



INDEPENDENT FISCAL OFFICE

November 13, 2019

The Honorable Garth D. Everett
House State Government Committee Chairman
Pennsylvania House of Representatives
400 Irvis Office Building
Harrisburg, PA 17120

Re: Requested Actuarial Note for House Bill 1996, Printer's Number 2799

Dear Chairman Everett:

I am writing in response to your request of November 1, 2019 concerning an actuarial note for House Bill 1996, Printer's Number 2799. The bill would amend Title 24 (Education) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes, by making changes in requirements of the boards. The bill would make the following changes:

- Limit board membership of both systems to no more than 12 years by instituting varying term limits on each classification of appointee.
- At both systems, requires an internal control audit of the system and plan every five years. If material findings are found during this audit, an additional audit would be required in the subsequent year.
- Expands annual training hour requirements for board members from eight to 10 hours and requires the inclusion of asset allocation and risk assessment to the list of topics.
- Each system's board would need to establish three new committees:
 1. **Audit /Compliance:** Members of this committee must have completed 16 hours of training in risk assessments, internal controls and auditing standards. Members must annually complete eight hours of training in those subjects each calendar year after appointment.
 2. **Executive:** Committee shall consist of the Board Chair, Vice Chair, and the Chairs of the Audit/Compliance, Bylaws/Policy, and Budget Finance Committees.
 3. **Asset Liability Contingency Operating:** This committee would be charged with evaluating the risk associated with the system's assets and liabilities.
- The board would also be authorized to establish additional committees and delegate duties to those committees consistent with the legislation.

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The bill would take effect 90 days after enactment.

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 House Bill 1996, Printer's Number 2799 and determined that the actuarial cost impact would be de minimis. Based on that determination, the bill does not require an actuarial note prior to further consideration by the General Assembly. The office reviewed the 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,



Matthew J. Knittel
Director, Independent Fiscal Office

cc:

Governor Tom Wolf
Members of the General Assembly