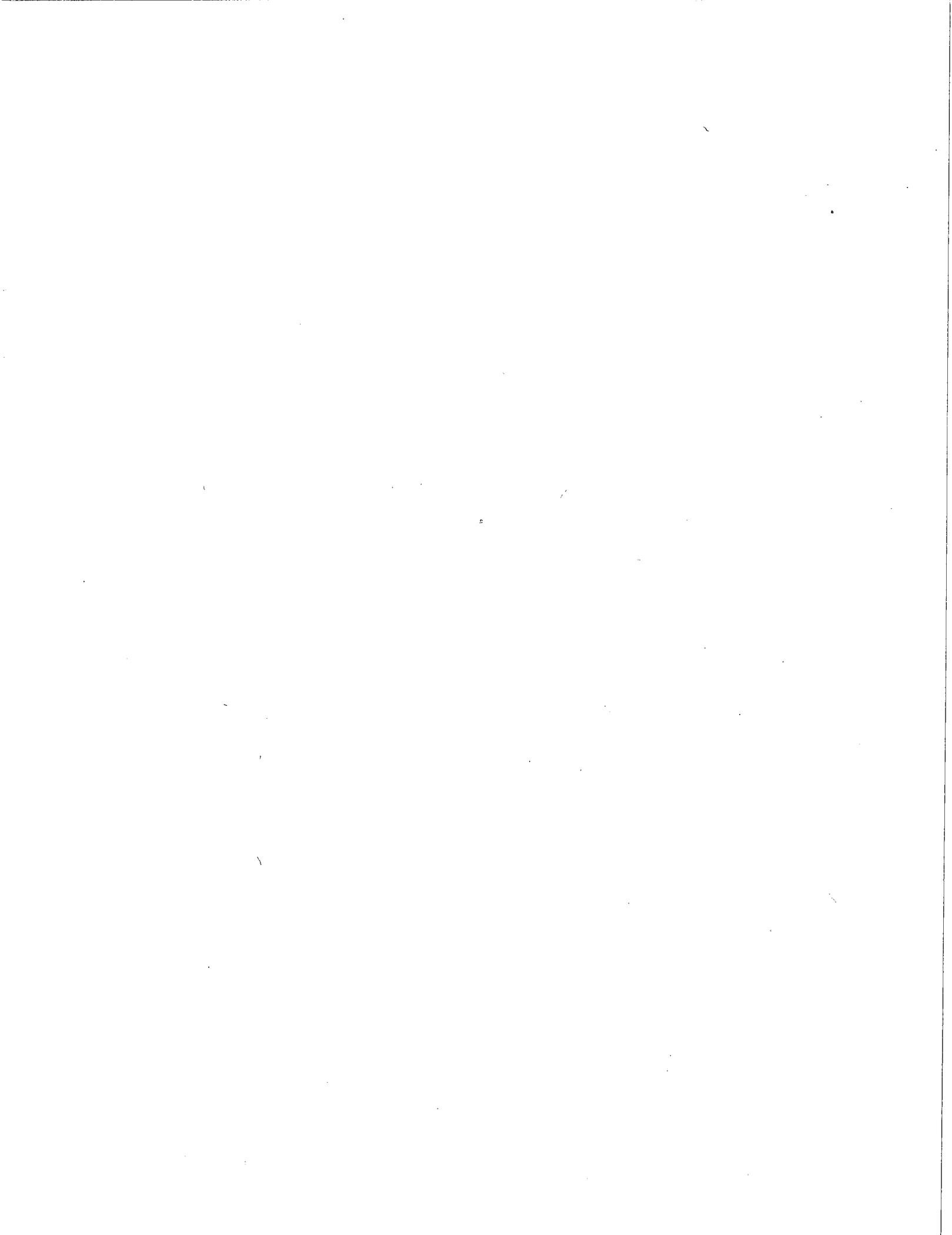


1983 ANNUAL REPORT
OF THE
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION



COMMONWEALTH OF PENNSYLVANIA

September, 1983





COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION

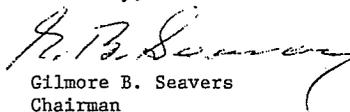
HARRISBURG
17120

To: Members of the Pennsylvania General Assembly and
Governor Thornburgh

In compliance with Act 66 of 1981, the following annual report is presented to summarize the activity of the Public Employee Retirement Study Commission from its initial meeting on December 7, 1981, to June 30, 1983. In this organizational period, the Commission established its office, adopted by-laws, implemented procedures to provide actuarial notes for proposed public pension legislation, conducted its first annual review of the State Employees' Retirement System, the Public School Employees' Retirement System and the Pennsylvania Municipal Retirement System (Act 293 of 1972) transferred from the Department of Community Affairs. The Commission also met its mandated responsibility to develop and recommend, within its first year of operation, legislation to initiate municipal pension system reform in the Commonwealth, and assumed responsibility for the administration of the municipal pension system actuarial reporting law. The report also identifies the issues to be addressed by the Commission in the coming months and years pursuant to its duties under Act 66 of 1981, as amended.

On behalf of the Public Employee Retirement Study Commission and its staff, I am pleased to submit the first annual report of the Commission for your information. Although specific acknowledgements of assistance and cooperation given the Commission in its organizational period are included in the report, the Commission wishes to express appreciation to all persons, organizations and agencies whose assistance permitted the early and successful completion of the Commission's organizational period.

Sincerely,


Gilmore B. Seavers
Chairman

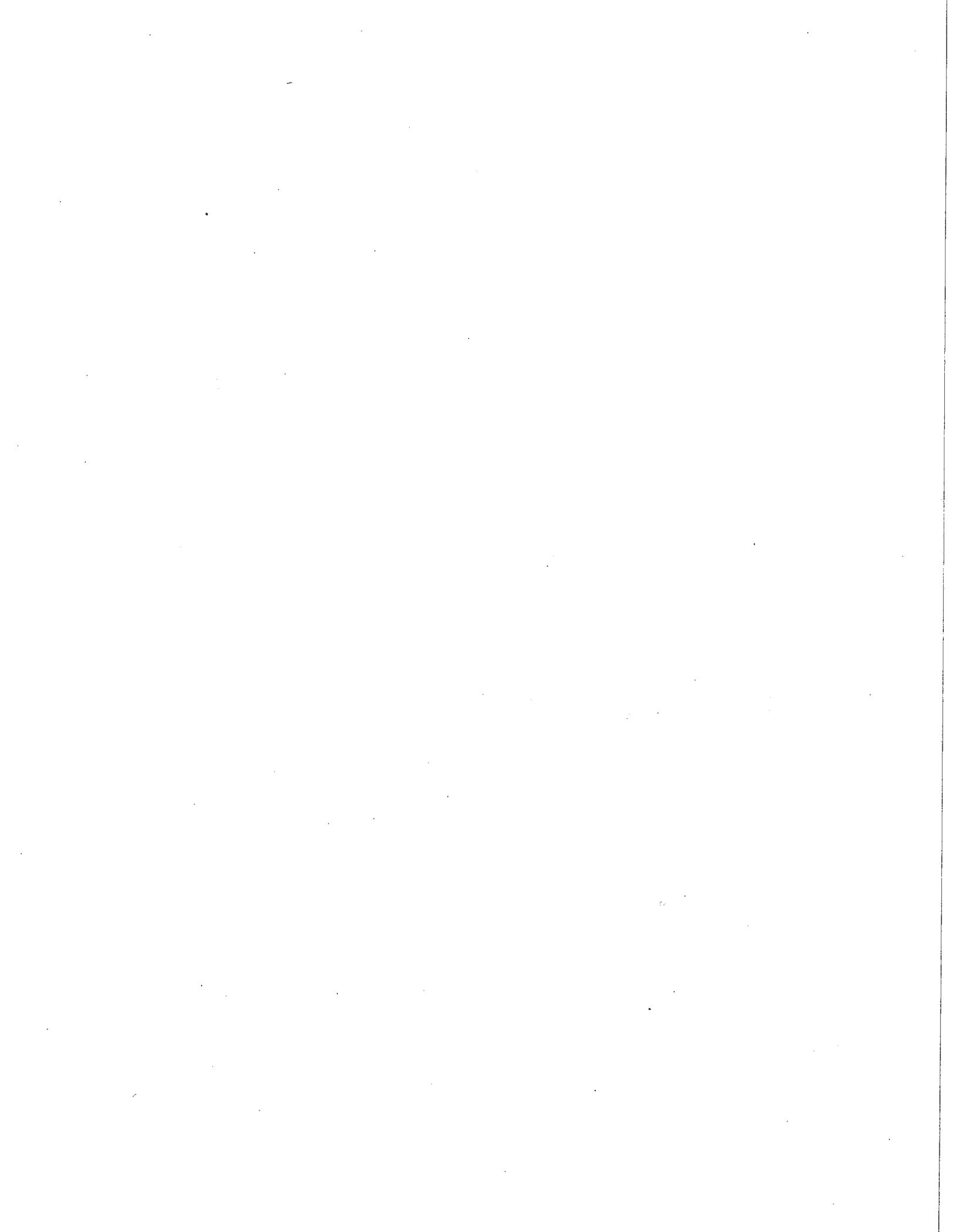


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Establishment of the Commission

MEMBERSHIP

Section 5. Commission membership.

(a) Legislative members.

(1) The President pro tempore of the Senate, after consultation with the Senate Minority Leader, shall appoint two members of the Senate, one from the majority and one from the minority, to serve on the commission.

(2) The Speaker of the House of Representatives, after consultation with the House Minority Leader, shall appoint two members of the House, one from the majority and one from the minority, to serve on the commission.

(3) The legislative members of the commission shall serve on the commission for the duration of the terms for which they were elected.

(b) Gubernatorial appointments.

(1) The Governor shall appoint five additional members to the commission, no more than three of whom shall be of the same political party, with the advice and consent of a majority of the Senate pursuant to the procedure established in section 207.1, act of April 9, 1929 (P.L.177, No.175), known as "The Administrative Code of 1929."

(2) The members appointed by the Governor shall be representatives from the general public, one of whom shall be an active or retired member of a public employee pension or retirement plan. The members shall be skilled and knowledgeable in the area of pension or retirement system management.

(3) The members of the commission appointed by the Governor shall serve terms of six years, except those members initially selected, one of whom shall serve for two years, one of whom shall serve for three years, one for four years, one for five years and one for six years.

- Act 66 of 1981

With the enactment of Act 66 of 1981, the Public Employee Retirement Study Commission was established. The gubernatorial appointees were confirmed by the Senate on October 27, 1981. The original members of the Commission continue to serve and include:

DR. GILMORE B. SEEVERS, Chairman

Dr. Seavers was appointed to a five-year term on the Commission by Governor Dick Thornburgh. He is the retired President of Shippensburg University of Pennsylvania, having served from 1970 to 1980. During his more than 42 years of public education service in Pennsylvania, he held various other positions including superintendent of Cumberland Valley School System, Dean of Student Personnel at Shippensburg University and Vice-President for Administration at Shippensburg University.

He has been an active member of many professional and other organizations. He has served on State Advisory Councils for Adult Education, for Community Education and for Vocational Education. He is currently a member of the board of the Pennsylvania Association of Adult and Continuing Education (PAACE). He is a past President and remains a member of the board of the South Central Education Broadcasting Council. He is a member of the board of directors of Capital Blue Cross, Harrisburg, the United Telephone Company of Pennsylvania, and the Cumberland Valley Savings and Loan Association.

Dr. Seavers holds a bachelor's degree from Shippensburg University, a master's degree from Duke University and a doctorate from The Pennsylvania State University. He was awarded the honorary degree, Doctor of Laws by the Dickinson School of Law in June, 1981, and was named Honorary Graduate, United States Army War College, Carlisle in July, 1981. A World War II veteran, Dr. Seavers attained the rank of captain in the U. S. Air Force before leaving the service in 1946.

REPRESENTATIVE HAROLD F. MOWERY, JR., Vice-Chairman

Representative Mowery was initially appointed to serve on the Commission during the 1981-82 Session of the General Assembly by Speaker Matthew J. Ryan and was reappointed for the 1983-84 Session of the General Assembly. He has represented the 87th District in Cumberland County since he was first elected in 1976. He is Chairman of the Education Sub-Committee of the Appropriations Committee and is a member of the Insurance Committee. He was the prime sponsor of the legislation creating the Public Employee Retirement Study Commission in 1981.

Representative Mowery has been actively involved in the insurance business since 1959, and upon becoming a Chartered Life Underwriter in 1966 formed Mowery Associates. He has authored articles published in various insurance journals.

Representative Mowery was a member of the Camp Hill School Board for seven years serving as President during his tenure. He received a Bachelor of Arts degree from Dickinson College in 1954.

PAUL D. HALLIWELL, Commissioner

Mr. Halliwell was appointed to a two-year term on the Commission by Governor Dick Thornburgh. He is President of Halliwell and Associates, Inc., an actuarial consulting firm with offices in Pittsburgh. Prior to founding Halliwell and Associates, Inc. in 1974, he was engaged in actuarial work for more than thirteen years including employment by the Phoenix Mutual Life Insurance Company and the Nationwide Insurance Company prior to being Senior Actuary and Vice-President for a national consulting firm.

Mr. Halliwell is a member of the American Academy of Actuaries, a Fellow in the Conference of Actuaries in Public Practice, an Associate in the Society of Actuaries and an Enrolled Actuary. He is also a member of the American Academy of Actuaries Professional Conduct Committee.

He is a graduate of Ohio University and currently is serving as a Director of St. Clair Memorial Hospital.

MR. WILLIAM H. HANSELL, JR., Commissioner

Mr. Hansell was appointed to a six-year term on the Commission by Governor Dick Thornburgh. He is the Executive Director of the Pennsylvania League of Cities and formerly served for eight years as City Administrator for the City of Allentown. Through serving as municipal manager for three other Pennsylvania municipalities, he has ten additional years of experience as a municipal manager.

He has served as State President of the Association of Pennsylvania Municipal Managers, National President of the National Newman Club Federation and Executive Secretary of the Mid-Eastern Counties Association of Boroughs. He has authored numerous publications on financial management, personnel management and economic development. Mr. Hansell is a member of the American Arbitration Association, the Industrial Relations Research Association and the American Society for Public Administration.

In 1959, Mr. Hansell received a Bachelor of Science degree in economics from the University of Pennsylvania and he was awarded a Master of Governmental Administration degree from the same university in 1972.

SENATOR EDWARD L. HOWARD, Commissioner

Senator Howard was initially appointed to serve on the Commission during the 1981-82 Session of the General Assembly by President Pro Tempore of the Senate, Henry G. Hager, and he was reappointed for the 1983-84 Session of the General Assembly. He has represented the 10th District in Bucks County since he was first elected in 1970. He is Senate Policy Committee Chairman, Chairman of the Finance Committee and a member of the Appropriations, Public Health and Welfare, Urban Affairs and Housing, and Rules and Executive Nominations Committees.

Senator Howard has been actively involved in public pension issues for several years. He served as a member of the Special Joint Committee to review Cost-of-Living Supplements and Funding Sources in 1981-82, and the Special Senate Committee on Municipal Retirement Systems in 1980. He has recently been appointed by the President Pro Tempore of the Senate to the Public School Employes' Retirement Board, the State Employes' Retirement Board, and the Committee on Pensions of the State-Federal Assembly of the National Conference of State Legislatures.

Senator Howard graduated from the University of Minnesota in 1951. He served in the Provost Office of the United States Army in 1945-46.

SENATOR H. CRAIG LEWIS, Commissioner

Senator Lewis of Bucks County was initially appointed to serve on the Commission during the 1981-82 Session of the General Assembly by President Pro Tempore of the Senate, Henry G. Hager, and he was reappointed for the 1983-84 Session of the General Assembly. He has represented the 6th District since 1974. He is the Minority Chairman of the Appropriations Committee and a member of the Ethics and Official Conduct, the Local Government and the Rules and Executive Nominations Committees.

Senator Lewis was Chairman of the special Senate Committee on Municipal Retirement Systems in 1980, and he is currently a member of the Pennsylvania Intergovernmental Council.

He was graduated from Millersville State College and the Temple University School of Law.

REPRESENTATIVE ROBERT W. O'DONNELL, Commissioner

Representative O'Donnell was initially appointed to serve on the Commission during the 1981-82 Session of the General Assembly by Speaker of the House, Matthew J. Ryan, and was reappointed for the 1983-84 Session of the General Assembly. He has represented the 198th District in Philadelphia since he was first elected in 1974. He is the Majority Whip of the House of Representatives and serves on the Rules Committee.

Representative O'Donnell is a former member of the Pennsylvania MILRITE Council.

He attended LaSalle College, New York University Law School, Hague Academy of International Law and graduated from the Temple University School of Law.

MR. DALE D. STONE, Commissioner

Mr. Stone was appointed to a four-year term on the Commission by Governor Dick Thornburgh. He retired in 1982 from the Sun Company, Inc., where he served as Senior Vice-President for Human Resources and Administration. With his Sun Company experience and prior employment with the Sunray DX Oil Company, Mr. Stone has more than 26 years experience in personnel management.

Mr. Stone currently serves as a senior lecturer for the Department of Management of the University of Pennsylvania's Wharton School. He is a member of the Executive Committee of the Advisory Board of the Salvation Army.

In 1948, Mr. Stone was graduated cum laude from the University of Wisconsin, with a Bachelor of Science degree. He was awarded a Master of Science degree from the same university in 1950.

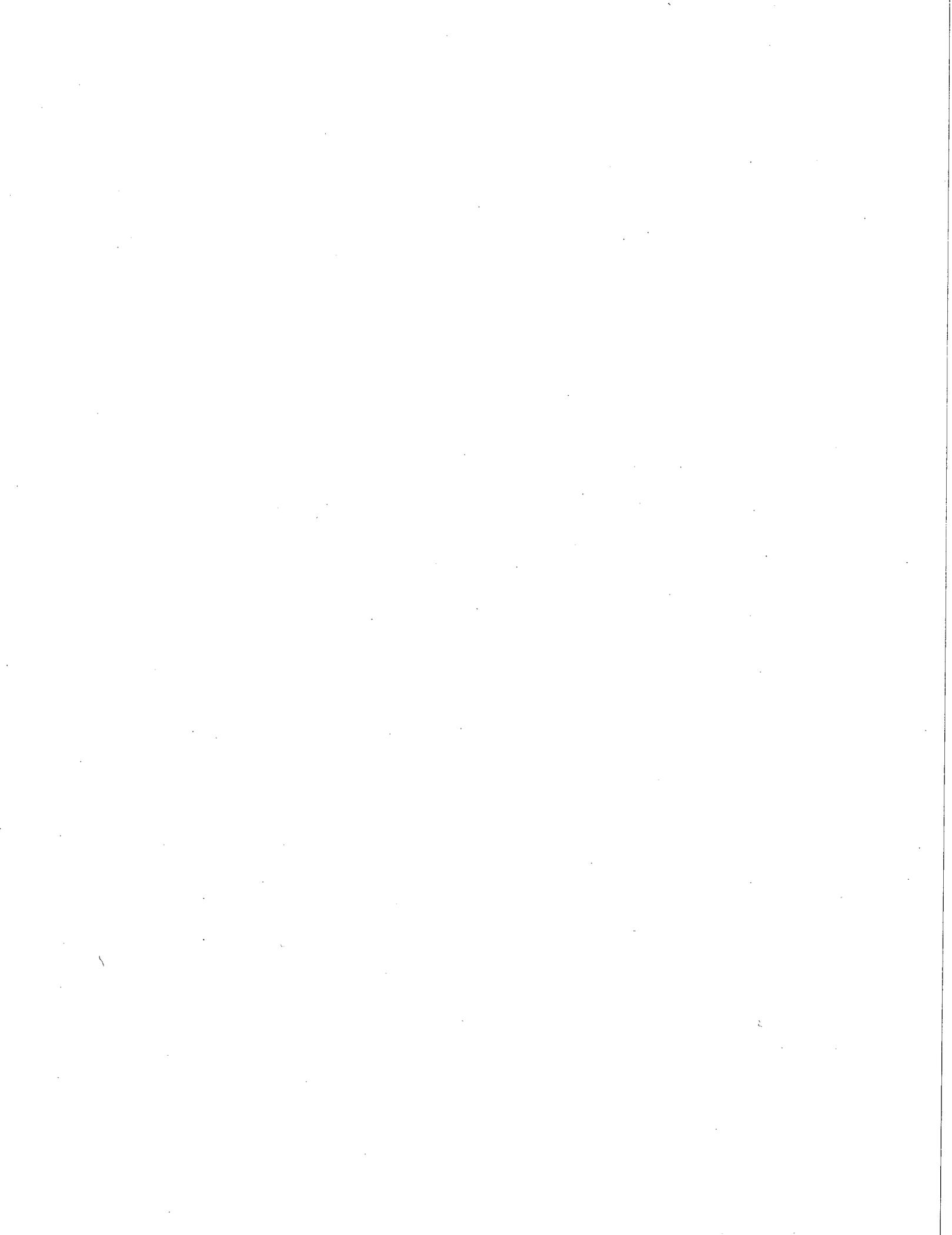
He served in the United States Army for four years, rising to the rank of Staff Sergeant, and received the Bronze Star.

MR. RICHARD L. WITMER, Commissioner

Mr. Witmer was appointed to a three-year term on the Commission by Governor Dick Thornburgh. He is the retired Secretary of the Pennsylvania State Employees' Retirement System, having served from 1969 to 1979. In 1978 and 1979, he served as the first National President of the Coordinating Council on Public Retirement, and was previously a Trustee for the National Conference on Public Employee Retirement Systems. He has also served as Regional Vice-President, Treasurer and Secretary of the National Association of State Retirement Administrators.

Prior to his tenure with the Pennsylvania State Employees' Retirement System, Mr. Witmer served as Director of the Bureau of County Collections, Pennsylvania Department of Revenue. He served as President of the Sparta Merged School Board for ten years and as President of the Crawford County Board of Education. He is currently serving as Chairman of the Board of Trustees of the Sparta Medical Association.

Mr. Witmer served in the United States Army for five years, rising to the rank of Captain.



ORGANIZATION

Section 5. Commission membership.

(d) Organization.--The commission shall meet within 60 days of its establishment for the purpose of organizing and selecting officers who shall be chosen from its membership. Thereafter, the commission shall meet as necessary at the call of the commission chairman, but in no case less than six times per year.

- Act 66 of 1981

The organizational meeting of the Public Employee Retirement Study Commission was convened on December 7, 1981, by Representative Matthew J. Ryan, Speaker of the House of Representatives. Dr. Gilmore B. Seavers was elected to serve as chairman, and Representative Harold F. Mowery, Jr. as vice-chairman. Committees of the Commission appointed early in 1982 included: personnel, actuarial services, by-laws and legislative relations. Through the efforts of these committees, the Commission selected staff and adopted guidelines for actuarial services, by-laws and legislative procedures. The legislative procedures implementing the attachment of actuarial notes to proposed public pension legislation were developed and implemented in cooperation with the leadership, committee chairmen and staff of the General Assembly. The Commission meets monthly.

The Commission initially established a temporary office with staff and facilities provided by the Department of Community Affairs. The Commission's permanent office, located in the Transportation and Safety Building, was made functional by April 17, 1982.

In accordance with Section 8 of Act 66 of 1981, as amended, the Commission has appointed a Municipal Pension Advisory Committee and a Municipal Employee Pension Advisory Committee. Both advisory committees are appointed annually from nominations submitted by organizations of municipalities and municipal employees respectively and meet with the Commission at least once each year to discuss the activities of the Commission and to present information or recommendations. The members of the advisory committees for calendar year 1983 and their sponsoring organizations are as follows:

MUNICIPAL PENSION ADVISORY COMMITTEE

Mr. Ray E. Trimmer, Chairman
Pennsylvania State Association of Township Commissioners

Mr. Kenneth I. Witmer, Vice-Chairman
Pennsylvania League of Cities

Mr. Patrick Costello, Member
Pennsylvania State Association of County Commissioners

Mr. Gerald C. Godwin, Member
Pennsylvania State Association of Boroughs

Mr. B. Kenneth Greider, Member
Pennsylvania State Association of Township Supervisors

Mr. William J. Woll, Member
Pennsylvania Municipal Authorities Association

MUNICIPAL EMPLOYEE PENSION ADVISORY COMMITTEE

Mr. Francis J. Schafer, Chairman
Pennsylvania Chiefs of Police Association

Mr. Francis W. Walker, Vice-Chairman
Pennsylvania Fraternal Order of Police

Mr. Russell P. Cerami, Secretary
Pennsylvania State Firefighters Association

Ms. Nancy J. Noonan, Commission Liaison
Pennsylvania State Education Association

(Vacant)
American Federation of State, County and Municipal Employees

STAFF AND CONSULTANT SERVICES

Section 6. Powers and Duties.

(7) To hire an executive director and other appropriate staff such as actuaries, legal counsel, research analysts, secretarial assistance and contract for consultant services as may be within the limits of the appropriations available.

- Act 66 of 1981

Staff -

On the recommendation of a search and select committee on personnel, the Commission employed its executive director on March 3, 1983. The deputy executive director and administrative assistant were employed on March 31, 1983. The Commission's staff complement was filled with the employment of a clerk-typist on June 21, 1983 and its research associate on July 15, 1983. Members of the Commission's staff are as follows:

Lawrence A. Martin, Executive Director
Ray L. Martin, Deputy Executive Director
Susan B. Rossman, Research Associate
Martha J. Lingle, Administrative Assistant
Sandra L. St.Clair, Clerk Typist/Receptionist

Actuarial Services -

Guidelines under which actuarial services are to be provided to the Commission were developed by the actuarial services committee and adopted on June 2, 1982. The actuarial services guidelines establish the educational and experience standards for the selection of actuarial consultants and provide for the utilization of three actuarial consultants by the Commission. Engaging multiple actuarial consultants was considered appropriate to provide for geographical proximities to potential work assignments, to provide the Commission with an enhanced scope of actuarial experience and a greater response capacity, and to avoid potential conflicts of interest. The actuarial consultants engaged by the Commission are:

Eastern Pennsylvania

TOWERS, PERRIN, FORSTER & CROSBY
Stanley R. Freilich

Central Pennsylvania

CONRAD M. SIEGEL, INC.
Conrad M. Siegel

Western Pennsylvania

JOHNSON & HIGGINS

John Agatston (April, 1982 to August, 1982)
Kent E. Levihn (September, 1982 to present)

Legal Counsel -

Deputy General Counsel Charles L. Sieck has served as the Commission's acting legal counsel since January of 1982.

* * * * *

The Commission wishes to acknowledge the assistance and cooperation afforded the Commission in its organizational efforts by members and staff of the General Assembly, the Department of Community Affairs, the Office of Budget and Administration, the municipal associations, the municipal employee associations and the Department of General Services.

Responsibilities and Duties of the Commission

PREPARATION OF ACTUARIAL NOTES

Section 6. Powers and duties.

(a) In general.--The commission shall have the following powers and duties:

(13) To issue actuarial notes pursuant to section 7.

Section 7. Actuarial notes.

(a) Note required for bills.--Except as otherwise provided in subsection (f)(1), no bill proposing any change relative to a public employee pension or retirement plan shall be given second consideration in either House of the General Assembly, until the commission has attached an actuarial note prepared by an enrolled pension actuary which shall include a reliable estimate of the cost and actuarial effect of the proposed change in any such pension or retirement system.

(b) Note required for amendments.--Except as otherwise provided in subsection (f)(2), no amendment to any bill concerning any public employee pension or retirement plan shall be considered by either House of the General Assembly until an actuarial note prepared by an enrolled pension actuary has been attached.

(c) Preparation of note.--The commission shall select an enrolled pension actuary to prepare an actuarial note which shall include a reliable estimate of the financial and actuarial effect of the proposed change in any such pension or retirement system.

(d) Contents of a note.--The actuarial note shall be factual, and shall, if possible, provide a reliable estimate of both the immediate cost and effect of the bill and, if determinable or reasonably foreseeable, the long-range actuarial cost and effect of the measure.

(e) Notes for proposed constitutional amendments.--The commission shall issue an actuarial note, prepared by an enrolled pension actuary, for any joint resolution proposing an amendment to the Constitution of Pennsylvania which initially passes either House of the General Assembly. If said joint resolution is subsequently amended and passes either House of the General Assembly, a new actuarial note shall be prepared.

- Act 66 of 1981

The requirement that an actuarial note be attached to public pension bills prior to second consideration in either House of the General Assembly, initiated with the enactment of Act 66 of 1981, represented a modification to the legislative process used to analyze and consider public pension legislation. To meet the legislative mandate to prepare the required actuarial notes, the Commission developed and implemented legislative procedures in cooperation with the General Assembly. The original legislative procedures were adopted in February of 1982 and transmitted to all committee chairmen by the Speaker of the House and the President Pro Tempore of the Senate. The legislative procedures were revised in January of 1983 with the cooperation of the leadership of the General Assembly. The revisions clarified the procedure for the attachment of actuarial notes to floor amended legislation and provided for the preparation of "advisory" notes for public pension legislation being considered in committee upon the request of the Committee chairman. The revisions also clarified the availability of

the Commission's staff to provide technical assistance to members of the General Assembly on matters pertaining to retirement plan design, financing and administration. The current legislative procedures of the Commission are contained as an appendix to this report.

During the organizational period covered by this report, the Commission authorized attachment of actuarial notes to eleven bills or series of bills. A synopsis of each bill or series of bills, its actuarial costs and its disposition is attached as an appendix to this report.

The revised legislative procedures adopted by the Commission in January of 1983, provided for analysis and actuarial data to be available to committees of the General Assembly in the form of an "advisory note" as they consider public pension legislation. As of June 30, 1983, the Commission staff had prepared "advisory notes" for three bills.

* * * * *

The Commission wishes to acknowledge the cooperation and assistance of the offices of the Speaker of the House and the President Pro Tempore of the Senate, as well as the chairmen of the various committees of the General Assembly, in implementing the Commission's legislative procedures providing for the attachment of actuarial notes for proposed public pension legislation.

MUNICIPAL PENSION "SYSTEM REFORM

Section 6. Powers and duties.

(a) In general.--The Commission shall have the following powers and duties.

(14) To formulate and recommend passage of legislation, within one year of the initial meeting of the commission, to mandate actuarial funding standards and establish a recovery program for municipal pension systems determined to be financially distressed.

(b) Priority.--The commission shall carry out all of its powers and duties imposed by this act by first addressing and completing its duties with regard to the municipal government retirement systems before exercising any of its powers and duties with regard to the other retirement plans enumerated in section 3.

- Act 66 of 1981

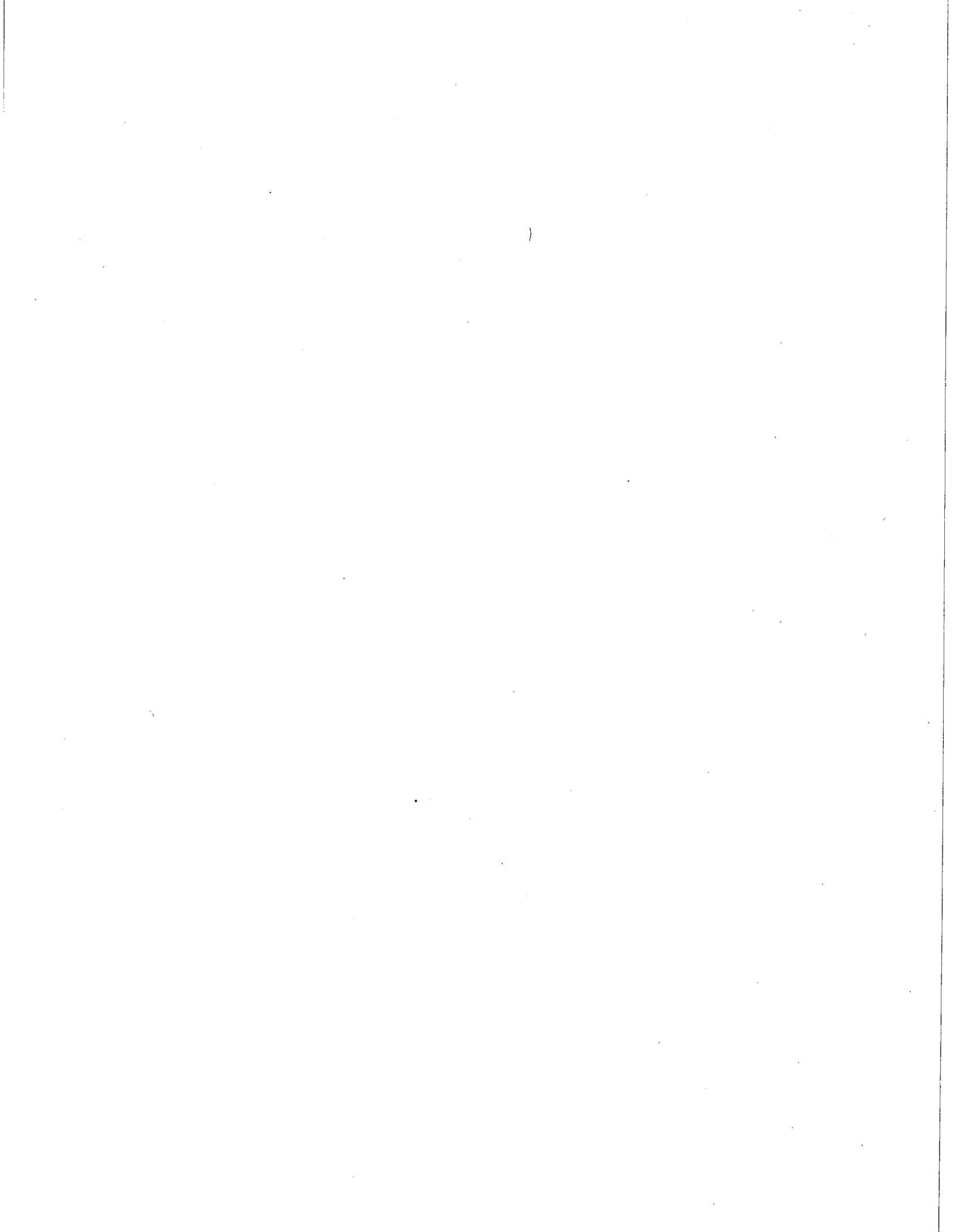
In enacting Act 66 of 1981, the General Assembly found municipal pension system reform to be necessary in the Commonwealth and directed the Commission to formulate specified legislative remedies within one year of its initial meeting. The General Assembly instructed the Commission to formulate legislation mandating actuarial funding standards for all municipal pension systems and establish a recovery program for financially distressed municipal pension systems.

The Commission approved recommendations to the General Assembly and the Governor on December 8, 1982, and transmitted a formal report on January 25, 1982, entitled "Recommendation of Actuarial Funding Standards and a Recovery Program for Municipal Pension Systems". Copies of the report are available and may be obtained by contacting the Commission's office.

Legislation to implement the Commission's recommendations was introduced in both the House (H.B. 857) and Senate (S.B. 546) by the legislative members of the Commission and others early in the 1983-84 Session of the General Assembly. The municipal pension system legislation recommended by the Commission requires municipalities to comply with an actuarial funding standard to arrest the continuing financial deterioration of municipal pension funds in Pennsylvania. As the General Assembly directed, the legislation also provides for a comprehensive remedial program for financially distressed municipal pension systems which entails implementation of reform measures by the municipalities and short-term state financial assistance in meeting the mandated actuarial funding requirements.

* * * * *

The Commission wishes to acknowledge the assistance and cooperation of the Municipal Pension Advisory Committee and the sponsoring municipal associations in the process leading to the formulation of the municipal pension system reforms. The Commission also acknowledges the prior contributions of the Special Senate Committee on Municipal Retirement Systems and the Department of Community Affairs which have produced an increased awareness of Pennsylvania's need to address municipal pension system problems.



PUBLIC PENSION POLICY DEVELOPMENT AND COORDINATION

Section 4. Public Employee Retirement Study Commission created.

There is hereby created the Public Employee Retirement Study Commission to review legislation affecting public employee pension and retirement plans and to study on a continuing basis public employee pension and retirement policy as implemented at both the State and local level, the interrelationships of the several systems and their actuarial soundness and cost.

Section 6. Powers and duties.

(a) In general.--The commission shall have the following powers and duties:

(1) To study generally the subject of retirement, income after retirement, disability and death benefits and the retirement needs of public employees. The commission shall have responsibility to formulate principles and objectives applicable thereto and to recommend any new legislation it deems advisable.

(2) To analyze on its own or upon request from either the legislative or executive branch any bill relating to public employee retirement or pension policy and issue a report thereto in a timely fashion. Such a report shall be submitted to the General Assembly and the Governor and shall include an assessment of the actuarial soundness, feasibility and cost of such legislation.

(9) To monitor and evaluate from time to time all the laws and systems thereunder which relate to public employee pension and retirement policy in the Commonwealth.

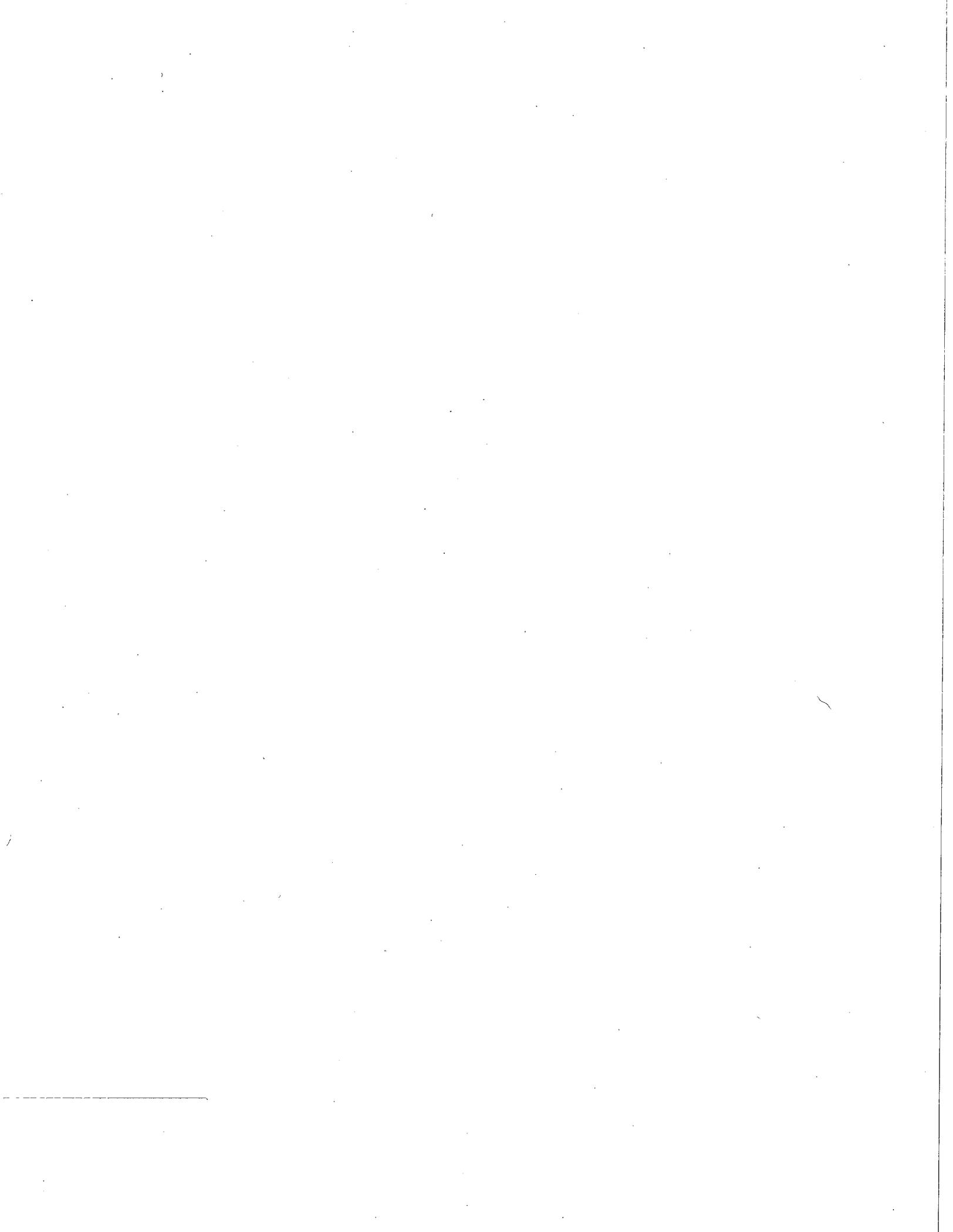
(10) To study the relationship of retirement and pension policy to other aspects of public personnel policy and to the effective operation of government generally.

(11) To examine the interrelationships among public employee pension and retirement systems throughout the State.

- Act 66 of 1981

During its organizational period, the Commission was peripherally engaged in policy development and coordination activity in conjunction with the preparation of actuarial notes for public pension legislation. The primary policy development activity of the Commission, however, was largely associated with completion of the Commission's priority assignment regarding municipal pension reform. With publication of its report on municipal pension reform, the Commission proceeded to evaluate both the approach and focus of its future policy development and coordination activity.

In recognition of the absence of comprehensive oversight for the various public employee pension systems in the Commonwealth, the Commission determined that initiating periodic reviews of the actuarial and financial reports of the various public employee pension systems was appropriate. The first review of the State Employees' Retirement System, the Public School Employees' Retirement System and the Pennsylvania Municipal Retirement Systems was conducted early in 1983. The review of the over 2000 municipal employee pension systems will be undertaken later in 1983 when the comprehensive statistical report is made available. The Commission also determined that its oversight function appropriately includes both coordinating the provision of information on legal and administrative matters to the various public employee pension systems and monitoring compliance by the various pension systems with federal, state and common law mandates.



ADMINISTRATION OF ACT 293 OF 1972

Section 6. Powers and duties.

(a) In general.--The commission shall have the following powers and duties:

(15) To perform the functions and have all the powers and duties heretofore vested in the Department of Community Affairs pursuant to the act of December 6, 1972 (P.L.1383, No.293), entitled "An act requiring municipal pension systems to have an actuarial investigation of the fund made by an actuary who shall report his findings to the Department of Community Affairs."

- Act 66 of 1981

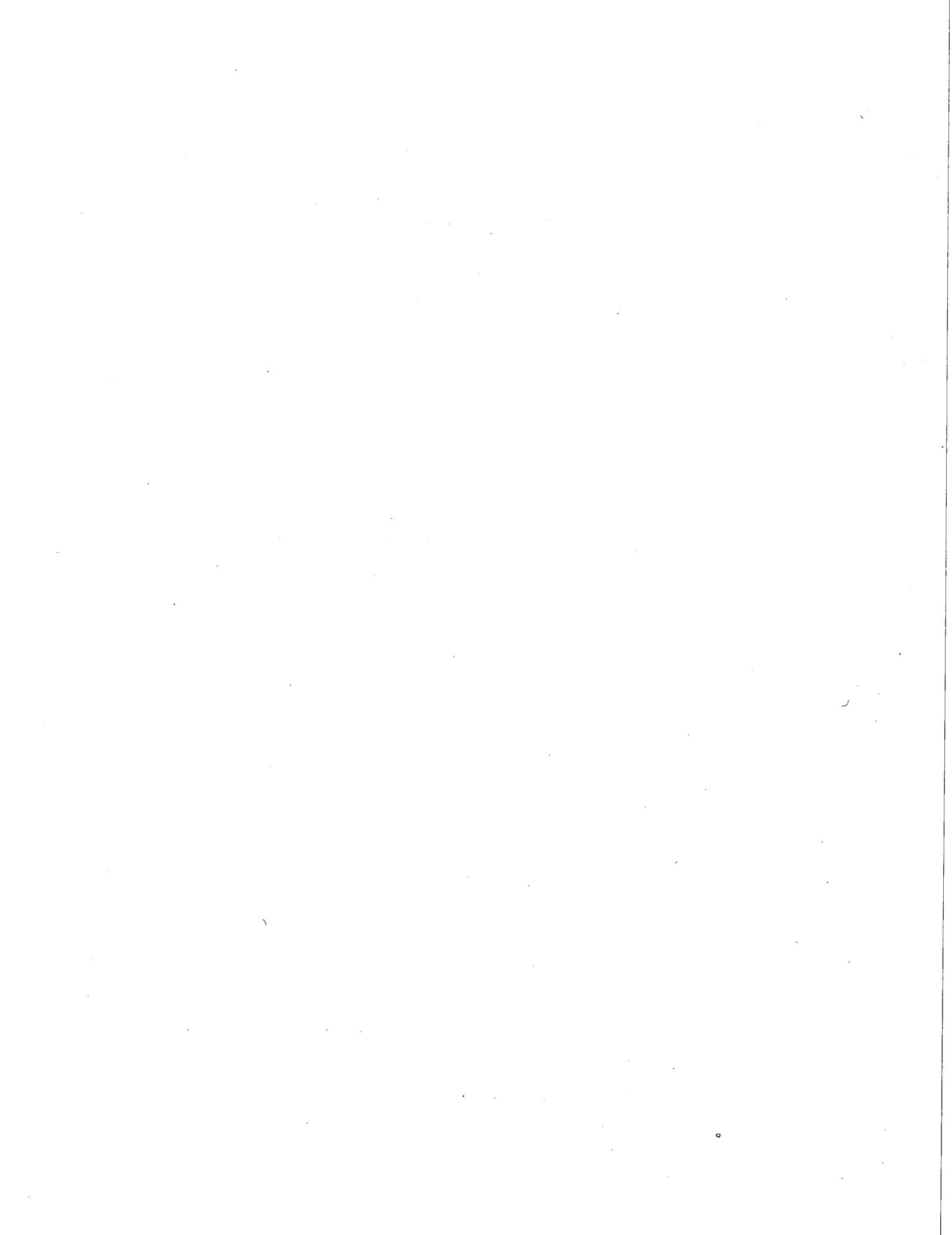
The administration of Act 293 of 1972, as amended, was transferred from the Department of Community Affairs to the Commission with the enactment of Act 66 of 1981. The Act 293 program entails the periodic submission of actuarial valuation reports on municipal pension systems for police officers, firefighters and non-uniformed employees. Municipalities with 50 or more members in any one of their employee pension systems are required to submit biennial reports, while municipalities with less than 50 members in each of their employee pension systems are required to file reports every 4 years. The data provided through the Act 293 program represent the only means to assess and monitor the actuarial condition and general characteristics of the over 2,000 municipal pension systems in the Commonwealth.

Since 1982 was a reporting year for all local governments, filing notices and reporting forms were prepared and mailed to approximately 4,500 local governments. Preparation of the filing notices and reporting forms entailed printing twelve items comprised of over 78,000 printed pages. The program's administrative procedures also entailed the construction of files and logs to store and record the receipt of the approximately 18,000 reports required under the current rules and regulations. The Act 293 program also required transmitting over 5,000 individualized letters to local governments to facilitate compliance with the Act's filing requirements. The Commission was required to apply the penalty provisions of Act 293 if the required reports were not submitted.

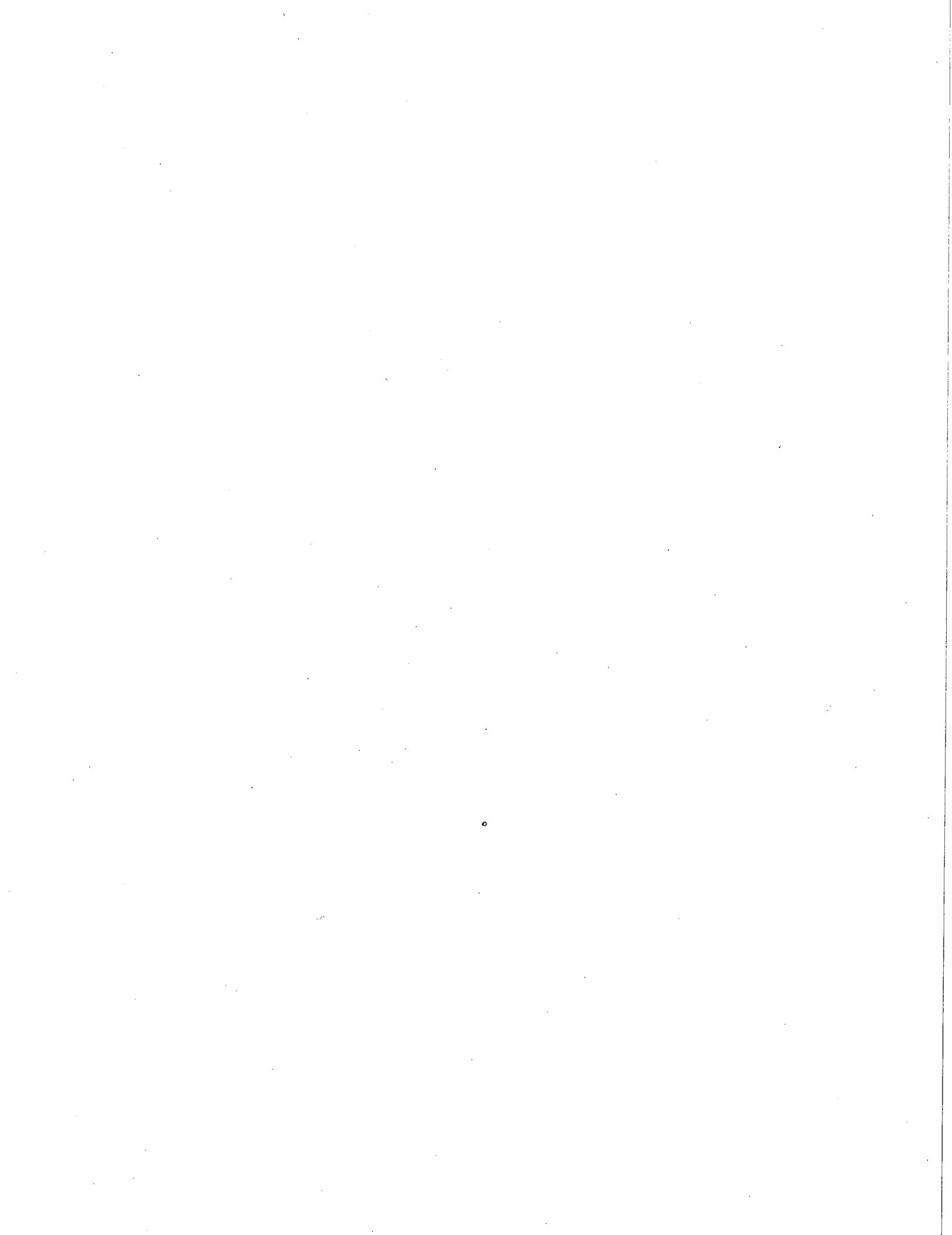
Section 9 of Act 66 of 1981 requires the Commission to publish comprehensive statistical reports on the municipal pension system data derived through the Act 293 program. The first such report by the Commission is expected to be published in the fall of 1983.

* * * * *

The Commission wishes to acknowledge the assistance of the Department of Community Affairs in the transfer of the Act 293 program and records and the cooperation of the local governments of the Commonwealth in the preparation and submission of their employee pension system reports.



APPENDICES



SYNOPSIS OF ACTUARIAL NOTES

1981-1982 Legislative Session

Bill
Number: Senate Bill 359

Summary: Amends the Public School Employees' Retirement Code to provide, as an additional benefit in the benefit plan of the retirement system, for payment by the retirement fund of premiums for Medicare supplementary health insurance benefits for any superannuation annuitant, disability annuitant or annuitant with at least 25 years of credited service who elected medical, major medical and hospitalization insurance coverage and authorized the board to deduct the annual charges for the coverage.

Commission
Action: Attached actuarial note, May 5, 1982, estimating that the benefit increase proposed in Senate Bill 359 would increase the current annual cost of the Public School Employees' Retirement System by 10% of covered payroll, or \$333,400,000. Recommended that further legislative consideration of the bill be indefinitely postponed pending the Commission's review of the Public School Employees' Retirement System, the policy considerations present in adding a health insurance premium payment benefit to a public pension plan and other relevant general policies, and further actuarial cost analysis.

Final
Status: In Senate Banking and Insurance Committee at session end.

Bill
Number: Senate Bill 725

Summary: Amends the State Employees' Retirement Code to provide greater flexibility in the investment of funds.

Commission
Action: Adopted motion, January 14, 1982, endorsing the concept of investment flexibility as established in Senate Bill 725 and urging the General Assembly to enact the bill.

Final
Status: Signed into law on March 4, 1982, as Act 45 of 1982.

Bill

Number: Senate Bill 994

Summary:

Amends to the Public School Employees' Retirement Code to:

(1) provide greater flexibility in the investment of the assets of the fund;

(2) provide for the election of early retirement between June 1, 1982 and August 31, 1982 by members with at least 25 eligibility points and at least 50 to 55 years of age with the annuities for members from 50 to 55 years of age reduced and the annuities for members 55 years of age or older not reduced;

(3) amend the definition of "superannuation or normal retirement age" to provide for retirement at any age after a member has accrued 30 eligibility points with no actuarial reduction in the member's annuity; and

(4) increase the actuarial assumption with respect to investment earnings from 5.5 percent to 8 percent.

Also proposed amendment to the State Employees' Retirement Code to expand opportunities for various persons to obtain service credit for various types of non-state service.

Commission
Action:

Attached actuarial note, May 20, 1982, providing the following information with respect to the various provisions of the bill:

(1) Investment flexibility provisions - no actuarial cost estimate available;

(2) Temporary early retirement provision - actuarial estimate of cost ranging from .11% of covered payroll if 25% of the eligible members utilized the benefit to .43% of covered payroll if 100% of the eligible members utilized the benefit;

(3) Permanent early retirement provision - actuarial estimate that provision would increase the required financing of the Public School Employees' Retirement System by 1.66% of covered payroll;

(4) Valuation interest rate increase - actuarial estimate that use of the higher interest assumption would result in a reduction in actuarial cost of 1.65% of covered payroll;

(5) Non-state service purchase under State Employees' Retirement System - no actuarial cost estimate available.

Recommended that further legislative consideration of the bill be indefinitely postponed pending the Commission's review of the Public School Employees' Retirement System, the policy considerations involved with early retirement and actuarial assumptions for public pension plans and other relevant general policies.

Final
Status:

In House Appropriations Committee at session end. Two of the bill's provisions were implemented under other legislation enacted in the 1981-1982 Legislative Session. Act 183 of 1982 (Senate Bill 1384) implemented the investment flexibility provisions and Act 152 of 1982 (Senate Bill 1385) provided for the temporary early retirement option.

Bill
Number: Senate Bill 1159

Summary: Amends the State Employees' Retirement Code to expand the coverage of the special public safety employee retirement plan of the State Employees' Retirement System by including state employees who provide direct treatment of inmates in a facility for the criminally insane or a secure youth detention facility operated by the Bureau of Correction of the Office of General Counsel or the Department of Public Welfare.

Commission
Action: Adopted a recommendation, May 5, 1982, that further consideration of the bill be indefinitely postponed. The Commission was unable to approve the attachment of an actuarial note to Senate Bill 1159 because the data identifying the employees affected by the bill was not provided by the executive branch agencies involved and consequently no estimate of the actuarial cost of the proposed legislation could be made.

Final
Status: On Senate Calendar for final passage at session end.

Bill
Number: Senate Bill 1243

Summary: Amends the State Employees' Retirement Code to provide for employee contributions to be "picked up" and treated as employer contributions in order to exempt the contributions from Federal income taxation at the time of payment of the contributions into the retirement fund as authorized for qualified state and local government retirement systems under Section 414(h) of the U. S. Internal Revenue Code.

Commission
Action: Attached actuarial note, March 31, 1982, indicating that no significant retirement benefit cost is associated with the proposal. Recommended that further legislative consideration of the bill be postponed pending a thorough study by the Commission of the State Employees' Retirement System and the recommendation of comprehensive reform measures.

Final
Status: Signed into law on December 14, 1982, as Act 284 of 1982.

Bill
Number: Senate Bill 1384

Summary: Amends the Public School Employees' Retirement Code to:
(1) provide for the appointment of two Senators and two members of the House of Representatives to the Public School Employees' Board, with majority and minority representation from each House; and
(2) provide greater flexibility in the investment of funds.

Commission
Action: Adopted motion, May 5, 1982, endorsing the concept of investment flexibility as provided in Senate Bill 1384 and urging the General Assembly to enact the bill.

Final
Status: Signed into law on June 25, 1982, as Act 183 of 1982.

Bill

Number: Senate Bill 1385

Summary: Amends the Public School Employees' Retirement Code to provide for the election of early retirement between June 1, 1982, and August 31, 1982, by members with at least 25 eligibility points and at least 50 years of age with the annuities for members from 50 to 55 years of age reduced and the annuities for members 55 years of age or older not reduced.

Commission

Action: Attached actuarial note, May 20, 1982, providing an actuarial estimate of the range of the cost of the benefit increase proposed in Senate Bill 1385 from .11% of covered payroll if 25% of the eligible members utilized the benefit to .43% of covered payroll if 100% of the eligible members utilized the benefit.

Final
Status: Signed into law on June 17, 1982, as Act 152 of 1982.

Bill

Number: Senate Bill 1406

Summary: Proposed amendment to the State Employees' Retirement Code to:

- (1) clarify the calculation of the employer normal contribution rate for each valuation as the level percentage of the current and prospective compensation of active members of the fund sufficient to fund the liability for prospective benefits payable to new members;
- (2) modify the calculation of the accrued liability contribution rate payable by the Commonwealth by providing for the establishment of a separate 30-year amortization period, commencing on the July 1 occurring 18 months after the effective date of the increase, for increases in the unfunded accrued liability of the fund resulting from a change in actuarial assumptions or from an actuarial experience loss, including any increases in the unfunded accrued liability of the fund occurring in calendar year 1974 and subsequent years;
- (3) modify the calculation of the accrued liability rate by providing for the establishment of a 30-year period, commencing on the July 1 occurring 18 months after the effective date of the decrease, for the accrual of reductions in the unfunded accrued liability of the fund resulting from a change in actuarial assumptions, from actuarial experience gains or from other sources of gains.

Commission

Action: Attached actuarial note, June 8, 1982, and identified a number of policy concerns associated with the proposal. Indicated that the proposed changes in the funding method produce contributions to the fund which are less than those produced by other actuarially acceptable methods to amortize unfunded accrued liability of a retirement fund and that the proposal represents a loss of revenue to the retirement fund from the reduced contribution amount and from the lack of future investment earnings on the amount of the reduction.

Final
Status: Passed the Senate, June 8, 1982. In House Appropriations Committee at session end.

HOUSE BILLS

Bill
Number: House Bill 349

Summary: Amends the Pennsylvania Municipal Retirement Law to:

- (1) extend to calendar years 1982 and 1983 provisions authorizing the use of excess interest to pay administrative expenses if maximum municipal assessments are insufficient;
- (2) reduce the maximum amount of administrative expenses which may be paid from excess interest from 3/4% to 1/2% of the total asset value of the fund;
- (3) increase from \$2,520 to \$5,000 the maximum annual post-retirement compensation which a person re-employed on a temporary basis in the same municipality may earn without affecting his retirement allowance; and
- (4) provide for payment of the balance of accumulated deductions to the designated beneficiary in cases where an annuitant receiving the maximum single life annuity dies before receiving in payments the full amount of accumulated deductions standing to the annuitant's credit.

Commission
Action: Attached actuarial note, March 31, 1982, indicating that the actuarial cost implications of the proposal are minor and recommending passage of the bill.

Final
Status: Signed into law on June 10, 1982, as Act 131 of 1982.

Bill
Numbers: House Bill 819 and House Bill 828

Summaries: House Bill 819 proposed an amendment to the Public School Employees' Retirement Code removing a restriction on the purchase of credit for out-of-state teaching service if the teacher has waived any pension eligibility in the out-of-state teachers retirement system and newly authorizing a purchase of credit for previous work experience, excluding apprenticeship, as required for permanent certification as a vocational teacher.

House Bill 828 proposed an amendment to the Public School Employees' Retirement Code removing a restriction on the purchase of credit for out-of-state teaching service if the teacher has waived any pension eligibility in the out-of-state teachers retirement system and newly authorizing a purchase of credit for prior nonpublic teaching service in Pennsylvania if the member was certified to teach in Pennsylvania public schools at the time.

Commission
Action: Attached actuarial note, December 8, 1982, indicating that the bills' exact cumulative effect on the Public School Employees' Retirement Plan cannot be estimated because the purchase of service is elective by the affected plan

members any time prior to retirement and the number of affected plan members is unknown. The actuarial note demonstrates, through illustrations for two hypothetical employees, the range of effect on individual plan members from an actuarial loss for older plan members to an actuarial gain for younger plan members.

Final Status: In House Appropriations Committee at session end. (Similar bills have been reviewed by the Commission during the 1983-1984 Legislative Session. See House Bill 124 and House Bill 125 on page 29.)

Bill Numbers: House Bill 1193 and 1194

Summary: Amend the County Code and the Second Class County Code to further provide for the investment of funds and to establish as an authorized investment for any county pension or retirement fund, any investment authorized by 20 Pa.C.S. Ch. 73 (relating to fiduciaries investments).

Commission Action: Reviewed the bills, March 3, 1982, and determined that no actuarial note was required. Adopted motion, July 7, 1982, supporting the pension fund investment flexibility provisions of the bills.

Final Status: Signed into law on December 13, 1982, as Act 258 and 259 of 1982.

Bill Numbers: House Bill 1532, House Bill 1533, House Bill 1534, House Bill 1535, and House Bill 1537

Summary: Amend the Borough Code, Second Class Townships Code, Third Class City Code, law governing investments by incorporated towns, and First Class Township Code to further provide for the investment of municipal funds and to establish as an authorized investment for pension or retirement funds, any investment authorized by 20 Pa.C.S. Ch. 73 (relating to fiduciaries investments).

Commission Action: Reviewed the bills, March 3, 1982, and determined that no actuarial note was required. Adopted motion, July 7, 1982, supporting the pension fund investment flexibility provisions of the bills.

Final Status: Signed into law on December 13, 1982, as Acts 261, 262, 263, 264 and 265 of 1982.

Bill Numbers: House Bill 1764 and House Bill 1765

Summaries: House Bill 1764 proposed an amendment to the County Pension Law authorizing the purchase of service credit in a county pension system for prior public school district employment by any person who was a public school district employee prior to July 1, 1982, who was involuntarily transferred to employment with the county after July 1, 1982, who commenced employment with the county within 30 days after leaving the school district, who has been employed by the county for at least one month, who contributes the total amount of accumulated employee contributions to the Public School Employees' Retirement System and for whom the Public School Employees' Retirement Board contributes the total amount of employer contributions with interest.

House Bill 1765 proposed an amendment to the Public School Employees' Retirement Code requiring the board to transfer to the pension system of a third class county the full amount of employer contributions for a former member who was involuntarily transferred to the employment of a third class county and who deposited the withdrawn employee contributions with the county pension system.

Commission Action: Attached actuarial note, November 10, 1982. Revised actuarial note, November 24, 1982, upon receipt from the Public School Employees' Retirement System of information needed to fully ascertain the effect of the proposed legislation. The actuarial note estimated a gain accruing to the affected county pension system (Erie County Pension System) through the transfer of assets from the Public School Employees' Retirement System in an amount exceeding the accrued liability attributable to the transferred employees by \$62,341.

Final Status: Passed the House, September 14, 1982. In Senate Finance Committee at session end. (Identical bills have been reviewed by the Commission during the 1983-1984 Legislative Session. See House Bill 6 and House Bill 7 on page 28.)

1983-1984 Legislative Session
(Actuarial notes attached through June, 1983)

Bill Number: Senate Bill 385

Summary: Amends the Public School Employees' Retirement Code to provide for employee contributions to be "picked up" and treated as employer contributions in order to exempt the contributions from Federal income taxation at the time of payment of the contributions into the retirement fund as authorized for qualified state and local government retirement systems under Section 414(h) of the U. S. Internal Revenue Code. Would provide for implementation of the provisions following receipt of a ruling from the Internal Revenue Service that the pickup contributions are excludable from the gross income of the employee until they are distributed or made available and would provide for the act to be retroactive to January 1, 1983.

Commission

Action: Attached actuarial note, April 18, 1983, indicating that the proposed change should not entail any significant retirement plan benefit cost.

Final

Status: Signed into law on July 22, 1983, as Act 31 of 1983. In addition to implementing employer pick up provisions for the Public School Employees' Retirement System, the legislation, as enacted, provides for increased member contributions under the Public School Employees' Retirement System and the State Employees' Retirement System and amends Title 24 (Education) of the Pennsylvania Consolidated Statutes by adding provisions relating to school subsidies.

HOUSE BILLS

Bill

Numbers: House Bill 6 and House Bill 7

Summaries:

House Bill 6 would amend the Public School Employees' Retirement Code to require the board to transfer to the pension system of a third class county the full amount of employer contributions with accumulated interest for a former member who was involuntarily transferred to the employment of a third class county and who deposited the withdrawn employee contributions with the county pension system.

House Bill 7 would amend the County Pension Law to authorize the purchase of service credit in a county pension system for prior public school district employment by any person who was a public school district employee prior to July 1, 1982, who was involuntarily transferred to employment with the county after July 1, 1982, who commenced employment with the county within 30 days after leaving the school district, who has been employed by the county for at least one month, who contributes to the county pension fund the total amount of accumulated employee contributions withdrawn from the Public School Employees' Retirement System and for whom the Public School Employees' Retirement Board transfers to the county fund the total amount of employer contributions with interest.

Commission

Action:

Attached actuarial note, June 9, 1983, estimating a gain accruing to the affected county pension system (Erie County Pension System) through the transfer of assets from the Public School Employees' Retirement System in an amount exceeding the accrued liability attributable to the transferred employees by \$21,144. Recommended enactment of the proposed legislation and indicated the Commission's intention to consider the broad policy topic of public pension plan service credit portability as a future undertaking in an effort to formulate a generally applicable solution to the type of problem addressed by House Bills 6 and 7.

Current

Status:

Passed the House, June 29, 1983. In Senate Finance Committee as of September 1, 1983.

Bill

Numbers: House Bill 124 and House Bill 125

Summaries:

House Bill 124 would amend the Public School Employees' Retirement Code to remove a restriction on the purchase of credit for out-of-state teaching service if the teacher has waived any pension eligibility in the out-of-state teachers retirement system and to newly authorize a purchase of credit for prior nonpublic teaching service in Pennsylvania if the member was certified to teach in Pennsylvania public schools at the time.

House Bill 125 would amend the Public School Employees' Retirement Code to remove a restriction on the purchase of credit for out-of-state teaching service if the teacher has waived any pension eligibility in the out-of-state teachers retirement system and to newly authorize a purchase of credit for previous work experience, excluding apprenticeship, of the type required for permanent certification as a vocational teacher.

Commission

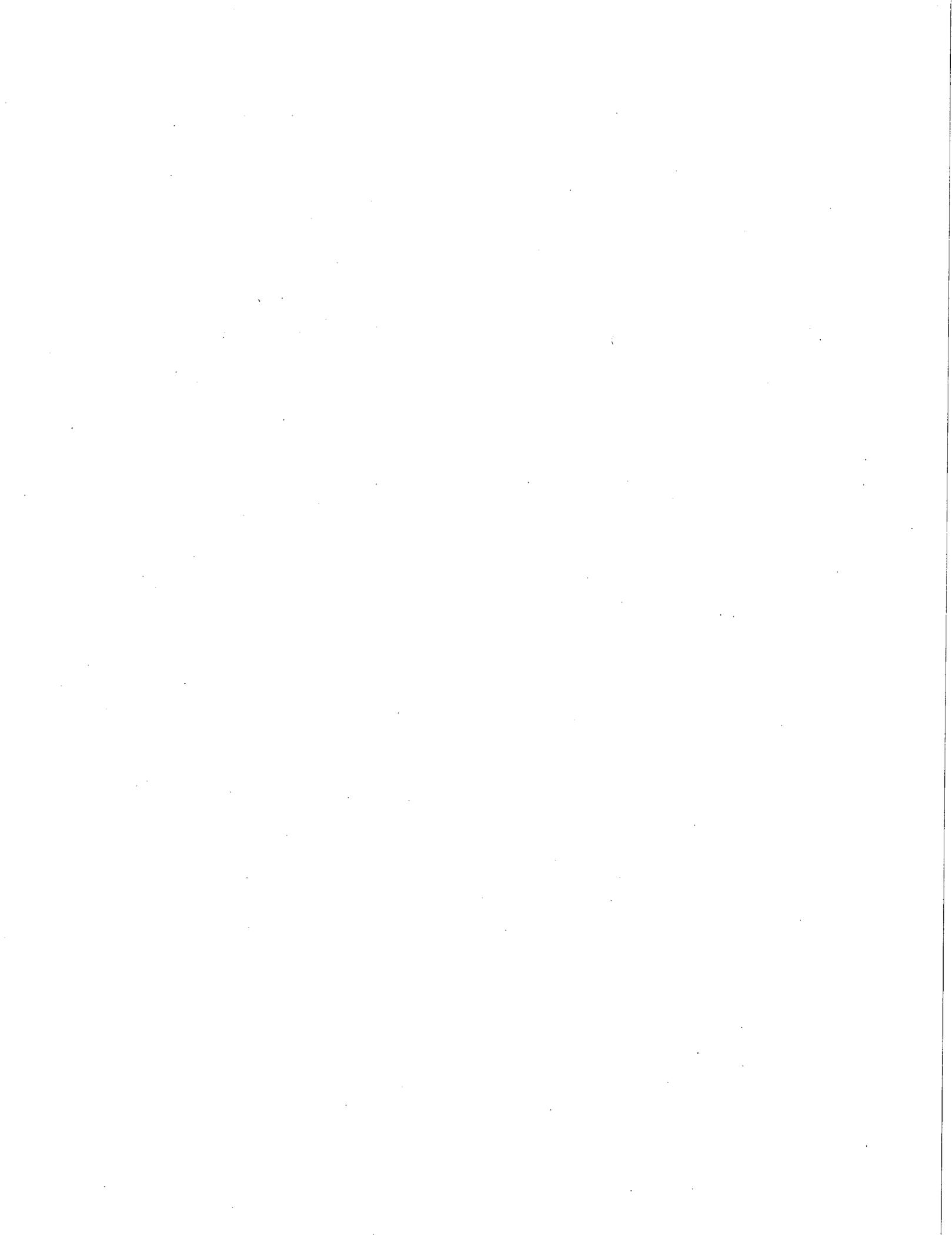
Action:

Attached actuarial note, June 9, 1983, indicating that the exact cumulative effect of the out-of-state teaching service purchase authorized under each bill cannot be estimated because the purchase of service is elective by the eligible plan members any time prior to retirement and the number of potentially eligible plan members is unknown. The actuarial note demonstrates, through illustrations for two hypothetical employees, both with and without the use of optional annuity form number four, the range of effect on individual plan members from an actuarial loss for older plan members to an actuarial gain for younger plan members. The Commission expressed concern over the cost impact of the provision on the Public School Employees' Retirement System, since utilization of the service purchase option is more likely by older plan members and this adverse selection against the pension fund would result in a series of increases in the unfunded accrued liability of the fund. Further concern was expressed over the inability to identify the persons who could potentially utilize the modified purchase and the cost impact potential of the use of optional annuity form number four (lump sum withdrawal of member contributions at retirement) in connection with the modified purchase. With respect to the provisions of the bills authorizing purchase of service credit for prior non-public teaching service (House Bill 124) and for prior required vocational teacher work experience (House Bill 125), the actuarial note indicated that there should not be any detrimental effect on the pension plan by the authorized purchase because purchase payments equal to the full actuarial cost are required.

Current

Status:

In House Appropriations Committee as of September 1, 1983.



LEGISLATIVE PROCEDURES
FOR THE
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION
PURSUANT TO
SECTION 7 OF ACT 66 OF 1981

I. IMPLEMENTATION BY THE GENERAL ASSEMBLY

A. At the beginning of each legislative session of the General Assembly, the Speaker of the House and the President Pro Tempore of the Senate formally advise the chairmen of each standing committee in their respective chamber of the actuarial review provisions implemented by Act 66 of 1981.

B. Both chambers of the General Assembly adopt procedures most consistent with their operating rules to ensure that committee - approved bills or floor-amended bills are not considered prior to receipt of an actuarial note from the Commission or the passage of 25 legislative days from the date of first consideration or adoption of the floor amendment.

1. Actuarial Note Requests for Committee-Approved Bills -

The committee chairman in either chamber of the General Assembly shall notify the Commission upon reporting a bill to the floor which proposes any change relative to a public employee pension system and request preparation of an actuarial note.

2. Actuarial Note Requests for Floor-Amended Bills -

The majority leader of either chamber of the General Assembly shall request preparation of an actuarial note for the floor amended bill on behalf of the respective chamber. The Commission shall provide the actuarial note as expeditiously as possible.

3. Actuarial Notes Requests for Bills Referred by Other Chamber -

When a committee in either chamber of the General Assembly approves without amendment a bill to the floor which has had an actuarial note attached in the other chamber, preparation of a new actuarial note is unnecessary. Where an amendment to the bill has been approved by the committee, the chairman shall notify the Commission and request preparation of a new actuarial note. The Commission shall provide the actuarial note as expeditiously as possible.

II. RESPONSE BY THE COMMISSION

- A. The Commission acknowledges receipt of requests for the preparation of actuarial notes for committee-approved bills and floor-amended bills to the presiding officer of the requesting chamber of the General Assembly within 48 hours.
- B. The Commission transmits the requested actuarial notes to the presiding officer of each chamber of the General Assembly as promptly as possible, recognizing that the 25 legislative days permitted for the preparation of actuarial notes is a maximum rather than a norm. Where there are no substantive actuarial or policy implications, the Commission will communicate that fact as the requested actuarial note.
- C. The Commission provides copies of the transmittals of the requested actuarial notes to the following:
1. the chairman and minority chairman of the requesting committee;
 2. the majority and minority leaders;
 3. the majority and minority whips;
 4. the majority and minority caucus chairman;
 5. the majority and minority appropriation committee chairman;
 6. the prime sponsor of the bill;
 7. the Secretary of the Senate;
 8. the Chief Clerk of the House; and
 9. the Director of the Legislative Reference Bureau.
- D. Upon the request of the committee chairman, the Commission staff may whenever possible provide supplemental reviews for bills prior to consideration by a committee. The information is transmitted to the committee chairman and minority chairman. Such assistance may contain actuarial data, but is considered to be an "advisory note" not constituting or substituting for the required actuarial note.
- E. The Commission staff provides advice and counsel to members of the General Assembly on relevant matters pertaining to retirement plan design, financing, and administration.
- F. The Commission provides actuarial notes or advisory notes only to appropriate officials of the legislative and executive branches.
- G. The Commission transmits notice of its meetings to the Secretary of the Senate and Chief Clerk of the House for publication on the Senate and House daily meeting calendars.

Adopted by the
Public Employee Retirement Study Commission
1/12/83

STATEMENT OF 1983-84
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION
POLICY DEVELOPMENT AND PROJECT GOALS

Long Term Priority Project

The study of public employee pensions as a component of public sector compensation will entail information gathering as the largest portion of its time commitment. The study will lead to the issuance of a final report on the subject, summarizing and comparing current public sector practice in Pennsylvania with selected private sector practice and including Commission recommendations concerning the appropriate role of public employee pensions as a component of public sector compensation.

The information gathering portion of the study will occur simultaneously with activities relating to the short term projects. Preliminary results and periodic updates on the progress of the study will be provided to the Commission. The Commission staff will initially undertake to conduct the information gathering required for the study, drawing upon the assistance of the Commonwealth Office of Administration, the Commonwealth Office of Budget, and the various local government associations. As the study progresses, the need to obtain additional assistance, either voluntary or contracted, will be assessed.

The scope of the study will be limited to Commonwealth government and selected local governmental units and the focus of the study will include pensions, total cash and non cash compensation. The following sets forth the broad approach for the conduct of the study:

1. Summary and comparison of pension benefits and other post retirement benefits.
 - a. provisions
 - b. cost
2. Summary and comparison of cash compensation component.
 - a. types of cash compensation
 - b. cost
3. Summary and comparison of non cash compensation component.
 - a. types of non cash compensation
 - b. cost
4. Integration of preliminary results into Preliminary Report.
5. Formulation of Commission Recommendations on appropriate role of public employee pensions as a component of total public sector compensation.
6. Approval of Final Report.

Short Term Priority Projects

The following short term priority projects will be undertaken in the order of presentation to formulate the Commission's policy and recommendations to the General Assembly and the Governor on the issues involved using the approach specified for each project.

Short Term Priority Projects - (Cont'd)

1. POST RETIREMENT ADJUSTMENTS
 - a. Commission staff memo on current practice in area.
 - b. Commission staff memo on policy considerations present in specific aspects of providing post retirement adjustments and interrelationship with other benefit provisions and personnel policies. Assessment of potential actuarial cost.
 - c. Formulation of Commission recommendation on issue.
 - d. Approval of draft legislation implementing Commission recommendations (if necessary).
2. FIDUCIARY RESPONSIBILITY AND LIABILITY
 - a. Commission staff memo on current laws on fiduciary responsibility and liability and comparison with applicable federal law (ERISA and proposed PERISA, PEPPRA).
 - b. Commission staff memo on policy questions present in definition of fiduciary and in fiduciary standard of care and additional limitations.
 - c. Commission staff memo on policy questions present in liability for fiduciary breaches and authorization of fiduciary insurance. Preliminary formulation of Commission recommendation on definition of fiduciary, and on fiduciary standard of care and additional limitations.
 - d. Preliminary formulation of Commission recommendation on liability for fiduciary breaches and fiduciary insurance.
 - e. Final Commission recommendations. Approval of draft legislation implementing Commission recommendations (if necessary).
3. INTRASTATE PORTABILITY OF SERVICE CREDIT
 - a. Commission staff memo on current practice in Pennsylvania and other jurisdictions. Commission consideration of appropriateness of authorizing the benefit.
 - b. Commission staff memo on policy considerations present in specific aspects of providing intrastate portability and interrelationship with other benefit provisions and personnel policies.
 - c. Formulation of Commission recommendation on issue.
 - d. Approval of draft legislation implementing Commission recommendation (if necessary).

Short Term Priority Projects - (Cont'd)

4. ASSET MANAGEMENT/INVESTMENTS

- a. Formation of special limited duration voluntary advisory committee from available local investment experts.
- b. Commission staff memo on current law on asset management and investments.
- c. Report of special advisory committee and issue paper on topic of investment authority.
- d. Report of special advisory committee and issue paper on topics of active or passive investment management, inside or outside (contracted) investment management and custody of, and legal title to, investment securities. Preliminary formulation of Commission recommendation on appropriate investment authority for the various sized public pension plans in the Commonwealth.
- e. Report of special advisory committee and issue paper on topics of portfolio mix and investment selection. Preliminary formulation of Commission recommendation on topics of active or passive investment management, inside or outside investment management and custody of, and legal title to, investment securities.
- f. Report of special advisory committee and issue paper on topic of investment performance measurement. Preliminary formulation of Commission recommendation on topics of portfolio mix and investment selection.
- g. Preliminary formulation of Commission recommendation on topic of investment performance measurement.
- h. Reaction of special advisory committee to preliminary Commission investment recommendations. Formulation of final Commission recommendation on investment topic.
- i. Approval of draft legislation implementing Commission recommendation (if necessary).

Adopted by the
Public Employee Retirement Study Commission
6/8/83