

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
Telephone: (717) 720-4749, Fax: (717) 772-5372
E-mail: jclay@state.pa.us

DATE: July 30, 2010
SUBJECT: Investment Professionals' Salary Adjustment
TO: Personnel Committee
FROM: Jeffrey B. Clay, Executive Director *JBC*

As the Personnel Committee (Committee), is aware, the Board has compensation authority with respect to its Investment Professionals. The Committee is also aware that there has been a pay freeze in effect for sometime for all Commonwealth management employees. Although this pay freeze does not directly apply to PSERS' Investment Professionals, the Board has not made any general salary adjustments since the pay freeze went into effect.

Recently, however, the Commonwealth agreed to grant all Commonwealth management employees a 1% pay increase, effective October 1, 2010, to help offset a pending increase in the health insurance contribution that all Commonwealth employees make for their health care coverage. Currently that contribution is 2%, with the employee having the ability to reduce it to 1% by participating in the Get Healthy program sponsored by the Pennsylvania Employees Benefit Trust Fund (PEBTF). Beginning October 1, 2010, the employee health insurance contribution to the PEBTF is increasing to 3%. An employee will still be able to reduce it to 1.5% by participating in the Get Healthy program.

In light of this action by the Commonwealth, at the Committee's August 11, 2010 meeting, Staff will be recommending that the salaries for PSERS' Chief Investment Officer (CIO) and its five Managing Directors be increased by 1% effective October 1, 2010. Under the Policy these positions require Board action to change to their compensation. Therefore, a resolution to this effect is attached for the Committee's approval.

As for the remainder of the Investment Professionals, authority to change their compensation has been delegated to Staff as more particularly set forth in

the footnote below.¹ Consistent with the Staff recommendation concerning the CIO and Managing Directors, the appropriate Staff will also recommend increasing the salaries of the remaining Investment Professionals by 1% effective October 1, 2010.

If you have any questions concerning the above, please feel free to contact me at 717-720-4678.

¹ "The Board retains salary-setting authority for the Chief Investment Officer and the Managing Director positions. Except for the Office of Financial Management positions, the Board delegates, subject to this Policy Manual, salary setting authority for all other Investment Professional positions to the Chief Investment Officer and the Executive Director. In the case of the Office of Financial Management positions, the Board delegates salary setting authority, subject to this Policy Manual, to the Chief Financial Officer and the Executive Director for the Investment Accounting positions and to the Executive Director and PSERS' Human Resource Director for the Chief Financial Officer position."