



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2447

PRINTERS NO. 2909

PRIME SPONSOR: Benninghoff

COST / (SAVINGS)

FUND	FY 2021/22	FY 2022/23
General Fund	See fiscal impact	See fiscal impact

SUMMARY: House Bill 2447, printer's number 2909, creates the Russia and Belarus Divestiture Act providing for divestiture by the State Treasurer, the State Employees' Retirement System (SERS), the Public School Employees' Retirement System (PSERS), and the Pennsylvania Municipal Retirement System (PMRS) of investments in assets relating to Russia and Belarus.

ANALYSIS: This legislation directs the State Treasurer, SERS, PSERS, and PMRS to identify all direct, indirect, and alternative investments of sanctioned Russian companies, sanctioned Belarusian companies, scrutinized companies, and the governments of Russia and Belarus within fourteen days of the effective date, and at least every seven days through June 30, 2023. The aforementioned entities are required to divest from the identified investments in accordance with federal law and are prohibited from future acquisition of such investments. The divestiture requirements contained in the bill do not apply to the defined contribution plans managed by SERS and PSERS.

Within thirty days of the effective date, the administrators of a public fund shall file a written report to the United States Attorney General, the Treasurer of the United States, and the Director of the Office of Foreign Assets Control of the United States Department of the Treasury detailing the requirements contained in the bill. Within three months of the effective date, and not less than once per year thereafter, a public fund shall provide a report to the Governor, the President pro tempore of the Senate, the Speaker of the House of Representatives and each member of the boards of PMRS, SERS, and PSERS. Both of these reports may be filed jointly.

The reports shall include the following:

- A list of all scrutinized companies in which the public fund has direct holdings, indirect holdings and alternative investments.
- All investments sold, redeemed, divested, or withdrawn in compliance with the act, the costs and expenses of such transfers and a determination of net gain or loss on account of such transactions incurred in compliance with the provisions of this act.
- All prohibited investments under the act.

A public fund shall have no obligations relative to the legislation with respect to foreign companies that are domiciled in or organized under the laws of Russia or Belarus upon occurrence of the following:

- Except for a sanctioned Russian or Belarusian company, the company is no longer a foreign company that is domiciled in or organized under the laws of Russia or Belarus.
- The President or Congress of the United States, through executive order or legislation, declares that mandatory divestment of the type provided for in this act interferes with the conduct of United States foreign policy.

Except as otherwise provided, the fiduciary and investing responsibilities of the public fund provided in other laws shall not apply to actions required under this enactment. Divestment mandated within the legislation shall be made in accordance with any applicable fiduciary or prudent investing responsibilities as prescribed in state law.

House Bill 2447 provides for indemnification to board members and their designees, officers, employees, agents, research firms, and investment managers for all good faith actions taken to comply with the legislation and against any expenses, liabilities, or losses reasonably incurred in connection with any proceeding.

The Commonwealth is required to reimburse each public fund for net losses, costs, and expenses incurred as a result of compliance with the provisions of this act. Affected public funds must submit an itemization of the amount necessary to be appropriated by the General Assembly to the Secretary of the Budget for reimbursement of the fund for its net losses, costs, and expenses. Upon appropriation by the General Assembly, the reimbursement will be paid by the State Treasurer through the Department of Revenue to the applicable fund within ninety days.

The act shall take effect immediately.

FISCAL IMPACT: According to the IFO, in consultation with SERS, PSERS, and PMRS, administrative costs associated with the legislation are expected to be minimal. As of March 2022, PSERS estimated that they had approximately \$17 million in direct holdings, and \$51 million in indirect holdings in Russia and Belarus. SERS estimated indirect exposure of \$6 million. PMRS estimated \$1.6 million in indirect holdings. Between the systems in total, there is an estimated direct exposure of \$17 million and indirect exposure of \$58.6 million. Treasury holdings were estimated to be around \$2.9 million, with minimal costs to divest.

Reimbursement for incurred losses, costs, and expenses is only required after the effective date of the act. To the extent the public fund experiences net gains as a result of compliance with the provisions of the bill, the net gains shall be used to offset any reported costs or expenses incurred by the public fund.

PREPARED BY: Casey Martin
House Appropriations Committee (R)

DATE: April 7, 2022

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