

# **EXHIBIT 13**



TREASURY DEPARTMENT  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG, PA 17120

JOSEPH M. TORSELLA  
TREASURER

August 12, 2020

*Via Electronic Transmission*

Glen R. Grell  
Executive Director  
Public School Employees' Retirement System  
5 North 5<sup>th</sup> Street  
Harrisburg, PA 17101-1905

Dear Glen,

I'm writing to request additional information regarding issues that were brought to my attention after the August 7, 2020 general board meeting for the Public School Employees' Retirement System ("PSERS").

During last week's Board meeting, there was a discussion concerning material differences between the annual investment returns listed by PSERS' actuary, Buck Consultants Inc. ("Buck"), and the quarterly investment returns provided by the general investment consultant, Aon Investments USA Inc. ("Aon"). During the meeting, PSERS staff confirmed that the returns contained in the Comprehensive Annual Financial Report ("CAFR"), which equal the returns listed in the Buck reports, did not match those in the Aon quarterly performance report. As a consequence, PSERS staff stated that the 2019 actuarial valuation report would be revised to reflect Aon's current returns.

Given the importance of the CAFR and the system's reliance on the accuracy of the annual actuarial valuation reports, this news was surprising. I have been unable to locate past documentation provided to the Board that would explain these reporting differences. Perhaps something has been missed, but this issue has raised additional concerns since a comparison of the CAFR returns and the most recent Aon returns appear to show changes in every year we reviewed. While some of the revisions appear within an expected range of a one to two basis point adjustment, there are years in which Aon reported greater changes. For example, there appears to be a thirty-seven basis point (37bps) increase from the originally released 2014/15 fiscal year rate of return, which appears – again, according to the records we've been able to locate – to have been made five years after the fact.

To help me further understand these issues and others that have arisen as a result of last week's meeting, it would be helpful if you could respond to this letter with answers to the following:

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1. Have staff previously provided records to the Board specifically identifying and explaining retroactive revisions to previously reported returns? If so, please refresh my memory and direct me to those documents.
2. Why have adjustments of over two basis points occurred between the CAFR returns and returns in the Aon reports?
3. In Aon's 3<sup>rd</sup> quarter report for 2019, why were nearly \$190 million of investment gain and loss adjustments made to valuations dating as far back as 2013?
4. Why have Buck's actuary reports not reflected the updated returns in communications to the system?
5. Should the CAFR or any other official accounting document be amended for years in which the fiscal year return changed by a material amount (i.e. greater than two basis points)?
6. Were the previous – now apparently incorrect – returns used to determine the annual required contributions (ARC) calculations for those years?
7. Would you please provide a copy of any PSERS policy or protocol governing when and how performance returns are revised, when and how Board members are informed of any material performance revisions, and when and how identified errors within the CAFR or actuarial reports are corrected?

Please let me know if you have any questions about the topics mentioned in this letter. I look forward to your prompt reply and thank you in advance for your attention to these important matters.

Sincerely,



Joe Torsella  
State Treasurer

cc: Christopher Santa Maria, PSERS Chairman of the Board  
State Representative Frances Ryan, Audit/Compliance Chairman  
Jason Davis, Investment Chairman  
James Grossman, PSERS Chief Investment Officer  
Brian Carl, PSERS Chief Financial Officer