



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1996

PRINTERS NO. 2799

PRIME SPONSOR: Ryan

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
Public School Employees' Retirement Fund	\$0	See fiscal impact
State Employees' Retirement Fund	\$0	See fiscal impact

SUMMARY: House Bill 1996, printer's number 2799, amends Title 24 (Education) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes to further provide for the Public School Employees' Retirement System (PSERS) Board and the State Employees' Retirement System (SERS) Board, and for administrative duties of the boards.

The effective date is 90 days after enactment.

ANALYSIS: The bill amends the Public School Employees Retirement Code (Part IV of Title 24) and the State Employees' Retirement Code (Part XXV of Title 71) to modify requirements for the PSERS Board and SERS Board as follows:

- Language is added to Section 8501(a) of Title 24 and Section 5901(b) of Title 71 to limit the term of board membership to no more than 12 years for nonlegislative elected and appointed board members, effective for board members appointed after the effective date of the sections.
- Section 8501(f) of Title 24 and Section 5901(f) of Title 71 are amended to increase the number of hours of mandatory training for board members to 10 hours, and to include asset allocation and risk assessment in the required list of training.
- New subsections are added to Section 8501 of Title 24 and Section 5901 of Title 71 to require the PSERS and SERS boards to establish three new committees:
 - Independent Audit/Compliance Committee, with the requirement for any board members appointed to the committee to first complete at least 16 hours of training in risk assessments, internal controls, and auditing standards. To continue serving as a voting member of the Audit/Compliance Committee following initial appointment, a board member must complete at least eight hours of continuing education in the specified subjects each calendar year thereafter.
 - Executive Committee to consist of the board chair, the board vice chair, if one has been appointed, the chair of the Audit/Compliance Committee, the chair of the Bylaws/Policy Committee and the chair of the Budget/Finance Committee.
 - Asset Liability Contingency Operating Committee, which shall be charged with evaluating the risk associated with the system's assets and liabilities.

- Additional committees may be established by the boards with duties delegated to committees consistent with the legislation.
- New paragraphs are added to Section 8502(o) of Title 24 and Section 5902(n) of Title 71 to require the PSERS and SERS board to provide for an internal control audit of the systems and plans at least every five years. Additionally, if an annual financial report required for the systems or the internal control audit identifies a material weakness or significant deficiency, the boards shall provide for an additional internal control audit of the system and the plan for the year subsequent to the report or audit in which the weakness or deficiency was identified.

FISCAL IMPACT: The enactment of this legislation will increase costs for the PSERS and SERS funds to meet the new administrative requirements outlined in the bill. SERS reports that every five years the system will incur costs of approximately \$125,000 for the internal control audits. It is projected that PSERS will incur similar costs every five years. Should material weaknesses or significant deficiencies be found in annual financial reports or the internal control audit, costs will be incurred for additional internal control audits.

Additional costs will be incurred for required training for the Independent Audit/Compliance Committee members, but these costs are estimated to be no greater than \$16,000 annually so they can be accommodated within current operating budgets of the PSERS and SERS. Operating funds for PSERS and SERS are paid from assets of the PSERS and SERS funds.

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House Appropriations Committee (R)

DATE: June 23, 2020

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.