

# **EXHIBIT 16**



April 16, 2021

Mr. James Grossman  
PSERS  
5 Fifth Street  
Harrisburg, PA 17101

Subject: **Performance Reporting Data Review**

Dear Jim:

I write further to Aon's letter of March 5, 2021, in which we endeavored to report and detail, based upon our review as of that time, the data errors discovered in the April, May and September 2015 returns. The purpose of this letter is to update PSERS on our continued review and our process of identifying and reconciling any other asset class composite errors in prior returns. Aon understands PSERS urgent need for information here and, indeed, Aon shares that sense of urgency. The comprehensive review instituted by Aon that is described below has been specifically calculated to be as exhaustive as possible. Aon reports here the best available information yielded by its review. Aon fully understands that its responsibility to report to PSERS is ongoing and will supplement the information related here when and to the extent appropriate and, of course, as may be responsive to any questions PSERS may have. It is important to note that all indications are that the issues here reflect inadvertent clerical mistakes at a data-entry level.

As described in detail below, we have reviewed and analyzed performance calculations, market values and cash-flow data on Aon's performance system versus all prior monthly and quarterly reports issued by Aon since the inception of our engagement in November 2013. Moreover, in addition to the recent auditing performed by ACA for 40 of the months within Aon's engagement, Aon has reconfirmed the cash flow data for 46 months (our review has overlapped with ACA's audit for two months – May and September of 2015), for a total review of 84 months between July, 2013 and June, 2020, to the original custodian and private market spreadsheet source data.

**Our review and analysis of nearly 24,000 cash-flow items in the above-mentioned months identified 3 additional missing cash-flow data points in February 2020 and May 2020. Corrected returns for these two months to take into account the missing cash-flow data points result in a less than a one basis point adjustment. Such deviations are within the tolerance ranges that are common in industry practice and consistent with Aon and PSERS Performance Standards Manual.**

#### **Impact of Correction on Total Plan Returns**

The overall 5 (out of 84) monthly returns in which Aon identified an apparent clerical data entry error result in corrections to the Net Asset Values (NAVs) and cash-flow data on our system for those 5 months. Aon previously disclosed the impacted returns for April, May and September 2015 in our March 5, 2021 letter to PSERS. The correction to the February 2020 return is 0.008% and the correction to

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May 2020 is 0.006%. The impact to these monthly returns and the related quarterly returns are detailed in the table below.

	Corrected	Reported	diff
6/30/2015	-1.248%	-1.248%	0.000%
5/31/2015	-0.112%	1.053%	-1.165%
4/30/2015	0.872%	0.036%	0.836%
2Q15	-0.499%	-0.172%	-0.326%
9/30/2015	-1.120%	-1.099%	-0.021%
8/31/2015	-2.810%	-2.810%	0.000%
7/31/2015	-0.128%	-0.128%	0.000%
3Q2015	-4.021%	-4.001%	-0.020%
3/31/2020	-7.010%	-7.010%	0.000%
2/28/2020	-1.832%	-1.841%	0.008%
1/31/2020	0.559%	0.559%	0.000%
1Q2020	-8.204%	-8.212%	0.008%
6/30/2020	-0.317%	-0.3170%	0.000%
5/31/2020	1.981%	1.9753%	0.006%
4/30/2020	4.029%	4.0287%	0.000%
2Q2020	5.753%	5.747%	0.006%

As a result of the recalculated quarterly returns, we believe that the nine-year return ended June 30, 2020 is 6.34%, a 4-basis point decline from the originally reported nine-year trailing return.

#### **Summary of Performance Review Process**

There are 84 months of cash-flow data on Aon's performance system for the period of Aon's retention: July 2013 through June 30, 2020. Aon's review of the cash-flow data for this time period has involved the following process:

1. Identifying 46 months to be reviewed (the previously impacted months plus 44 months not already reviewed by ACA as part of their audit in November 2020 -- see Attachment 1;
2. Extracting all cash-flow items for the tested 46 months from the performance system;
3. Downloading all cash-flow items for the tested 46 months from the BNY system;
4. Matching cash-flow items from the two downloads; and
5. Reviewing and reconciling the resultant cash-flow items to other source files for private market cash-flows and historical tracking file for manual adjustments.

As a result of this process, Aon matched all cash-flow items on our system and identified the 3 additional corrections for missing cash-flows for February 2020 and May 2020 (as noted above).

In addition to the comprehensive data review described above, Aon conducted a thorough review of the market value and cash-flows in order to compare all previously reported monthly and quarterly performance reports as well as to re-review all performance calculations. This analysis involved:

- Confirming that all quarter-end market values in the performance system match the market values shown on past quarterly investment reports provided to PSERS;
- Re-calculating month-ending market values using reviewed cash-flows and previously reported returns within a tolerance range of five basis points (as per the standard generally set forth between Aon and PSERS in the Performance Standards Manual) for every month outside of April and May 2015; and
- Confirming consistency of reported cash-flow information in the Aon performance reports over time by reviewing all reported cash-flows in the "Schedule of Investable Assets".

On behalf of Aon, please know that we very much appreciate PSERS patience as we have endeavored to unravel what very much appears to have been clerical data-entry mistakes, however unfortunate. Aon is determined to ascertain all pertinent details surrounding the issues here and will provide further and updated information as best we are able to provide it as our comprehensive review continues.

Sincerely,



Steve Voss  
Head of North America Investments, Aon Investments USA Inc.

cc: Glen Grell  
Kristen Doyle  
Claire Shaughnessy  
Kelly M. Ross, Esq.