

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD  
5 North Fifth Street  
Harrisburg, Pennsylvania**

**Special Meeting**

**Minutes**

**July 23, 2010**

**12:34 P.M.**

**Board Members Present**

Ms. Melva S. Vogler, Chairman  
Mr. Thomas J. Gentzel

**Board Members Present Telephonically**

Ms. Stacey Connors for Senator Patrick Browne  
Ms. Debbie Reeves for Representative Dwight Evans  
Mr. Glen S. Galante  
Mr. Steven Kniley for Secretary Thomas E. Gluck  
Representative Glen R. Grell  
Mr. John Raymond for Senator Shirley M. Kitchen  
Treasurer Robert M. McCord  
Mr. Hal Moss  
Mr. Richard N. Rose  
Mr. James M. Sando  
Ms. Patricia A. Tozer  
Ms. Sally J. Turley

**Board Members Absent**

Ms. Tina Byles Williams

**Staff Members Present**

Mr. Jeffrey B. Clay, telephonically  
Ms. Cindy Bolton  
Mr. Brian S. Carl  
Ms. Barbara D. Flurie  
Mr. Gerald Gornish  
Ms. Terrill J. Savidge  
Ms. Evelyn M. Tatkovski  
Mr. Alan H. Van Noord  
Mr. Joseph E. Wasiak, Jr.

CALL TO ORDER

Ms. Vogler called the meeting to order at 12:34 P.M. in the fourth floor Board Room at PSERS' headquarters.

Ms. Vogler reviewed the agenda for the special meeting, and discussed with the Board how it would proceed with respect to the two proposed resolution. The Board agreed to move the concern resolution first, deal with any amendments thereto and then table it. Next the Board would take action on the rate re-certification resolution. Once that resolution was acted upon, the Board would take off the table the concern resolution for action.

PSERB CONCERN  
OVER DIRECTED RE-  
CERTIFICATION OF FY  
2010-2011 EMPLOYER  
CONTRIBUTION RATE

Mr. Gentzel then moved that:

WHEREAS, the Public School Employees' Board (PSERB) today took action to reduce and recertify the employer contribution rate for 2010-11 from 8.22% to 5.64% as prescribed by Act 2010-46; and

WHEREAS, this action was taken solely because, upon the advice of legal counsel, the Law directs the PSERB to do so, notwithstanding many Members of the PSERB were personally opposed to the directed re-certification given PSERS' current funding challenges; and

WHEREAS, the vote of many Members of the PSERB was also made under protest as, unlike past re-certifications of the employer contribution rate by the PSERB, this re-certification was not the result of either a modification of the Public School Employees' Retirement System's (PSERS) funding methodology or any other change made to the Public School Employees' Retirement Code (PSERC); and

WHEREAS, said directed action regarding the employer contribution rate re-certification also sets a dangerous precedent to deliberately use the Fiscal Code to continue the under-funding of PSERS regardless of the actual funding needs of PSERS; and

WHEREAS, the PSERB is also deeply troubled by the legislative directive to reduce the employer contribution rate from the amount previously certified, for the following two reasons:

- (1) Act 2010-46's directive to recertify the employer contribution rate undermines the PSERB's fiduciary responsibility to maintain a properly funded pension plan as required by the PSERC; and

(2) The mandated re-certification of the employer contribution rate not only fails to address the serious long-term under-funding of PSERS, but increases the unfunded liability of PSERS; and

WHEREAS, PSERS has made numerous presentations on the need to resolve the funding challenges facing the System, including the reasons for and the options to resolve that under-funding; and

WHEREAS, several bills are pending in the General Assembly that seek to address all or a portion of the funding challenges that face PSERS; and

WHEREAS, PSERS has provided technical assistance and actuarial/analytical support for many of the bills pending in the General Assembly that seek to address all or a portion of the funding challenges that face PSERS.

NOW THEREFORE IT IS RESOLVED, that the PSERB respectfully requests the General Assembly to enact legislation resolving the significant funding issues facing PSERS prior to adjournment of its 2009-2010 session and thus ensure the long-term viability of PSERS for the benefit of its members.

RESOLVED FURTHER, that the PSERB directs the Staff of PSERS to continue to cooperate fully with the General Assembly and the Governor's Office as they continue to seek a solution to PSERS' significant unfunded liability, including but not limited to providing objective legislative drafting assistance, actuarial/analytical support, and direct testimony or assistance in preparing presentation materials concerning the proposed solutions to PSERS' funding issues.

RESOLVED FURTHER, that the PSERB directs its Secretary to send a letter to both the Governor and the members of the General Assembly, expressing these views and the continued objective support by PSERS for a proposed solution to current funding challenges facing PSERS. Mr. Moss seconded the motion.

Ms. Reeves moved to amend the resolution with the addition of "Whereas the PSERB recognizes that HB2497 PN3928 addresses PSERS funding challenges and such bill passed the House of Representatives on June 16, 2010 with a vote of 192 to 6 and awaits action in the Senate; and" just before the last Whereas clause. Representative Grell seconded the motion, which passed

PROPOSED  
AMMENDMENT

with 13 YES and 1 NO vote from Ms. Connors on behalf of Senator Browne.

PROPOSED  
AMMENDMENT

Mr. Sando moved to add the terminology "active, retired and future" to the end of the first Resolved, after the word "members". Mr. Galante seconded the motion, which passed unanimously.

Mr. Rose moved to table the resolution for further discussion later in the meeting. Mr. Moss seconded the motion, which passed unanimously.

DIRECTED  
RECERTIFICATION OF  
FY 2010-2011  
EMPLOYER  
CONTRIBUTION RATE

Mr. Gentzel moved that

WHEREAS, pursuant to Section 8502(j) of the Public School Employees' Retirement Code (PSERC), 24 Pa.C.S. §8502(j), the Public School Employees Retirement Board (PSERB), required its actuary to conduct the June 30, 2009 annual actuarial valuation of the Public School Employees' Retirement System (PSERS); and

WHEREAS, Section 8502(k) of the PSERC, 24 Pa.C.S. §8502(k) provides:

"The board shall, each year in addition to the itemized budget required under section 8330 (relating to appropriations by the Commonwealth), certify to the employers and the Commonwealth the employer contribution rate expressed as a percentage of members' payroll necessary for the funding of prospective annuities for active members and the annuities of annuitants, and certify the rates and amounts of the normal contributions as determined pursuant to section 8328(b) (relating to actuarial cost method), accrued liability contributions as determined pursuant to section 8328(c), supplemental annuities contribution rate as determined pursuant to section 8328(d) and the experience adjustment factor as determined pursuant to section 8328(e) and premium assistance contributions as determined pursuant to section 8328(f), which shall be paid to the fund and credited to the appropriate accounts. These certifications shall be regarded as final and not subject to modification by the Budget Secretary."; and

WHEREAS, on December 11, 2009, the PSERB, in accordance with Sections 8502(j) and (k) of the PSERC, adopted PSERB Resolution 2009-32, which states:

"RESOLVED, that the Public School Employees Retirement Board hereby accepts the June 30, 2009 actuarial valuation

report prepared by Buck Consultants, and adopts the actuarial factors, assumptions and methodologies contained therein, which result in an employer contribution rate of 8.22% for Fiscal Year July 1, 2010 through June 30, 2011.”; and

WHEREAS, S.B. 1042, was passed by the Pennsylvania House and Senate on July 3, 2010 and signed by the Governor on July 6, 2010, thereby enacting Act 2010-46; and

WHEREAS, Section 3 of Act 2010-46 added, *inter alia*, Article XVII-N, Section 1701-N to the Fiscal Code; and

WHEREAS, Section 1701-N directs the PSERB to recertify PSERS’ employer contribution rate for Fiscal Year July 1, 2010 through June 30, 2011, as follows:

Notwithstanding any other provisions of law to the contrary, the Public School Employees' Retirement Board shall, effective for the fiscal year beginning July 1, 2010, recertify to the Secretary of the Budget and the employers, as defined in 24 Pa.C.S. § 8102 (relating to definitions), within 20 days of the effective date of this section, the employer contribution rate expressed as a percentage of members' payroll necessary for the funding of prospective annuities for active members and the annuities of annuitants to be 5.00%, plus the premium assistance contribution rate of .64% in accordance with 24 Pa.C.S. § 8328(f) (relating to actuarial cost method), and also recertify the rates, factors and amounts set forth in 24 Pa.C.S. § 8502(k) (relating to administrative duties of board) to reflect the impact of the recertified rates provided in this section. This recertification shall supersede the prior certification for the fiscal year beginning July 1, 2010, for all purposes.

NOW THEREFORE IT IS RESOLVED, that the PSERB, as directed by Article XVII-N, Section 1701-N of the Fiscal Code, hereby recertifies the employer contribution rate for Fiscal Year July 1, 2010 through June 30, 2011 from 8.22% to 5.64%, with 5% consisting of the pension component of the rate and .64% consisting of the premium assistance component of the rate.

RESOLVED FURTHER, that the PSERB directs its actuary, Buck Consultants to reflect the re-certification required by Article XVII-N, Section 1701-N of the Fiscal Code in PSERS’ June 30, 2010 actuarial valuation. Mr. Rose seconded the motion which passed with 12 YES and 2 NO votes from Ms. Turley and Representative Grell.

PSERB CONCERN  
OVER DIRECTED RE-  
CERTIFICATION OF FY  
2010-2011 EMPLOYER  
CONTRIBUTION RATE

Mr. Gentzel moved to take the Concern resolution off the table. Mr. Raymond seconded the motion, which passed unanimously.

Therefore, since the resolution was ready for Board action, the Board Chair called for a roll call vote on the amended resolution as follows (amended portions in bold):

WHEREAS, the Public School Employees' Board (PSERB) today took action to reduce and recertify the employer contribution rate for 2010-11 from 8.22% to 5.64% as prescribed by Act 2010-46; and

WHEREAS, this action was taken solely because, upon the advice of legal counsel, the Law directs the PSERB to do so, notwithstanding many Members of the PSERB were personally opposed to the directed re-certification given PSERS' current funding challenges; and

WHEREAS, the vote of many Members of the PSERB was also made under protest as, unlike past re-certifications of the employer contribution rate by the PSERB, this re-certification was not the result of either a modification of the Public School Employees' Retirement System's (PSERS) funding methodology or any other change made to the Public School Employees' Retirement Code (PSERC); and

WHEREAS, said directed action regarding the employer contribution rate re-certification also sets a dangerous precedent to deliberately use the Fiscal Code to continue the under-funding of PSERS regardless of the actual funding needs of PSERS; and

WHEREAS, the PSERB is also deeply troubled by the legislative directive to reduce the employer contribution rate from the amount previously certified, for the following two reasons:

(1) Act 2010-46's directive to recertify the employer contribution rate undermines the PSERB's fiduciary responsibility to maintain a properly funded pension plan as required by the PSERC; and

(2) The mandated re-certification of the employer contribution rate not only fails to address the serious long-term under-funding of PSERS, but increases the unfunded liability of PSERS; and

WHEREAS, PSERS has made numerous presentations on the need to resolve the funding challenges facing the System, including the reasons for and the options to resolve that under-funding; and

WHEREAS, several bills are pending in the General Assembly that seek to address all or a portion of the funding challenges that face PSERS; and

**Whereas the PSERB recognizes that HB2497 PN3928 addresses PSERS funding challenges and such bill passed the House of Representatives on June 16, 2010 with a vote of 192 to 6 and awaits action in the Senate; and**

WHEREAS, PSERS has provided technical assistance and actuarial/analytical support for many of the bills pending in the General Assembly that seek to address all or a portion of the funding challenges that face PSERS.

NOW THEREFORE IT IS RESOLVED, that the PSERB respectfully requests the General Assembly to enact legislation resolving the significant funding issues facing PSERS prior to adjournment of its 2009-2010 session and thus ensure the long-term viability of PSERS for the benefit of its members, **active, retired and future.**

RESOLVED FURTHER, that the PSERB directs the Staff of PSERS to continue to cooperate fully with the General Assembly and the Governor's Office as they continue to seek a solution to PSERS' significant unfunded liability, including but not limited to providing objective legislative drafting assistance, actuarial/analytical support, and direct testimony or assistance in preparing presentation materials concerning the proposed solutions to PSERS' funding issues.

RESOLVED FURTHER, that the PSERB directs its Secretary to send a letter to both the Governor and the members of the General Assembly, expressing these views and the continued objective support by PSERS for a proposed solution to current funding challenges facing PSERS. The motion passed with 12 YES and 2 NO votes from Ms. Connors on behalf of Senator Browne and Mr. Kniley on behalf of Secretary Gluck.

Mr. Gornish next informed the Board that the State of Maryland was named sole lead plaintiff in the Toyota case, and that PSERS will not seek lead plaintiff status in the BP case, with more details to be provided at the next Board meeting on August 12.

LEGAL UPDATES

ADJOURNMENT

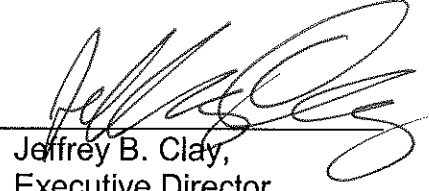
Ms. Vogler adjourned the meeting at 1:10 P.M.

NEXT MEETING

The next regularly scheduled meeting of the Board of Trustees of the Public School Employees' Retirement Board will be held on August 12, 2010, in PSERS Board Room, 5 North 5<sup>th</sup> Street, Harrisburg, PA.

Date 7/30/10

Approved

  
Jeffrey B. Clay,  
Executive Director