



ALERT  
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## PSERS Takes Action to Reduce Fees Paid to External Investment Managers

***This development represents just one aspect of the [ongoing debate](#) over active versus passive asset management.***

Earlier this month, Pennsylvania's largest public pension fund, the Public School Employees' Retirement System ("PSERS"), [took action to lower the fees](#) that it pays to external investment managers. At its August meeting, PSERS authorized its Investment Professionals to implement a plan that includes renegotiating fee structures and bringing more assets under in-house management. With these steps, PSERS hopes to generate more than \$2 billion in savings over 30 years.

At the same time, PSERS's Investment Professionals expressed their belief in the value of active management. The Investment Professionals acknowledged that PSERS "could achieve higher cost savings by recommending low cost index approaches" for certain asset classes. But they also noted their understanding that the "end result would be lower returns and higher costs to the employers and taxpayers," pointing to the "successful history of active management."

The debate over the relative merits of active versus passive asset management is front and center in a public review ongoing in Pennsylvania. At its September and October meetings, Pennsylvania's Public Pension Management and Asset Investment Review Commission ("Commission") will continue studying the costs and benefits of both active and passive investment strategies.

The Vice Chair of the Commission, Pennsylvania Treasurer Joe Torsella, has previously made clear his views on the topic. Soon after taking office in 2017, [Torsella stated](#): "Overwhelming research shows that while some active managers will of course manage to outperform the markets in any given period, it is both extremely difficult for a manager to do so consistently over time, and extremely difficult for investors to identify which managers will outperform in the future. ... We can't control investment performance or consistently beat the market, but the one variable we can control is costs—and I have a fiduciary obligation to taxpayers to do so."

We will continue to monitor the proceedings and provide updates as warranted.



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