



**Randy L. Brown, Business Administrator**  
**131 West Nittany Avenue**  
**State College, PA 16801**  
**814-231-1021**  
**rlb21@scasd.org**

To: Dr. Robert O'Donnell  
From: Randy L. Brown  
Date: December 14, 2012  
Subject: 2013-14 Budget Development

As we continue through our budget development process, estimates begin to become finalized. Since our last budget discussion, some updated information has been released, while we still await others.

The PSERS rate for 2013-14 was released earlier this month. The employer contribution rate for 2013-14 will be 16.93%. A copy of the press release from PSERS has been attached. Also provided for your review is a copy of the projections for future years. These projections will be used in multi-year projections which will be updated at future meetings. The rate was previously estimated at 16.75%, resulting in additional expense of approximately \$55,000. The increase in future years, will also mean increased expense for the district.

Related to information we are still awaiting, is the exception worksheets from the Department of Education. Using the worksheets from 2012-13, the exceptions available as well as the Act 1 Index Tax increase are:

	Estimated	Increase Percentage
Act 1 Index Tax Increase	\$1,310,000	1.70%
Special Education Exception	\$ 0	0.00%
PSERS Exception	\$1,344,000	1.74%
Total Tax Increase Available	\$2,654,000	3.44%

Once the exceptions worksheets are provided by the Department of Education, they will be updated and the revised projections will be provided. The employer contribution increase from 12.36% to 16.93% will result in approximately \$2.6 million in additional PSERS expense for the district which is split equally with the state through reimbursement.

Our budget development process includes budget analysis reports from Food Service and Community Education at the December 17<sup>th</sup> meeting. Updated projections included in a preliminary budget projection at the January 14<sup>th</sup> meeting will be offered as well.

# PRESS RELEASE

**For Immediate Release  
December 6, 2012**

**For More Information Contact:**  
**Evelyn Tatkovski**  
Press Secretary  
Public School Employees' Retirement System  
Phone: 717-720-4734  
e-mail: [etatkovski@pa.gov](mailto:etatkovski@pa.gov)

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES CERTIFIES EMPLOYER  
CONTRIBUTION RATE FOR FISCAL YEAR 2013-2014**  
*Employer contribution rate of 16.93 percent certified for next fiscal year*

HARRISBURG, PA – The Public School Employees Retirement System (PSERS) Board of Trustees today certified an annual employer contribution rate of 16.93 percent for fiscal year (FY) 2013-2014, which begins on July 1, 2013.

The 16.93 percent employer contribution rate is composed of 0.93 percent for health insurance premium assistance and a pension rate of 16.00 percent. The rate caps established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate. Total employer contributions of \$2.3 billion are estimated in FY 2013-2014. The Commonwealth reimburses school employers for not less than 50 percent of the total employer contribution rate.

PSERS is also funded through investment earnings and mandatory member contributions. Next fiscal year, members of the pension fund are expected to contribute an average of 7.43 percent of their salary to help fund their retirement benefits. Total member contributions of over \$1 billion are expected in FY 2013-2014.

Additional resources on the employer contribution rate information are available on PSERS' website at: <http://www.psers.state.pa.us/pfr/pfr.htm>.

Also during the meeting the PSERS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 was released. The CAFR can be found on PSERS' website at: <http://www.psers.state.pa.us/publications/general/cafr.htm>

**About the Pennsylvania Public School Employees' Retirement System**

PSERS is the 17<sup>th</sup> largest state-sponsored defined benefit public pension fund in the nation. As of September 30, 2012, PSERS had net assets of approximately \$49.5 billion and a membership of nearly 273,000 active school employees and 202,000 retirees.

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**Public School Employees' Retirement System of Pennsylvania  
Projection of Contribution Rates and Funded Ratios As of June 30, 2012**

Fiscal Year Ending June	Appropriation Payroll (thousands)	Fiscal Market Rate of Return	Pension Rate Floor	Employee Contribution Rate	Employer Normal Cost	Employer Unfunded Liability Rate	Preliminary Employer Pension Rate	Health Care Contribution	Total Employer Contribution Rate	Projected Total Employer Contribution (thousands)	Funded Ratio	Unfunded Accrued Liability (\$ Millions)
2011	\$ 13,510,000	20.37 %	4.00 %	7.34 %	8.08 %	(0.50) %	7.58 %	0.64 %	5.64 %		69.1 %	\$ 26,499.3
2012	14,112,000	3.43	4.00	7.37	8.12	10.15	18.27	0.65	8.65		<b>66.4</b>	<b>29,533.0</b>
2013	14,297,000	7.50	4.00	7.40	8.66	12.99	21.65	0.86	12.36	\$ 1,767,109	63.7	32,962.8
<b>2014</b>	<b>13,720,000</b>	7.50	4.00	<b>7.43</b>	<b>8.57</b>	<b>15.25</b>	<b>23.82</b>	<b>0.93</b>	<b>16.93</b>	<b>2,322,796</b>	61.5	35,966.2
2015	14,081,432	7.50	4.00	7.44	8.27	16.95	25.22	0.81	21.31	3,000,753	59.7	38,780.8
2016	14,451,877	7.50	4.00	7.45	8.01	18.40	26.41	0.80	25.80	3,728,584	58.5	41,099.7
2017	14,856,092	7.50	7.77	7.46	7.77	19.74	27.51	0.79	28.30	4,204,274	57.2	43,620.1
2018	15,277,378	7.50	7.54	7.47	7.54	20.84	28.38	0.77	29.15	4,453,356	56.6	45,610.2
2019	15,727,920	7.50	7.34	7.47	7.34	22.04	29.38	0.76	30.14	4,740,395	57.8	45,599.5
2020	16,199,868	7.50	7.14	7.48	7.14	22.99	30.13	0.74	30.87	5,000,899	59.1	45,486.0
2021	16,688,649	7.50	6.95	7.48	6.95	23.11	30.06	0.72	30.78	5,136,766	60.0	45,701.6
2022	17,199,637	7.50	6.76	7.49	6.76	23.29	30.05	0.71	30.76	5,290,608	61.4	45,466.6
2023	17,725,437	7.50	6.58	7.49	6.58	23.66	30.24	0.69	30.93	5,482,478	62.9	44,957.7
2024	18,263,477	7.50	6.40	7.49	6.40	23.90	30.30	0.67	30.97	5,656,199	64.5	44,175.3
2025	18,811,813	7.50	6.23	7.49	6.23	24.12	30.35	0.67	31.02	5,835,424	66.3	43,137.0
2026	19,364,839	7.50	6.05	7.49	6.05	24.33	30.38	0.67	31.05	6,012,783	68.3	41,799.3
2027	19,923,567	7.50	5.88	7.49	5.88	24.55	30.43	0.67	31.10	6,196,229	70.4	40,144.8
2028	20,486,182	7.50	5.71	7.49	5.71	24.76	30.47	0.67	31.14	6,379,397	72.6	38,161.1
2029	21,055,828	7.50	5.52	7.50	5.52	24.96	30.48	0.67	31.15	6,558,890	74.9	35,831.9
2030	21,629,768	7.50	5.34	7.50	5.34	25.18	30.52	0.67	31.19	6,746,325	77.4	33,125.5
2031	22,213,012	7.50	5.16	7.50	5.16	25.40	30.56	0.67	31.23	6,937,124	80.1	30,008.2
2032	22,801,505	7.50	4.98	7.50	4.98	25.62	30.60	0.67	31.27	7,130,031	82.9	26,447.0
2033	23,402,793	7.50	4.80	7.50	4.80	25.85	30.65	0.67	31.32	7,329,755	85.9	22,404.4
2034	24,017,194	7.50	4.63	7.50	4.63	26.08	30.71	0.67	31.38	7,536,595	89.0	17,839.3
2035	24,647,532	7.50	4.45	7.50	4.45	26.31	30.76	0.67	31.43	7,746,719	92.4	12,706.7
2036	25,296,263	7.50	4.27	7.50	4.27	13.58	17.85	0.67	18.52	4,684,868	94.0	10,235.5
2037	25,959,708	7.50	4.10	7.50	4.10	10.44	14.54	0.67	15.21	3,948,472	95.3	8,302.8
2038	26,646,552	7.50	3.93	7.50	3.93	9.06	12.99	0.67	13.66	3,639,919	96.4	6,517.5
2039	27,357,744	7.50	3.76	7.50	3.76	7.29	11.05	0.67	11.72	3,206,328	97.3	5,016.4
2040	28,098,858	7.50	3.60	7.50	3.60	5.82	9.42	0.67	10.09	2,835,175	98.0	3,762.3
2041	28,877,923	7.50	3.44	7.50	3.44	4.43	7.87	0.67	8.54	2,466,175	98.6	2,767.2
2042	29,697,814	7.50	3.30	7.50	3.30	3.32	6.62	0.67	7.29	2,164,971	99.0	1,991.7
2043	30,568,782	7.50	3.17	7.50	3.17	2.06	5.23	0.67	5.90	1,803,558	99.2	1,512.4
2044	31,494,407	7.50	3.06	7.50	3.06	1.08	4.14	0.67	4.81	1,514,881	99.4	1,287.0
2045	32,448,060	7.50	2.95	7.50	2.95	1.07	4.02	0.67	4.69	1,521,814	99.5	1,038.2
2046	33,430,590	7.50	2.84	7.50	2.84	0.98	3.82	0.67	4.49	1,501,033	99.6	789.5

**Retirement Contributions  
Referendum Exception Worksheet  
333(n) as amended by Act 25 of 2011**

**State College Area School District**

**THIS WORKSHEET IS FOR ESTIMATIONS ONLY AND MAY NOT BE USED FOR OFFICIAL SUBMISSION.**

		Actual Dollar Value of Estimated Payments for 2012-13	Actual Dollar Value of Estimated Payments for 2013-14
	Budgeted School District Share of Payments to PSERS		
(a)	Salary Base - Total	\$57,324,000.00	\$58,821,247.94
	Salary Base - Total to use for Referendum Exception	\$57,324,000.00	\$58,821,247.94
(b)	PSERS Employer Contribution Rate	12.36%	16.93%
(c)	Expenditure Object 230 (a x b)	\$7,085,246.00	\$9,958,437.00
(d)	Revenue 7820	\$3,542,625.00	\$4,979,219.00
(e)	Percent State (d / c)	50.00%	50.00%
(f)	Expenditure Object 230 - Local and Federal Share of Total (c - d)	\$3,542,623.00	\$4,979,218.00
(g)	Salary Base - Federal	\$1,100,000.00	\$1,200,000.00
	Salary Base - Federal to use for Referendum Exception	\$1,100,000.00	\$1,200,000.00
(h)	Expenditure Object 230 - Federal Share of Total (g x b)	\$135,960.00	\$203,160.00
(i)	Expenditure Object 230 - State Share of Federal (h x e)	\$67,980.00	\$101,580.00
(j)	Expenditure Object 230 - Local Share (f - i)	\$3,474,643.00	\$4,877,638.00
(k)	Shool District's Index for 2013-14		1.70%
(l)	Index mulitplied by 2012-2013 budgeted school district share of payments to PSERS		\$59,068.93
(m)	2013-14 net budgeted amount minus 2012-13 net budgeted amount:		\$1,402,995.00
	Allowable Exception: Retirement Contriubtions (m - l):		\$1,343,926.07

# STATE COLLEGE AREA SCHOOL

2013-14 Budget Development

December 17, 2012

# Updated Budget Info

2013-14 PSERS Employer Contribution  
Rate Released

PSERS Contribution Projections

District PSERS Pay Forward

Act 1 Index and Exceptions

# PSEERS Employer Contribution Rate

- ▣ 2013-14 Final 16.93%
- ▣ Estimate 16.75%
- ▣ Result: Expense greater than estimated in Budget Projection
  - \$55,000
- ▣ 2012-13 Rate 12.36%



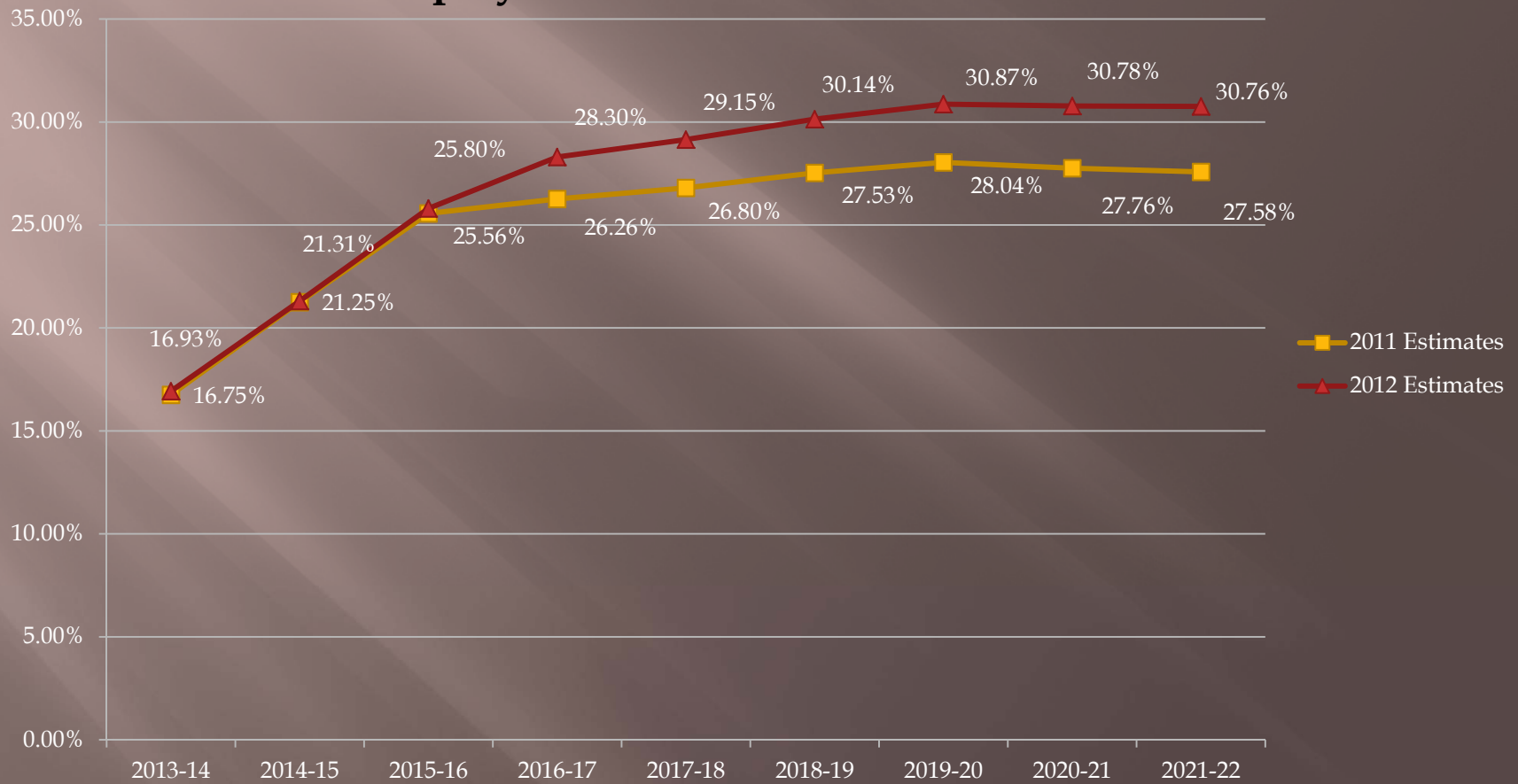
## **PSEERS Employer Contribution Rate**

- ▣ District expense estimated increase  
\$2.6 million
- ▣ State reimbursement budgeted at  
50%

# SCASD PSERS Pay Forward

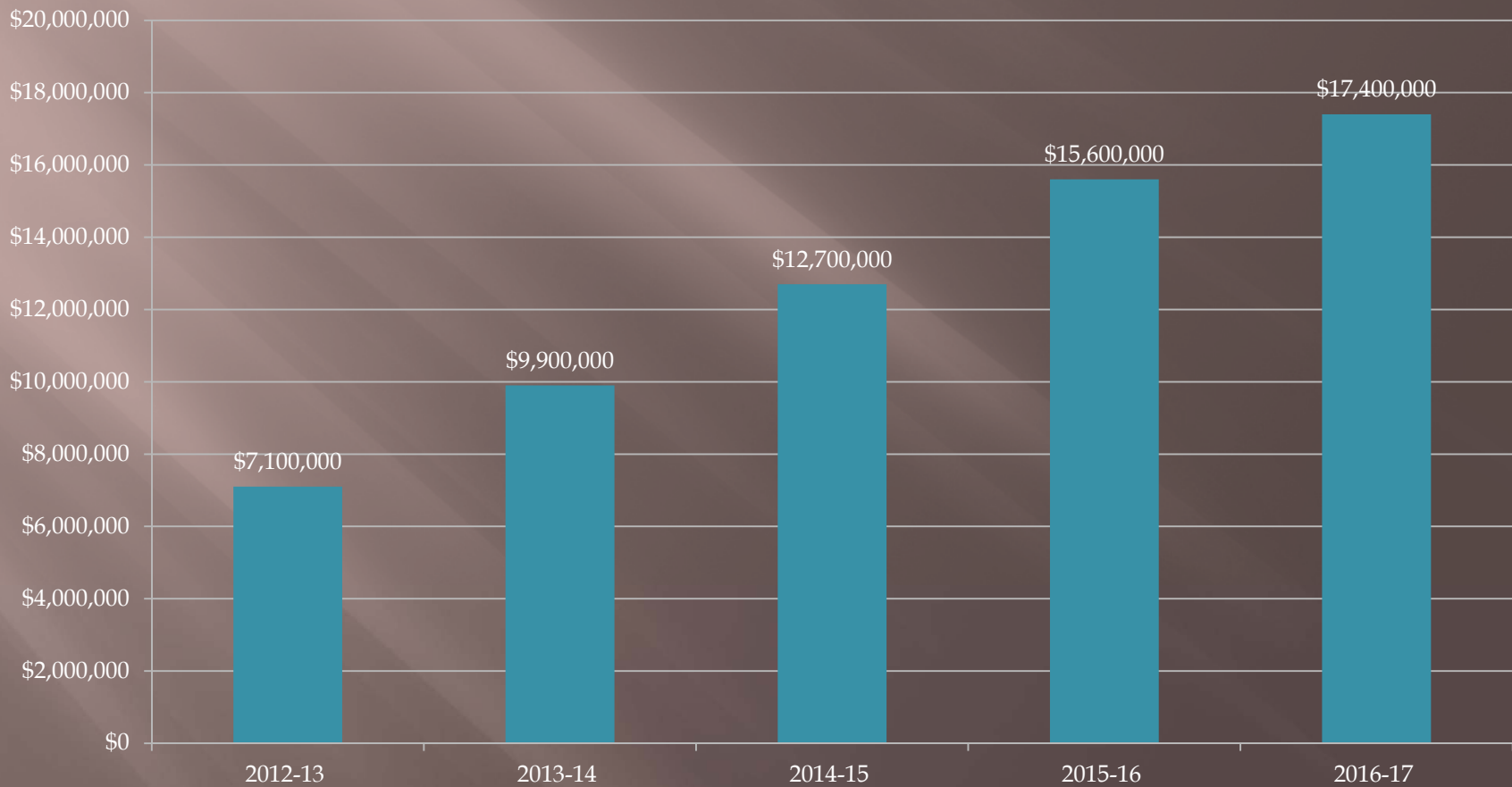
- ▣ Fund Balance assigned for future PSERS increases – 6/30/2012
  - \$12,000,000
- ▣ Additional pay forward – 2012-13
  - \$515,818
- ▣ 2013-14 Projection
  - Include use of fund balance - \$346,353

## PSERS Employer Contribution Rates - Estimated



# PSEERS Estimated Expenses

PSEERS Estimate



# Act 1 Index and Exceptions

## ▣ 2013-14 Act 1 Index

- 1.70%
- Additional Revenue - \$1,310,000

## ▣ Exceptions

- Awaiting 2013-14 Calculations Worksheets
- Estimates Provided

# Act 1 Exceptions

## ▣ Exceptions

### ■ Special Education

- ▣ 2012-13 - \$297,503
- ▣ 2013-14 Estimated - \$0

### ■ Retirement (PSERS)

- ▣ 2012-13 - \$1,001,616
- ▣ 2013-14 Estimated - \$1,344,000

# Future Budget Development

- ▣ Actual Exception Calculations
- ▣ Refined Revenue Projections
- ▣ Preliminary Proposed Budget
- ▣ Budget Analysis Reports