

PENNSYLVANIA  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011



A COMPONENT UNIT OF THE  
COMMONWEALTH OF PENNSYLVANIA

# **Pennsylvania Public School Employees' Retirement System**

(A Component Unit of the Commonwealth of Pennsylvania)

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## **Comprehensive Annual Financial Report** for the Fiscal Year Ended June 30, 2011

**Melva S. Vogler**  
*Chairman*  
*Board of Trustees*

**Sally J. Turley**  
*Vice Chairman*  
*Board of Trustees*

**Jeffrey B. Clay**  
*Executive Director*

*Report prepared by the Public School Employees' Retirement System staff*

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# INTRODUCTORY

## PSERS EMPLOYEES



**CIRCA 1981**

THE 2011 CAFR COVER AND DIVIDERS RECALL THE COVER OF 1981  
WHEN PSERS EMPLOYEES SERVED AS THE COVER PHOTOGRAPH.



1921  
SCHOOL EMPLOYEES RETIREMENT BOARD.

**Letter of Transmittal**

COMMONWEALTH OF PENNSYLVANIA  
**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

*Mailing Address*  
 PO Box 125  
 Harrisburg PA 17108-0125

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*Building Location*  
 5 North 5th Street  
 Harrisburg PA

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October 31, 2011

The Honorable Thomas W. Corbett, Governor of Pennsylvania  
 Members of the General Assembly  
 Members of the Retirement System  
 Members of the Boards of PSERS' Employers  
 Pennsylvania Public School Employees' Retirement System Board of Trustees

Dear Governor Corbett, Legislators, Members, Employer Board members and PSERS Board of Trustees:

We are pleased to present the ninety-second edition of the Comprehensive Annual Financial Report (CAFR) for the Pennsylvania Public School Employees' Retirement System (PSERS, System, or Fund) for the fiscal year ended June 30, 2011 (FY 2011). This report is intended to provide financial, investment, actuarial and statistical information in a single publication. The front cover of this year's CAFR and the divider pages inside show the people that make the System work, PSERS' staff. This concept is a re-creation from the 1981 CAFR. Staff photos from the 1981 CAFR and from 1921 are included in the Introductory section of this report. Much has changed in the 30 years since this concept was last used, such as the complexity of the System's makeup and the amount of money the System manages; however, PSERS staff's dedication has not changed. The management of the Fund's assets, distribution of retirement benefits, and service to more than 500,000 stakeholders that are referenced in this CAFR are a result of the staff's commitment to the mission of PSERS.

The following table illustrates the tremendous growth of the System from its early beginnings to the present day:

|                                   | <b>FY 1921</b> | <b>FY 1981</b>    | <b>FY 2011</b>     |
|-----------------------------------|----------------|-------------------|--------------------|
| <b>Active Members</b>             | 41,151         | 214,438           | 279,000            |
| <b>Retirees and Beneficiaries</b> | 538            | 69,740            | 195,000            |
| <b>Monthly Annuitant Payroll</b>  | \$11,600       | Over \$35 million | Over \$360 million |
| <b>Average Annual Benefit</b>     | \$334          | \$6,241           | \$23,895           |
| <b>Net Asset Value</b>            | \$5 million    | \$5.3 billion     | \$51.4 billion     |
| <b>PSERS Staff Complement</b>     | 24             | 151               | 310                |

The management of the System is solely responsible for the accuracy and completion of this report, pursuant to section 24 Pa.C.S. §8502(n) of the Public School Employees' Retirement Code (Retirement Code). The entire report can be downloaded from the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

The System was established on July 18, 1917 to provide retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the 756 reporting entities in Pennsylvania. As of June 30, 2011, the System had approximately 279,000 active members with an estimated annual active payroll of \$12.9 billion.



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The annuitant membership at June 30, 2011 was comprised of approximately 195,000 retirees and beneficiaries who receive over \$360 million in pension and healthcare benefits each month. The average yearly benefit paid to annuitants is \$23,895. The average benefit payment for each benefit type, grouped by years of credited service, is detailed in the Statistical Section of this report.

The System is a governmental cost-sharing multi-employer defined benefit pension plan, to which all members and 756 reporting units contribute. PSERS is administered by a staff of 310. The System is headquartered in Harrisburg, Pennsylvania, and has eight field offices in strategic areas of the Commonwealth to enable direct contact with the membership and the System's employers.

PSERS was established by law as an independent administrative board directed by a governing board of trustees (Board) which exercises control and management of the System, including the investment of its assets. PSERS is considered a component unit of the Commonwealth of Pennsylvania as defined by the Governmental Accounting Standards Board (GASB). An annual audit of the System by an independent certified public accounting firm is required by the Retirement Code. PSERS has contracted with Clifton Gunderson LLP for this audit of its financial statements and has received an unqualified opinion as evidenced in the Independent Auditors' Report in the Financial Section of this report. An unqualified opinion means that PSERS' financial statements fairly present its financial condition. In addition, no significant findings were noted during the audit and therefore, a management letter was not issued. This is the second consecutive year that a management letter was not issued by the independent auditors and is reflective of the hard work and dedication of PSERS' staff to continue to improve the internal controls, operations and efficiency of the System.

### Economic Summary

During the first half of the fiscal year the U.S. Gross Domestic Product (GDP) continued to improve but the growth quickly tapered off in the second half of the fiscal year as fiscal and monetary supports weakened. The Federal Reserve implemented another round of quantitative easing (a.k.a. QE2) and the unemployment rate fell modestly during FY 2011. Internationally, geopolitical strife in the Middle East and Africa, a massive earthquake and resultant tsunami in Japan and the European debt crisis negatively impacted the economy. Despite the global challenges, investment markets worldwide performed well and PSERS FY 2011 investment return was one of the highest in its history. For FY 2011 PSERS' investment portfolio generated a rate of return of 20.37% which resulted in \$9.2 billion of net investment income. The total net assets of the System increased from \$45.8 billion to \$51.4 billion from July 1, 2010 to June 30, 2011. The increase was due to net investment income plus member and employer contributions exceeding the deductions for benefits and administrative expenses.

The Board has continued to fulfill its mission to maintain stability and the long-term optimum value of the Fund. This is evidenced in the long-term growth of the System's assets and the actuarial soundness of the Fund with respect to its funding status. The annualized rate of return for the twenty-five year period ended June 30, 2011 was 8.79% and exceeded the Fund's long-term investment rate of return assumption during that time period. Of utmost importance to the Board is the assurance that the required reserves are available for payment of retirement benefits. PSERS has maintained its position among the top thirty largest pension systems in the nation.

### Major Initiatives

#### **Pennsylvania Act 120 of 2010 – Pension Reform**

During the past fiscal year dramatic progress was made toward addressing funding issues at PSERS. On November 23, 2010 pension reform legislation, Act 120 of 2010, was signed into law. This legislation included a series of actuarial and funding changes to PSERS and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011.

Act 120 significantly impacted the funding issues at PSERS by:

- **Reducing the employer normal cost for new PSERS members hired on or after July 1, 2011** - As a result of the legislation, pension benefits earned by new members will be almost entirely funded by the member and over time the employer normal cost (the actual cost of the benefits being earned) will be dramatically reduced

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to nearly 3.00% as a result of the benefit reductions for new members. The employer normal cost for new members hired under Act 120 is 68% less than pre-Act 120 members.

- **Putting a long-term plan in place to pay off existing pension liabilities** - The actuarial changes in Act 120 also put a plan in place to pay off existing pension liabilities. Act 120 addressed the pending employer contribution rate spike projected for FY 2013 by smoothing the projected rate increases over a five to nine year time period. In addition, the benefit reductions and risk sharing provisions for new members on July 1, 2011 and thereafter have created a low employer cost structure for new members and shifted some of the investment risk to the members. PSERS' unfunded liabilities will be paid over a 24 year amortization period.

While Act 120 has slowed the growth of new pension liabilities and has put a long-term plan in place to address PSERS' funding issues, PSERS is aware that difficult budget issues remain for both the Commonwealth and school employers in coming years. PSERS remains committed to providing all available assistance to the Governor, General Assembly and school employers during the implementation of Act 120 and in the future.

A detailed explanation of the Act 120 benefit reductions and actuarial and funding changes can be found in the Management's Discussion and Analysis included in the Financial Section of this report.

### **Budgetary and Financial Governance**

PSERS submits its administrative budget request to the Governor's Office of the Budget each October where it is reviewed and evaluated. Any changes proposed by the Governor's Budget Office are made and a final amount is provided to the Legislature, which passes the final budget and submits it to the Governor for his signing into law. The administrative budget is not funded from the Commonwealth's General Fund, rather from the earnings of the Fund itself. The Commonwealth's Office of Administration has continued cost control initiatives into FY 2011. As reflected in the five-year table below, PSERS continues to be prudent in its use of funds and managing the annual budget.

| <b>Fiscal Year:</b>    | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</b> | <b>FY 2010</b> | <b>FY 2011</b> |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Administrative Budget* | \$39,455,000   | \$40,811,000   | \$42,068,000   | \$42,651,600   | \$43,528,000   |
| Expenditures**         | 38,230,663     | 38,009,568     | 39,224,000     | 38,987,602     | 40,711,000     |
| Lapse (unspent funds)  | 1,224,337      | 2,801,432      | 2,844,000      | 3,663,998      | 2,817,000      |
| Percentage Lapsed      | 3.1%           | 6.9%           | 6.8%           | 8.6%           | 6.5%           |

\*Administrative Budget is net of budgetary reserve of \$229,000 in FY 2009 and \$575,400 in FY 2010.

\*\*Expenditures are those posted to the Commonwealth's accounting system and therefore do not include accruals.

PSERS has annually underspent its approved budget, keeping more funds available to invest for PSERS' members. During FY 2011, PSERS made reductions to overtime and wages, reduced outsourced electronic data processing services, and in conjunction with the Commonwealth's cost control initiatives, continually looks for ways to cut costs while maintaining excellent customer service and efficiency of operations. PSERS' administrative cost per member has been trending downward as it continues to implement efficiencies.

In addition to these savings, during FY 2011, PSERS continued its ongoing efforts to recover funds from securities class action litigation. The System received \$8.7 million in settlements from these cases in FY 2011.

### **Customer Service**

In these lean economic times, everyone has to do more with less. The laws, such as the passage of Act 120 of 2010, regarding retirement plans continue to add complexity to PSERS while the workload continues to increase. The increased workload during FY 2011 has impacted every aspect of the System from a 33% increase in receipt of retirement applications and a 5% increase in receipt of refund applications to a 4% increase in the number of calls in and out of the call center. Nearly 300,000 calls were received during this period.

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Despite these challenges, PSERS' efforts for increased efficiency have continued to have a tremendous positive impact. Even with these substantial increases in workload, the effort to pay retirement benefits in one step has continued its success, increasing from 75% in FY 2010 to 86% in FY 2011. Historically, PSERS had paid retirement benefits in two steps: a reduced initial benefit within about 10 weeks of retirement based on information on file with PSERS at that time and then a final benefit with retroactive monies within 18 months of the retirement date using final information. The one-step benefits are being paid in an average of less than four weeks after all the necessary information is received. The direct result of these improved efficiencies is a reduction in duplicated work that enables staff to focus on other customer service areas and process higher volumes without increasing staff size.

In the not so distant past, PSERS had a backlog of more than 34,000 purchase of service applications to be processed. Despite receiving thousands more every year, this backlog has been reduced to fewer than 5,000, providing members with a more accurate portrayal of the service credit they have accrued.

Through continued system enhancements, PSERS has been able to better serve employers, enable better and more frequent reporting by employers, and for the third year in a row, plans to provide an up-to-date Statement of Account to all active and inactive members by December 31. Address validation improvements have been implemented during FY 2011 enabling PSERS to provide member correspondence quicker and more efficiently. Additionally, as a result of operational improvements, PSERS is able to begin its processing of the annuitant payroll nearly five days later each month. This allows for more timely processing of member requested changes to their W-4P federal income tax withholding and/or electronic fund transfers.

With all of these improvements in place, the next customer service enhancement being addressed is reviewing member accounts at periodic milestones and event triggers to ensure each detail of a member's account is accurately portrayed prior to the member applying for retirement. Through these kinds of optimizations and enhancements, PSERS is committed to improve the services it provides to members and employers.

### Financial Highlights

The fair value of the System's net assets totaled \$51.4 billion as of June 30, 2011. The System is the 16th largest state-sponsored public defined benefit pension fund in the nation and the 27th largest among public and corporate pension funds in the nation. More specific information on the System's assets is detailed in the Statements of Plan Net Assets and Management's Discussion and Analysis included in the Financial Section of this report.

One of PSERS' mission critical objectives is the timely and accurate payment of benefits. In FY 2011 PSERS provided \$5.6 billion in pension and healthcare benefits to its members.

The System's administrative budget request is appropriated by the Pennsylvania General Assembly and funded by the investment income of the System. For FY 2011, the appropriation was \$43.5 million.

### Funding

Funding is the process of specifically setting aside money for current and future use. Proper funding for a defined benefit pension plan entails an actuarial examination of the fund balances and liabilities to ensure money will be available for future and current benefit payments. The actuarial valuation measures the progress toward funding pension obligations of the System by comparing the actuarial assets to the actuarial liabilities of the System.

The results of PSERS' latest published actuarial valuation (as of June 30, 2010) indicated that the rates of contribution payable by the members and employers, when taken together with the current assets of the System, are adequate to fund the actuarial liabilities on account of all benefits payable under the System at that date. The funded status as of the latest actuarial valuation was 75.1%. Additional comparative information on the funded status of PSERS can be found in the Actuarial Section and in the Financial Section of this report.

### Investments

Income from the investment portfolio represents the major source of revenue to the System, accounting for nearly 72% of total revenues over the twenty-year period from FY 1992 to FY 2011. During FY 2011, net investment income was \$9.2 billion. The investment portfolio, which is one part of the System's net assets, totaled \$51.8 billion, at fair value, as of June 30, 2011. For FY 2011, the time-weighted rate of return on the System's investments was 20.37%.

The investment portfolio is well diversified to emphasize a long-term investment approach. The overall objective of the System is to provide benefits to its members through a carefully planned and well-executed investment program. The return objectives are to (i) realize a return sufficient to achieve funding adequacy on an inflation-adjusted basis and that exceeds the Policy Index (the Policy Index is a custom benchmark, which is based on the Board-established asset allocation structure that seeks to generate a return that meets the actuarial rate of return assumption); and (ii) invest the assets to maximize returns for the level of risk taken. The risk objectives are to (i) diversify the assets of the System to minimize the risk of losses within any one asset class, investment type, industry or sector distribution, maturity date, or geographic location; and (ii) invest the assets so that the probability of investment losses (as measured by the Policy Index) in excess of 15.0% in any one year is no greater than 2.5% (or two standard deviations below the expected return). Additional information on the System's investments is contained in the Investment Section of this report.

### Federal and State Tax Status

The System is a qualified trust fund under Section 401(a) of the Internal Revenue Code (IRC). As a result of the qualified status, the trust fund is entitled to an exemption, under Section 501(a) of the IRC, from federal income taxation on its investment earnings. Additionally, contributions made on behalf of the active members are tax deferred under Section 414(h) of the IRC. The trust fund and any benefits accruing to the members of PSERS are exempt from Pennsylvania state and municipal taxes.

It should be noted that the Internal Revenue Service (IRS) announced and initiated a renewed focus on the tax qualification of public pension funds in 2008. PSERS continues to work proactively, in conjunction with the State Employees' Retirement System, to address this IRS initiative.

### Internal Controls and Reporting

PSERS' management is responsible for and has implemented internal controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records.

This report has been prepared in accordance with accounting principles generally accepted in the United States of America. The System maintains a full accrual accounting system. More specific accounting information is detailed in the Summary of Significant Accounting Policies (Note 2) in the notes to the financial statements found in the Financial Section of this report.

PSERS' management believes the internal accounting controls currently in place are adequate to meet the purpose for which they were intended and also believes the financial statements, supporting schedules and statistical tables to be fairly presented.

### GASB Pension Accounting and Financial Reporting Project (Pension Project)

In 2006, GASB began a multi-year project to reexamine the current pension accounting standards as detailed in GASB Statements 25 and 27. In March 2009, GASB issued an Invitation to Comment (ITC) on possible changes to the pension accounting standards. The ITC discussed two alternative approaches that the standards might follow. The first approach was similar to the current standards and the second was based on a market value approach similar to private sector pension accounting.

## INTRODUCTORY SECTION

On June 16, 2010, GASB issued its Preliminary Views (PV) on proposed changes to accounting and financial reporting standards for state and local government employers that sponsor defined benefit pension plans. The PV was an intermediate step in the GASB Pension Project and reflects GASB's expectation of significant discussion related to the proposed changes. In the PV, GASB proposed a middle approach which combines elements of the two alternatives described in the ITC.

The proposed standards in the PV would have a significant impact on pension accounting and financial reporting by employers and would separate the accounting standards from the standards used to determine funding requirements. PSERS provided comments to GASB on the PV in September 2010 and has collaborated with constituent groups that have also provided comments to GASB.

After considering the comments they received from the PV, GASB issued two Exposure Drafts (ED) to further refine the Pension Project. The first ED entitled *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, would amend the financial reporting by state and local governmental pension plans. The second ED entitled *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, would amend the financial reporting by state and local governments whose employees are provided with pensions. In October 2011, PSERS provided comments to GASB with regard to both EDs individually and collectively with constituent groups and completed participation in GASB's field test of the EDs.

Once GASB reviews the input received in response to the EDs and field tests, it will issue the new accounting standards that could be effective in 2013. PSERS will continue to monitor the GASB Pension Project very closely to gauge the future impact on its financial governance.

### Professional Services

Professional consultants are appointed by the Board of Trustees to perform services essential to the efficient operation of the System. An annual audit by an independent certified public accounting firm and annual valuation by an actuarial consultant attest to the financial and actuarial soundness of PSERS. The investment performance of the System is reviewed by an investment evaluation firm on a quarterly basis. The consultants providing services to the System are listed in the Financial Section and Investment Section of this report.

### Other Information

In compliance with the Retirement Code, actuarial tables and the computational procedures used by the System in calculating annuities and other benefits were published in the *Pennsylvania Bulletin* (Vol. 31, No.14). This information can be found at [www.pabulletin.com/secure/data/vol31/31-14/index.html](http://www.pabulletin.com/secure/data/vol31/31-14/index.html).

### System Awards

#### **Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PSERS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. PSERS has received a Certificate of Achievement for 28 consecutive years from FY 1983 to FY 2010. A photograph of this award appears in the Introductory Section of this report. Its attainment represents a significant accomplishment by the System, whose Office of Financial Management holds general responsibility for the compilation and validity of the financial data presented in the Comprehensive Annual Financial Report.

## INTRODUCTORY SECTION

The System believes the current report continues to conform to the Certificate of Achievement program requirements and will be submitting this report to GFOA to determine eligibility for the 2011 certificate.

### **Institutional Investor 2011 Large Public Plan of the Year Award**

In midsummer 2011, PSERS was named the “2011 Large Public Plan of the Year” during the 9th annual Hedge Fund Industry Awards presented by Institutional Investor. PSERS beat out three other states (California, Texas, and Missouri) to earn the award. A photograph of this award appears in the Introductory Section.

PSERS was recognized as a large public pension fund that excelled in its innovation, achievements and contributions to the Hedge Fund industry during 2010. PSERS directly invests in hedge funds that are SEC registered institutional-grade managers that provide transparency and liquidity to PSERS. PSERS hedge fund investments are part of its Absolute Return program, which has contributed greatly to PSERS recent superior investment performance. For FY 2011 the Absolute Return program returned 13.18%.

### **Public Pension Coordinating Council Public Pension Standards Award**

The Public Pension Coordinating Council has awarded its Public Pension Standards Award to PSERS for 2010. This award is in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

The Public Pension Coordinating Council was formed in 1990 to assist the public employee retirement community. The Council is composed of representatives from three national associations whose members are directly involved in the administration of public employee retirement systems: the National Association of State Retirement Administrators (NASRA); the National Conference on Public Employee Retirement Systems (NCPERS); and the National Council on Teacher Retirement (NCTR). A reproduction of this award appears in the Introductory Section.

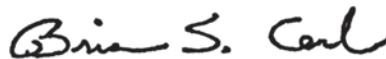
### **Acknowledgements**

The preparation of this report reflects the combined efforts of PSERS staff under the direction of the PSERS Board. It is intended to provide complete and reliable information in conformance with accepted standards and to document responsible stewardship of the System’s assets.

Respectfully submitted,



Jeffrey B. Clay  
Executive Director



Brian S. Carl, CPA, CTP  
Chief Financial Officer



Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

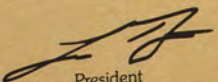
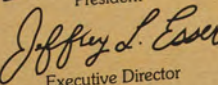
Pennsylvania Public School  
Employees' Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



  
President  
  
Executive Director





Public Pension Coordinating Council

*Public Pension Standards Award  
For Funding and Administration  
2010*

Presented to

*Pennsylvania Public School Employees'  
Retirement System*

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator

## *Mission Statement*



*The Board of Trustees and the employees of the Public School Employees' Retirement System (System) serve the members and stakeholders of the System by:*

- Providing timely and accurate payment of benefits*
- Maintaining a financially sound System*
- Prudently investing the assets of the System*
- Clearly communicating members' and employers' rights and responsibilities, and*
- Effectively managing the resources of the System*

adopted 6/20/2008

**Administrative Organization  
PSERS Board of Trustees  
As of October 31, 2011**



***Seated, front row:** Honorable Robert M. McCord; Kelly Powell Logan, designee for Ronald Tomalis, Secretary of Education; Sally J. Turley, Vice-Chairman; Melva S. Vogler, Board Chairman; Patricia A. Tozer and Bernard Gallagher, designee for Honorable Joseph F. Markosek.*

***Standing, second row:** John Raymond, designee for Honorable Lawrence M. Farnese; Hal Moss; James M. Sando; Beth Winters, designee for Thomas J. Gentzel; Richard N. Rose; Honorable Glen R. Grell; Honorable Patrick M. Browne; and Jeffrey B. Clay, PSERS' Executive Director, Board Secretary*

***Not pictured:** Glen S. Galante*

**PSERS Board of Trustees**

As of October 31, 2011

**Secretary of Education of the Commonwealth of Pennsylvania (ex officio)**

Mr. Ronald J. Tomalis

**Treasurer of the Commonwealth of Pennsylvania (ex officio)**

Honorable Robert M. McCord

**Executive Director of the Pennsylvania School Boards Association, Inc. (ex officio)**

Mr. Thomas J. Gentzel

**Two members appointed by the Governor of the Commonwealth of Pennsylvania for a term of three years**

Mr. Hal Moss (term expires 12/31/12)

Vacant

**Three members elected from among the Active Certified Contributors of the System for a term of three years**

Mr. Glen S. Galante (term expires 12/31/12)

Mr. James M. Sando (term expires 12/31/13)

Ms. Melva S. Vogler (term expires 12/31/11)

**One member elected from among the Active Non-Certified Contributors of the System for a term of three years**

Ms. Patricia A. Tozer (term expires 12/31/12)

**One member elected from among the annuitants of the System for a term of three years**

Mrs. Sally J. Turley (term expires 12/31/13)

**One member elected by the members of Pennsylvania Public School Boards from among their number for a term of three years**

Mr. Richard N. Rose (term expires 12/31/11)

**Two members appointed by the Speaker of the House from the Pennsylvania House of Representatives, one representing the Majority Party and one representing the Minority Party**

Honorable Joseph F. Markosek (term expires 11/30/12)

Honorable Glen R. Grell (term expires 11/30/12)

**Two members appointed by the President Pro Tempore of the Pennsylvania Senate, one representing the Majority Party and one representing the Minority Party**

Honorable Lawrence M. Farnese (term expires 11/30/12)

Honorable Patrick M. Browne (term expires 11/30/12)

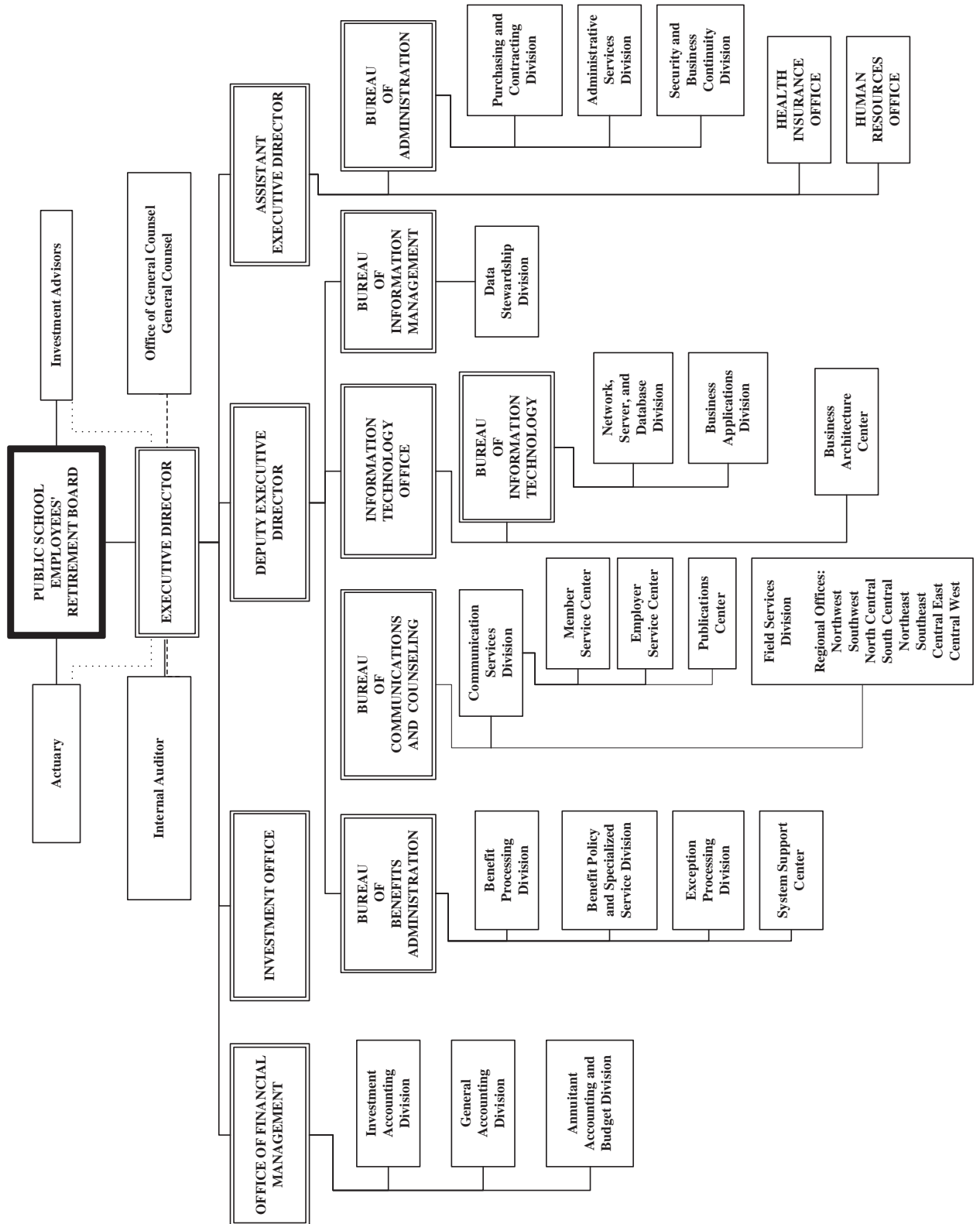
**2011 Board Committees**

As of October 31, 2011

|   |   |  |
|---|---|--|
| <p><b>Appeals / Member Services</b></p> <p>Ms. Tozer, Chair<br/>Mr. Gentzel<br/>Senator Farnese<br/>Mr. Moss<br/>Mr. Rose<br/>Mr. Sando<br/>Mrs. Turley</p> | <p><b>Audit/Budget</b></p> <p>Mr. Galante, Chair<br/>Representative Markosek<br/>Mr. Gentzel<br/>Representative Grell<br/>Treasurer McCord<br/>Mr. Rose</p> | <p><b>Bylaws / Policy</b></p> <p>Representative Grell, Chair<br/>Representative Markosek<br/>Senator Browne<br/>Mr. Moss<br/>Mr. Sando<br/>Mrs. Turley</p> |
| <p><b>Corporate Governance</b></p> <p>Mr. Sando, Chair<br/>Senator Browne<br/>Mr. Galante<br/>Treasurer McCord<br/>Mr. Rose</p>                             | <p><b>Elections</b></p> <p>Mr. Moss, Chair<br/>Representative Markosek<br/>Senator Farnese<br/>Mr. Tomalis<br/>Ms. Tozer</p>                                | <p><b>Finance</b></p> <p>Mr. Rose, Chair</p> <p>Committee is comprised of all Board Members</p>  |
| <p><b>Health Care</b></p> <p>Mrs. Turley, Chair<br/>Representative Markosek<br/>Mr. Galante<br/>Mr. Gentzel<br/>Representative Grell<br/>Ms. Tozer</p>      | <p><b>Personnel</b></p> <p>Mr. Gentzel, Chair<br/>Senator Browne<br/>Treasurer McCord<br/>Mr. Rose<br/>Mr. Sando<br/>Mrs. Turley</p>                        | <p><b>Technology Steering</b></p> <p>Treasurer McCord, Chair<br/>Mr. Galante<br/>Mr. Tomalis<br/>Senator Farnese<br/>Mr. Moss</p>                          |

NOTE: The chair of the Board of Trustees is a voting ex-Officio member of all Committees

# Organizational Chart of the Public School Employees' Retirement System



**Administrative Staff**



Alan H. Van Noord  
Chief Investment Officer



Jeffrey B. Clay  
Executive Director



Terrill J. Savidge  
Deputy Executive Director



Gerald Gornish  
Chief Counsel



Brian S. Carl  
Chief Financial Officer



Joseph E. Wasiak  
Assistant Executive Director



Richard R. Spinks  
Chief Technology Officer



James F. Noone  
Director of Administration



Ginger L. Bucher  
Director of Benefits  
Administration



Eugene W. Robison  
Director of Communications  
and Counseling



Deborah L. Garraway  
Director of Information  
Management



Mary E. Geesey  
Director of Information  
Technology



Maribel La Luz  
Director of Human  
Resources



Donald J. Halke, II  
Internal Auditor



Mark F. Schafer  
Director of Health  
Insurance

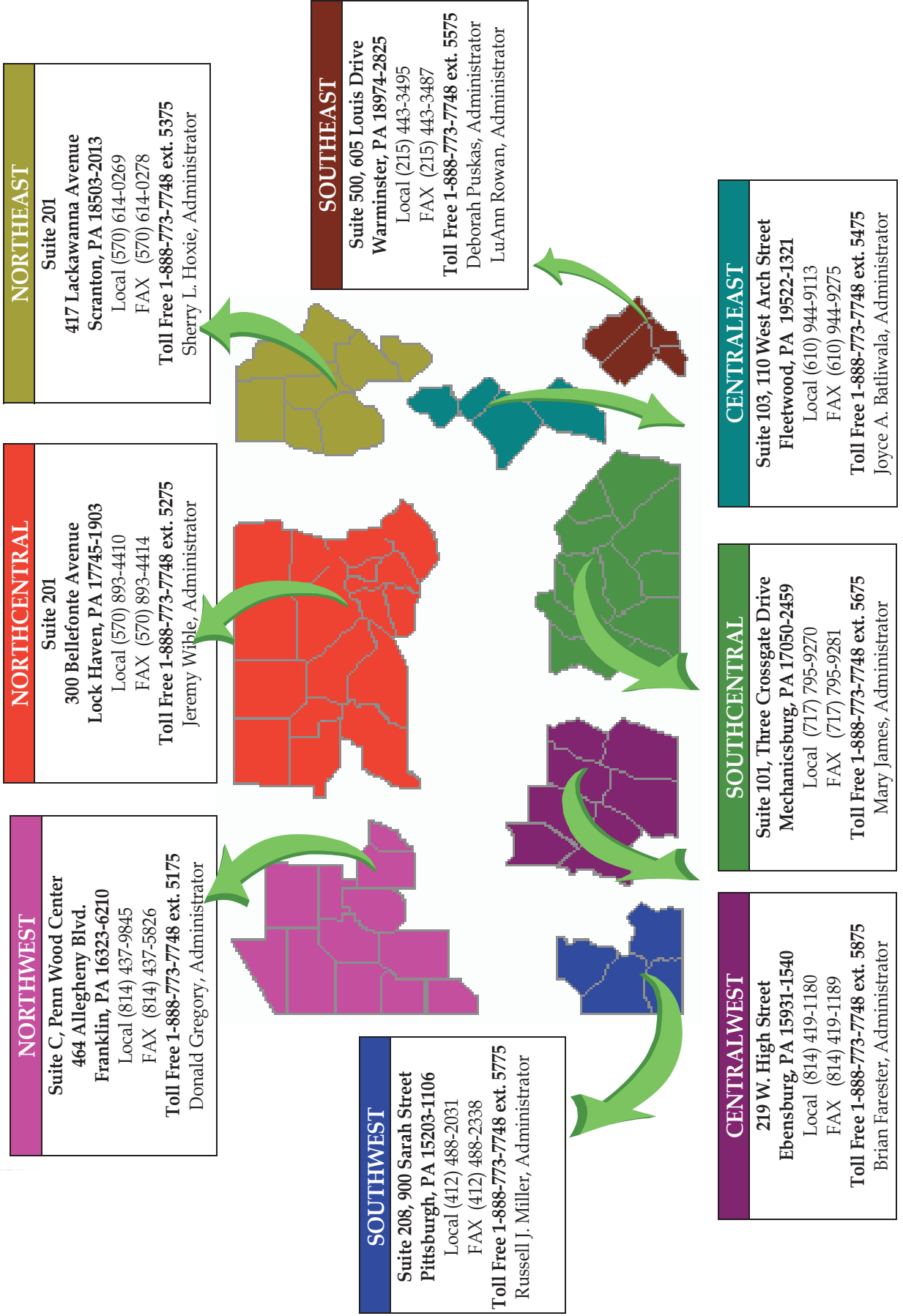


Frank Ryder  
Director of Government  
Relations



Evelyn M. Tatkovski  
Press Secretary

**PSERS REGIONAL OFFICES**





**PSERS Headquarters Building**



The headquarters of the Public School Employees' Retirement System is located at 5 North Fifth Street in downtown Harrisburg, Pennsylvania within the State Capital complex. Regional field offices are also maintained in Ebensburg, Fleetwood, Franklin, Lock Haven, Mechanicsburg, Pittsburgh, Warminster and Scranton.

The building was built and first occupied by the Retirement System in 1987 and is its first home built specifically for its use. It is owned by the Five North Fifth Street Corporation, a holding entity formed by PSERS, and is managed by Property Management Inc.