

COMMONWEALTH OF PENNSYLVANIA
JOINT STATE GOVERNMENT COMMISSION

PUBLIC PENSION MANAGEMENT & ASSET INVESTMENT
REVIEW COMMISSION MEETING AND HEARING

STATE CAPITOL
HARRISBURG, PA

IRVIS OFFICE BUILDING
ROOM G-50

THURSDAY, DECEMBER 20, 2018
9:30 A.M.

BEFORE:

REPRESENTATIVE MICHAEL TOBASH, CHAIRMAN
TREASURER JOSEPH TORSSELLA, VICE-CHAIRMAN
JAMES BLOOM, COMMISSIONER
BERNIE GALLAGHER, COMMISSIONER
MICHAEL TORBERT, COMMISSIONER

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STAFF INCLUDED:

- SUSAN BOYLE
ASSISTANT DIRECTOR OF RESEARCH, HOUSE OF
REPRESENTATIVES

- LLOYD EBRIGHT
PROGRAM MANAGER, TREASURY

- STEPHEN KRAMER
COUNSEL, JOINT STATE GOVERNMENT COMMISSION

- YVONNE HURSH
COUNSEL, JOINT STATE GOVERNMENT COMMISSION

- GLENN PASEWICZ
EXECUTIVE DIRECTOR, JOINT STATE GOVERNMENT
COMMISSION

- KAHLA LUKENS
ADMINISTRATIVE ASSISTANT, JOINT STATE GOVERNMENT
COMMISSION

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Joint State Government Commission
Commonwealth of Pennsylvania

P R O C E E D I N G S

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CHAIRMAN TOBASH: The hour of 9:30 having arrived, we call the final meeting of the PPMAIRC -- and I know all the words in the acronym -- to order. We appreciate everyone being in attendance today. We've got some business in front of us.

Before we get started too far down the road, I'd just like to thank the many people who have been a major part of the effort here, including all of the work that the commissioners have done, the Joint State Government Commission, House staff, particularly Susan Boyle -- I've got to call her out, she's been a tremendous resource to me -- as well as the staff at the Treasurer's Office. It's been a real pleasure working with everyone. I appreciate everyone's cooperation.

I really believe that this was a great exercise of bicameral, a nonpartisan effort that really has gotten us to this position. I think that the work that the commission has done will be useful moving forward in the Commonwealth of Pennsylvania. And I think that we really stand at the forefront of tackling an issue that so many political subdivisions and pension programs, even in the private sector, are struggling with. So the work has been gratifying for me and I'm very thankful.

1 With that said, I'd just like to take a
2 second to see, or a few minutes to see if there's any
3 comments from my fellow commissioners.

4 And, Commissioner Gallagher, I would
5 certainly start with you, if you'd like to make some
6 comments on the process or anything to the public that
7 should be a part of the record. Thank you.

8 COMMISSIONER GALLAGHER: Sure. Thank you,
9 Mr. Chairman. I want to thank you personally. You've been
10 offering a great deal of latitude to myself and our caucus
11 in trying to include certain components and perspectives, so
12 I appreciate that greatly.

13 I want to thank the Treasurer, Vice-Chair, in
14 his efforts to help usher along what is an absolutely
15 enormous effort. So thank you for that.

16 And I want to thank Commissioner Torbert and
17 Commissioner Bloom. Each have collectively added incredible
18 insights and value to this dialogue. And again, thank you
19 all for that. It's been a wonderful experience.

20 To that point, I do have comments. Would you
21 like me to -- to the report specifically. Is that something
22 I can add now or at a later point?

23 CHAIRMAN TOBASH: I think at this point in
24 time we're going to vote the report very shortly, so if
25 you've got some comments to go on the record, why don't you

1 make them at this point.

2 COMMISSIONER GALLAGHER: Sure. Yes, of
3 course.

4 So I think -- to keep it brief, House
5 Democrats generally support the commission report's emphasis
6 on transparency, stress testing, and the consolidation of
7 investment activities and making sure the systems are
8 getting the best bang for their buck. While we agree with
9 many of the principles outlined in the report, we have some
10 differences of opinions and have expressed these concerns
11 with our own analysis, which can be found in the report's
12 Appendix 3.

13 Too many people wrongly believe that
14 Pennsylvania's investment fees have somehow contributed to
15 our pension funding problems. They have not. While fees
16 are, yes, in the billions of dollars, too many people
17 overlook the billions more these fees have generated and
18 returned as investment profit to help keep the retirement
19 systems alive and protect taxpayers from any more tax
20 increases.

21 What Pennsylvania's taxpayers really need is
22 a constitutional amendment that would prevent lawmakers from
23 ever again borrowing from the pension systems to balance
24 state budgets. This conversation perhaps may be more
25 important than the fee discussion. And we hope the

1 Republican majorities in the House and Senate will continue
2 to work with us in that direction.

3 Thank you.

4 CHAIRMAN TOBASH: Thank you, Commissioner
5 Gallagher. We appreciate your comments.

6 And I think to your point, there's much work
7 that needs to be done. This document will stand as a
8 consolidation of ideas from experts from throughout the
9 United States and really throughout the world. And I think
10 our ability to implement many of the meaningful
11 recommendations is super important. And I think we will
12 hopefully see an improvement in results and performance as a
13 result of the work of the commission.

14 One of the things that occurred to me from
15 the onset of the commission is the real, the diversity and
16 the different perspectives and expertise that the commission
17 has brought together.

18 We've got Commissioner Torbert that has come
19 to us as an appointee from the Senate Republicans from the
20 private sector.

21 Commissioner, do you have any comments to
22 make prior to adopting the report?

23 COMMISSIONER TORBERT: I'd just like to say
24 that I've really enjoyed this. I've done a lot of reading.
25 I think I need to get my glasses changed from so much

1 reading. But I've enjoyed it because of my background. I
2 get into this.

3 And so I appreciate the commissioners, I
4 appreciate, you know, the point of views from the two
5 systems, and I'm just -- thank you for this opportunity.

6 CHAIRMAN TOBASH: Thank you, Commissioner
7 Torbert.

8 And, Commissioner Bloom, it's been a pleasure
9 working with you, as well. Do you have any comments prior
10 to adoption of the report?

11 COMMISSIONER BLOOM: Thank you, Mr.
12 Vice-Chair, for straightening me out with this microphone.

13 First of all, I'd like to say it was an honor
14 to serve with each of you. I want to thank the Senate
15 Democrats, Senator Costa and Senator Blake, Senator Hughes,
16 and all of the other senators who were nice enough or had
17 the confidence or took the chance in appointing me to this
18 commission. Their staffers like Luc Miron and Toni
19 Marchowsky. I'd like to thank the Joint State Government
20 Commission.

21 And I'd also like to say, the work that has
22 been done by various folks, particularly in the Treasurer's
23 Office, has been outstanding, putting this (indicating)
24 together. And it's been a real honor to serve here, and I
25 hope that -- I also actually was appointed when I was in the

1 private sector. I wasn't a government person at that point.
2 And it's been a real honor to serve here and I want to thank
3 each of you for the time and efforts that you put in here.

4 So I'm just Mr. Thank You this morning. And
5 that's all I have.

6 CHAIRMAN TOBASH: Thank you very much,
7 Commissioner Bloom.

8 And to my Vice-Chairman, Commissioner
9 Torsella, we certainly appreciate the work that your staff
10 has done and your commitment to this endeavor. I will say
11 repeatedly that this document would not be of the magnitude
12 that it is, it would not be a substantial work without the
13 great effort and resources that have been expended by the
14 Treasurer's Office. So thank you very much.

15 And would you please offer some comments for
16 the record?

17 VICE-CHAIRMAN TORSELLA: Thank you, Chairman.

18 And I think magnitude is the polite word for
19 it's long.

20 But putting aside my great regret that in
21 over six months we haven't figured out a better acronym for
22 PPMARC (sic), I think we should all be proud of what we've
23 done here.

24 But I want to start, Chairman, by
25 acknowledging your leadership and thanking you for that.

1 And for the patience and inclusive style that you've shown,
2 and determination to remember above all where our public
3 purpose is and get us this result. So I want to ask my
4 fellow commissioners to join me in expressing our gratitude
5 to you.

6 (Applause.)

7 Second, too, Commissioner Bloom, Commissioner
8 Gallagher, Commissioner Torbert, it's been an enjoyable,
9 very productive experience. You've all brought different
10 perspectives and determination to find commonalities that I
11 think serve our appointed authorities and our citizens very
12 well.

13 And the staff that worked with all of us from
14 Joint State Government to all of our individual colleagues,
15 but a special place in my heart for the Treasury staff who
16 worked on this, who are -- fortunately for me -- too
17 numerous to mention, but they all have my gratitude and I
18 think they are amazing public servants that I get to go to
19 work with every day and there is no greater honor than that.

20 So I am proud of our report. I think it will
21 help chart a path forward.

22 And, Chairman, again, thank you for your work
23 in getting us to this point.

24 CHAIRMAN TOBASH: And thank you.

25 So we've got a couple of brief orders of

1 business. Number one, we had a meeting on December 12th and
2 I would entertain a motion to approve the minutes as
3 submitted.

4 COMMISSIONER BLOOM: So moved.

5 COMMISSIONER GALLAGHER: Second.

6 CHAIRMAN TOBASH: We've got a motion to
7 approve the minutes with a second. All those in favor?

8 (Unanimous vote.)

9 CHAIRMAN TOBASH: Okay. Thank you very much.
10 The minutes are approved.

11 We've got another motion that I'd like to
12 entertain. Commissioner Gallagher in the process -- and
13 believe me, it got very hairy towards the end -- but had
14 submitted an amended biography for himself, and I'd like a
15 motion to adopt that amended biography as part of the
16 report.

17 VICE-CHAIRMAN TORSELLA: So moved.

18 COMMISSIONER TORBERT: Second.

19 CHAIRMAN TOBASH: All those in favor?

20 (Unanimous vote.)

21 CHAIRMAN TOBASH: Seeing a motion to amend
22 the document and a second, and all those in favor, the
23 amendment is adopted.

24 And then, last, I would like to entertain a
25 motion to approve the document as submitted. The work is

1 lengthy and meaningful, and we've all worked very hard. I
2 would look for a motion to approve the commission review
3 document -- as amended.

4 COMMISSIONER TORBERT: I'd like to make that
5 motion. Pursuant to Act 5 of 2017, I hereby move for the
6 adoption of the final report and recommendations of the
7 Public Pension Management and Asset Investment Commission,
8 and for submission to the Governor and the general assembly.

9 CHAIRMAN TOBASH: We've got a motion. Do I
10 have a second?

11 VICE-CHAIRMAN TORSELLA: Second, Mr.
12 Chairman.

13 CHAIRMAN TOBASH: Thank you very much.

14 With a motion and a second on that motion, I
15 move to adopt the report as amended. All those in favor?

16 (Unanimous vote.)

17 CHAIRMAN TOBASH: Thank you very much.

18 The work of the commission has been done.
19 The document -- the report has been amended and adopted.
20 And I thank, once again, everyone for their fine work for
21 the Commonwealth of Pennsylvania, all of its taxpayers, and
22 recipients of these benefits moving forward.

23 Thank you very much. The meeting is
24 adjourned.

25 (The meeting concluded at 9:46 a.m.)

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C E R T I F I C A T I O N

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me on the within proceedings, and that this copy is a correct transcript of the same.

Summer A Miller

Summer A. Miller, Court Reporter
Notary Public