

## **PASR Statement on PSERS from the Board of Directors**

(May 26, 2021)

Due to recent news about issues involving the Public School Employees Retirement System (PSERS), the Pennsylvania Association of School Retirees (PASR) is compelled to respond as it funds our pensions in retirement. Since PASR represents only retirees and not active members, issues involving alleged malfeasance at PSERS significantly impacts our members and their livelihoods.

PSERS has acknowledged that there is an active FBI investigation along with a federal grand jury investigation into its recent operations. At this time, there is no evidence or information leading to the conclusion that any pension has been placed in jeopardy.

Please note that PASR and PSERS are separate operations without any direct connection, therefore the investigation does not directly involve our organization.

### **Reason for the Investigation**

There is a shared risk provision with active (non-retiree) PSERS members under Pennsylvania State Law that is based on an investment "window" of nine years. If PSERS investment returns fall below 6.36 percent over that nine-year period, a shared risk provision increases the amount that public school employees, who were hired after July 1, 2011, pay into PSERS. Originally, PSERS certified that the nine-year return was 6.38 percent. Later, PSERS held a special meeting and changed the number to 6.34 percent which activated that shared risk provision.

News reports surfaced that indicated a possible investigation was underway at PSERS about the estimation of the nine-year investment return and the process it took to reach that number. Recently, additional reports have indicated that the investigation goes beyond the process of the estimation. At this point, it is speculation until there is a second party validation.

As a result of the pending investigations, PSERS has acknowledged hiring at least four outside law firms to represent them. Also, PSERS has acknowledged hiring an additional outside consulting firm to help with investments during the time their staff is under investigation. This will result in additional money being spent in addition to normal management and personnel costs. PASR will seek information about the impact of those additional expenditures.

### **Next Steps**

The PSERS investigation will take time to run its course, and we must respect that process. It is important to note that the average federal grand jury investigation usually takes anywhere from 12 to 18 months to complete.

PASR will closely follow this issue and we are committed to providing factual updates to keep you informed as the investigation progresses. We are here to be a trusted resource and will continue to advocate on your behalf.

We sincerely appreciate our members and leaders who have reached out to us to comment and seek additional information. We rely on feedback from our members, and we will continue to be responsive.

A message from the Board of Directors

Mark McKillop