



INDEPENDENT FISCAL OFFICE

December 12, 2017

The Honorable Stan Saylor, Chairman
Appropriations Committee
Pennsylvania House of Representatives
245 Main Capitol Building
Harrisburg, PA 17120

Re: Requested Actuarial Note House Bill 1460, Printer's Number 2810

Dear Representative Saylor:

I am writing in response to your request of December 12, 2017 concerning an actuarial note for House Bill 1460, Printer's Number 2810. The legislation would modify the Public School Employees' Retirement Code (24 Pa.C.S.) and the State Employees' Retirement Code (71 Pa.C.S.) to require the boards of the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) to (1) publish certain financial information on their public websites within six months after the end of each system's fiscal year and (2) provide electronic copies of the information to members of the General Assembly. The published material would supplement the annual financial statements currently required by statute.

Under the bill, the information to be published would include: (1) the performance of investments over the most recent 1-, 3-, 5-, 10- and 20-year periods, (2) the performance of all investments by asset class over each time horizon both gross and net of fees commencing prospectively, with the gross fees reported retroactively for the 5-year period to the extent the information is reasonably available and (3) a detailed listing of the fees paid to investment managers for the applicable reporting years. The fee 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 amendment requires that the boards publish management letters prepared by: (1) auditors hired by the board and referenced in the annual financial statement and (2) an independent certified public accounting firm engaged by the board.

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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 2810 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 legislation for actuarial cost impact, but it has not reviewed the 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 blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large initial "M".

Matthew J. Knittel

Director, Independent Fiscal Office

cc: Governor Tom Wolf
Members of the General Assembly