HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

SENATE BILL: 928 **PRINTER'S NO: 1923** **PRIME SPONSOR: Stack**

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	$0	See Analysis
Public School Employees' Retirement Fund	$0	See Analysis
State Employees' Retirement Fund	$0	See Analysis
Pennsylvania Municipal Retirement Fund	$0	See Analysis
State Treasurer	$0	See Analysis

OVERVIEW:

Senate Bill 928 is a freestanding act providing for divestiture of public funds for investments in companies doing business in Iran and Sudan. Public funds are defined as funds held by the State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), the Pennsylvania Municipal Retirement System (PMRS), and any Commonwealth funds for which the State Treasurer is custodian. The bill also provides for reimbursement from the General Fund for investment losses and other costs incurred as a result of this divestiture. Reinvestment in Iran and Sudan would be permitted under certain circumstances as outlined in the bill.

This act shall take effect immediately.

ANALYSIS:

The bill provides definitions for "scrutinized" business activities and companies that would potentially be identified for divestiture from the funds. Within 90 days after the effective date, each public fund is required to identify all scrutinized companies in which the fund has direct holdings. The fund is required to notify each company, within 120 days, that is in scrutinized status and may be subject to divestment. The company is required to clarify its scrutinized business activities, cease such activities, or convert the activities to inactive business activities in order to avoid divestiture. If the scrutinized company does not respond/comply within 180 days, the fund must divest its direct holdings for each company within 26 months.

The Public Employee Retirement Commission (PERC) has indicated that, due to numerous variables and uncertainties, a precise estimate of the actuarial cost for the bill cannot be determined. It is anticipated that the funds will have transaction costs associated with selling and reinvesting holdings, as well as costs associated with monitoring investments for possible divestiture. The Commonwealth is designated as responsible for these costs. Each fund has provided estimates of current holdings and possible transaction and administrative costs that are listed in the table that follows. These estimates are based upon the most recent holdings and will not necessarily reflect the holdings for each fund by mid-2013, when actual divestiture must occur. However, annual administrative and monitoring costs will begin upon enactment of the bill.

Fund	Targeted Holdings	One-Time Transaction Costs	Recurring Annual Admin & Monitoring Costs
PSERS	$292,413,573	$2,050,000	$100,000
SERS	$74,228,094	$520,000	$100,000
PMRS	$27,002,000	$108,000	$100,000
Treasury	$43,346,529	$15,000	$16,000
TOTAL	**$436,990,136**	**$2,693,000**	**$316,000**

Upon appropriation by the General Assembly, payment shall be made to reimburse the public funds for costs incurred. For fiscal year 2010-11, the maximum estimated cost is $316,000. However, because no appropriation is made in the bill, there is no adverse impact on Commonwealth funds.

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House Appropriations Committee, (D)

DATE: June 21, 2010

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*