



## INDEPENDENT FISCAL OFFICE

September 8, 2022

Senator Patrick M. Browne  
Chairman  
Senate Appropriations Committee  
281 Main Capitol Building  
Harrisburg, PA 17120

Re: Requested Actuarial Note for House Bill 2447, Printer's Number 2909

Dear Chairman Browne:

This letter responds to your request of August 30, 2022 concerning an actuarial note for House Bill 2447, Printer's Number 2909. The bill directs the Pennsylvania Office of the State Treasurer, the State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS) and the Pennsylvania Municipal Retirement System (PMRS) to (1) identify all direct, indirect and alternative investments and securities of sanctioned Russian companies, sanctioned Belarusian companies, scrutinized companies, and the governments of Russia and Belarus and (2) divest themselves from these identified investments. The legislation also prohibits public funds from acquiring any of these investments after the effective date of the legislation. The legislation is effective immediately upon enactment. Provisions of the bill do not apply to SERS and PSERS defined contribution plans and the Commonwealth's deferred compensation plan.

The legislation stipulates that public funds must submit two reports. The first report, which must be submitted 30 days after enactment, will be directed to the U.S. Attorney General, the Treasurer of the United States, and the Director of the Office of Foreign Assets Control for the U.S. Treasury, and will detail the requirements in the bill. The second report will be submitted to the General Assembly, Governor and board members of SERS, PSERS and PMRS not less than three months after the effective date of the legislation and will provide a list of all scrutinized companies in which the fund has holdings and all investments sold, redeemed, divested or withdrawn in compliance with the bill. The administrators of the public funds may jointly file reports to satisfy both requirements.

The legislation requires that the Commonwealth shall reimburse the public funds for net losses, costs and expenses incurred as a result of initial and subsequent divestment of direct holdings in compliance with the bill after the effective date of the legislation. Public funds will submit to the Secretary of the Budget an itemized list of the amounts necessary to reimburse the funds for covered losses. The Independent Fiscal Office (IFO) contacted SERS, PSERS and PMRS for estimates of direct and indirect holdings and any anticipated administrative costs related to the bill. The systems expect minimal administrative costs, and holdings are as follows:

- SERS: \$0 in direct holdings; \$2.0 million in indirect holdings
- PSERS: \$1.4 million in direct holdings; \$0.5 million in indirect holdings
- PMRS: \$0 in direct holdings; \$1.6 million in indirect holdings
- Total: \$1.4 million in direct holdings; \$4.1 million in indirect holdings

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Under section 615-B of the Administrative Code of 1929, the 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 2447, Printer's Number 2909 and figures provided by SERS, PSERS and PMRS and determined that it is unlikely there would be a material impact on the systems. The value of direct and indirect holdings can fluctuate significantly due to market conditions until divestment can be completed. Currently, the maximum total potential impact on the systems is \$5.5 million, of which an estimated \$1.4 million would be reimbursable by the Commonwealth. That amount would be in addition to any direct or indirect holdings in Commonwealth funds managed by the State Treasurer. Based on these estimates, the IFO determined that the bill would 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 provide further assistance, please contact me at (717) 230-8293.

Sincerely,



Matthew J. Knittel  
Director, Independent Fiscal Office

cc: Governor Tom Wolf  
Members of the General Assembly