



PennState

Board of Trustees

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES
PUBLIC MEETING – APRIL 14, 2020
6:30 pm
Telephonic**

Public Session

1. Call to Order
2. Authorization to Enter into the Funding Agreement with State Employees' Retirement System and to incur related Indebtedness

SERS Pre-funding Opportunity Funding Agreement

April 2020

Funding Agreement

- The Funding Agreement will be executed by the University and SERS
- The University, as an eligible employer, will make one lump sum payment of no less than 75% and no more than 100% of the University's allocated portion of the unfunded accrued liability of SERS on or before May 1, 2020
- A good faith determination and calculation of the University's allocated portion of the unfunded accrued liability will be completed and agreed to by both parties
- The University will receive an annual setoff on a fiscal year basis against the payment of future contributions for the next 30 years

Projected Cash Flow Savings based on Pre-Funding \$1.061B of Unfunded Accrued Liability – For Illustrative Purposes

Fiscal Year	Bond Payment	SERS "Setoff"	(Savings)/Cost
2021-2040	56	93	(37)
2041	56	73	(17)
2042	56	57	(1)
2043	56	39	17
2044	56	27	29
2045	56	26	30
2046	56	24	32
2047	56	19	37
2048	56	16	40
2049	56	16	40
2050	56	4	52
Total	1,680	2,161	(481)
PV Total 3.25%	1,061	1,496	(435)
PV Total 5.50%	812	1,198	(386)
PV Total 7.125%	685	1,037	(352)

Note:
(Savings)/costs
assume
contributions
adequate to
apply the noted
setoffs

Funding Agreement – “Circuit Breaker” Language

8. Employer Determination. Notwithstanding anything to the contrary herein, Employer may determine, in its sole and absolute discretion, to not make the Lump Sum Payment by providing written notice to the Board on or before May 1, 2020. If Employer makes such a determination, this Agreement will automatically terminate with no liability to either party, other than Employer’s liability to reimburse the Board for the actual Outside Legal Counsel Fees and actual Outside Actuarial Fees incurred prior to the date of termination pursuant to the Cost Agreement.

SERS Financing Plan

Interim Financing Plan

- Interim financing planned due to short window between SERS Board approval and pre-funding deadline
- To be provided by Barclays Bank PLC (Barclays) with two possible structures:
 - Bank loan
 - Direct note issuance

SERS Bond Issue

- Bonds proceeds to take-out interim financing
- Planned closing in mid-May
- Taxable 30-year debt
- Barclays as lead underwriter

Resolution

THEREFORE, BE IT RESOLVED, that officers of the University are hereby authorized to enter into the funding agreement with SERS pursuant to Act 105, substantially in the form described to the Board of Trustees at this meeting; and

FURTHER RESOLVED, in addition to the authority granted in the 2020 Resolution to enter into a loan agreement or similar agreement with Barclays Bank PLC, that the University is authorized to issue securities to Barclays Capital Inc. or an affiliate to borrow an amount not to exceed \$1.127 billion (the "Loan Amount") to fund its one-time advance contribution to SERS (plus issuance costs) upon such terms and secured by such assets of the University as any officer of the University may determine and the University is authorized to issue or incur Obligations (as defined in the 2017 Resolution) to repay the Loan Amount; and

Resolution

FURTHER RESOLVED, that except as previously amended and as amended hereby, the 2017 Resolution remains in effect; and

FURTHER RESOLVED, that the officers of the University are hereby authorized and directed to execute and deliver such other agreements and documents and to take such other action as may be necessary or appropriate in order to effectuate the foregoing resolutions.