



Public School Employees' Retirement System (PSERS) Opening Remarks

Good afternoon, Chairman Harris, Chairman Grove, and members of the Appropriations Committee. I am Terri Sanchez, Executive Director of the Pennsylvania Public School Employees Retirement System, more commonly known as PSERS.

I'd like to thank the Chairmen and this Committee for the opportunity to testify today. I would also like to thank the entire General Assembly, as well as Pennsylvania's School Districts and other employers, for their continued funding commitment to PSERS. After 15 years of underfunding, PSERS received full actuarial funding from school employers and the Commonwealth from Fiscal Year 2017, through and including, Fiscal Year 2023. Seven years straight. That has helped PSERS raise its funded status and lower the unfunded accrued liability by nearly \$1 billion. Full actuarial funding from employers, along with member contributions, and investment income, are all necessary to pay down the unfunded liability. Your help truly makes a positive difference. Again, we thank you, and we ask for your continued support of this full funding.

I would like to take a few moments to introduce the PSERS team to the committee. This is PSERS' first budget hearing in either chamber since 2019, and I know the General Assembly and this Committee, like PSERS, has some new members since then.

As I said, my name is Terri. And, I have the distinct honor and pleasure of serving as PSERS' 10th executive director since the agency was founded in 1917. I'd like to proudly add that I am the first woman to hold this position in the agency's 106-year history. I would like to thank the PSERS Board for that honor. An honor and responsibility that I take very seriously and am committed to fulfill to the very best of my ability.

Seated with me at the table today are: PSERS Board Chairman Chris Santa Maria and Chief Investment Officer Ben Cotton.

Behind us are:

- Bev Hudson, our Deputy Executive Director for Administration.

- Jennifer Mills, our Deputy Executive Director and Director of Defined Contribution Investment.
- Brian Carl, our Chief Financial Officer.
- And Joe Indelicato, our Chief Counsel.
- Other PSERS staff also are present in the chamber today.

Several of the people I introduced are new to their jobs and new to Pennsylvania. Ben was hired in January to lead the investment office. Joe was hired in August to lead PSERS legal office.

I, too, am new to my position, but not new to PSERS or to public pensions in Pennsylvania. I became PSERS Executive Director last June after serving as interim executive director in an emergency return to service capacity earlier in the year. I accepted those positions after briefly retiring as SERS Executive Director in December of 2021, and working in many other capacities at PSERS before that. Together, I have almost 36 years of service to the Commonwealth. With that, Chairman Santa Maria has a few words he would like to say.

Thank you, Terri, for that fine introduction of the staff. I have been on the PSERS Board since 2017 and have been Board Chair since 2019. In my PAID full-time job, I am an AP United States Government & Politics and Economics teacher in the Lower Merion School District. This will be my last year on the board and my last year of teaching as I plan to retire. It has been an honor to serve in the classroom and on PSERS Board.

As Terri just said, PSERS was founded 106 years ago. Any organization that has surpassed its centennial anniversary is bound to have its ups and downs. As you may know, PSERS was no exception in recent years. We endured an internal investigation of a shared-risk calculation error and the purchase and valuation of certain directly-owned properties. We also had a U.S. Department of Justice investigation.

The internal and DOJ investigations concluded in 2022 with NO FINDINGS of criminal conduct and no civil or criminal charges. An SEC investigation continues.

As I'm sure Terri would tell you, we are turning these unfortunate events into learning experiences, AND WE ARE RISING UP AGAIN AS A TEAM.

For instance, staff and the Board continue to evaluate and implement new governance recommendations. The Board adopted a new Public Participation Policy and a Strategic Planning Policy. We also continue to strengthen our systems of controls and risk monitoring. And our investment team continues to closely monitor the ever-changing global financial markets -- while also managing the internal and external management costs of investing \$70 billion in net assets. Most importantly, we continue to pay benefits monthly to our members. Without interruption.

Those examples, and many more detailed in PSERS budget document, show PSERS is on the way up again. This team will continue to do our fiduciary duty of running the nation's 34th largest defined benefit plan and its growing defined contribution plan.

Now, I will turn it back over to Terri and Ben who are the subject matter experts and are prepared to answer your questions. At the pleasure of the Chairman, however, I respectfully request an opportunity to comment if the question warrants a Board perspective. Thank you.

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