



INDEPENDENT FISCAL OFFICE

October 25, 2017

The Honorable Daryl D. Metcalfe, Chairman
State Government Committee
Pennsylvania House of Representatives
144 Main Capitol Building
Harrisburg, PA 17120

Re: Requested Actuarial Note for House Bill 1460, Printer's Number 2595

Dear Representative Metcalfe:

I am writing in response to your request of October 20, 2017 concerning an actuarial note for House Bill 1460, Printer's Number 2595. House Bill 1460 would amend the Public School Employees' Retirement Code (24 Pa.C.S.) and the State Employees' Retirement Code (71 Pa.C.S.) to require that the annual financial statements of the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) include (1) additional information on the performance of their investments and (2) management reports from auditors.

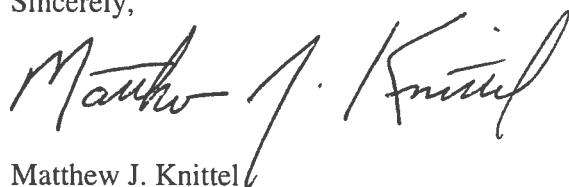
The boards of PSERS and SERS must complete an annual financial statement on or before January 1 and July 1, respectively. Under the bill, the statutory requirements for those statements would be expanded to include: (1) the performance of investments over the most recent 1-, 3-, 5-, 10- and 20-year periods, (2) the performance of investments by asset class over each time horizon both gross and net of fees and (3) an itemized listing of the fees paid to investment managers for the applicable reporting years, separated by management and performance fees. The additional reporting requirements must be informed by the practices recommended by the Institutional Limited Partnership Association Fee Transparency Initiative, which provides comprehensive guidance and industry standards for fee and expense reporting among institutional investors and fund managers. In addition, the bill requires that the management reports from auditors must be included in the financial statement.

Under section 615-B of the Administrative Code of 1929, the Independent Fiscal Office (IFO) has the responsibility to review legislative changes that may affect public employee pension or retirement plans and to provide actuarial notes for such legislation. The IFO reviewed the provisions of House Bill 1460, Printer's Number 2595 and determined that the legislation would only affect reporting

requirements for PSERS and SERS; therefore, it would have no actuarial cost impact. Based on that determination, the legislation will not require an actuarial note prior to consideration by the General Assembly. The office reviewed the legislation for actuarial cost impact, but it has not reviewed its provisions for legal, administrative or policy implications.

I trust this letter adequately responds to your request. If I may be of any further assistance, please feel free to contact me at (717) 230-8293.

Sincerely,

A handwritten signature in black ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large, looped initial "M".

Matthew J. Knittel

Director

cc: Governor Tom Wolf
Members of the General Assembly