to other similar public pension funds. Based on the FY2011/2012 survey, PSERS had a 28% lower pension administration cost per member than the average cost for its peer group. The System has accomplished this without significantly increasing the size of its staff.

PSERS continues to be prudent in its use of funds and managing the annual budget. In FY2012/2013, PSERS discontinued printing and mailing CAFRs to its 700 plus employers to save costs and now is utilizing its website as the primary method to distribute its CAFR. The Pension Administration System contract was renewed in January 2013, at the same cost, but includes a provision for up to 2,000 additional hours of programming change requests which was not part of the previous contract. Based on a request from PSERS, over 6,000 members recently converted from mailed paper checks to Electronic Funds Transfers (EFT), saving PSERS their postage and Treasury processing fees each month. Going forward, nearly all new retirees will receive their monthly annuities by EFT.

PSERS is also making an investment in technology to continue to improve the efficiency of its operations in the future. This represents a multi-year effort to upgrade the System's pension administration system to enable improved customer service through many enhancements such as member self-service features. PSERS is excited to see the many benefits that the V3 Browser Conversion has to offer and looks forward to its full implementation.



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**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, which are held in a restricted revenue account at Treasury, 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 Apropriation #6012700000**

	<u>Actual Expenditures FY2012/13</u>	<u>Available FY2013/14</u>	<u>PSERS' Budget 2014/2015</u>
Budgetary Reserve	-	\$2,000,000	\$2,000,000
Total	-	\$2,000,000	\$2,000,000



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