



Pennsylvania Pension Review Commission Releases Final Report

The Pension Review Commission has determined its recommendations to improve the management and performance of the state's largest public pension systems.

A Pennsylvania commission—tasked with evaluating and making recommendations for the state's two largest public pension systems—held its final meeting on December 20, 2018, and approved its final report.

The [report](#) issued by the Pennsylvania Public Pension Management and Asset Investment Review Commission ("Commission"), outlines seven general recommendations to the General Assembly, the Governor, and the trustees of each of the two retirement systems. We will provide further in-depth analysis of these recommendations in a future *Commentary*.

At a high level, the most impactful recommendations include:

- Move to fully index all public market investments;
- Establish a centralized investment office that would be responsible for the systems' investment functions and would leverage the combined size of the two pension funds to seek more favorable investment terms;
- Establish policies at the two public pension systems, encouraging public reporting of investment costs and expenses at the fund and manager level;
- Enact legislation mandating—and repeal existing laws that frustrate—increased public reporting for all investment expenses; and
- Adopt risk reducing measures such as risk budgets, risk balancing policies, limits on levels of illiquid investments, and focusing on leverage levels.

The Commission also included a separately printed [appendix](#) at the request of Commissioner Bernie Gallagher, who voiced concerns about the report's tone in a previous meeting. The appendix provides "additional context" to the parts of the report Commissioner Gallagher believed needed "further qualification."

We previously discussed the Commission's work in *Alerts* such as "[PA Commission Scrutinizes Active Management of Public Pension Assets](#)," "[Pennsylvania's Imminent Report on Investment Fees: What's Coming Next?](#)," and "[Pennsylvania's Commission Continues to Probe the Value of Active Management](#)."



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