

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1460 Session of 2017

INTRODUCED BY B. MILLER, GREINER, WARD, MILLARD, MILNE, RADER, LAWRENCE, WHEELAND, BLOOM, GROVE, ZIMMERMAN, MOUL, BARRAR, KEEFER, MAHER, CALTAGIRONE, HANNA, IRVIN, GILLEN, RYAN AND KORTZ, MAY 31, 2017

AS REPORTED FROM COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, AS AMENDED, DECEMBER 11, 2017

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, in administration and
3 miscellaneous provisions regarding administration of the
4 Public School Employees' Retirement Fund, further providing
5 for administrative duties of board; and, in administration,
6 funds, accounts and general provisions regarding
7 administration of the State Employees' Retirement Fund,
8 further providing for administrative duties of the board.

9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 Section 1. Section 8502 of Title 24 of the Pennsylvania
12 Consolidated Statutes is amended by adding a subsection to read:

13 § 8502. Administrative duties of board.

14 \* \* \*

15 (s) Additional reporting requirements.--The following shall
16 apply:

17 (1) In addition to the requirements set forth in this
18 section, the board shall prepare and have published on its
19 publicly accessible Internet website, and electronically

1 submit copies to all members of the General Assembly, the  
2 following information within six months after the end of the  
3 system's fiscal year:

4 (i) The performance of all investments over the most  
5 recent 1-, 3-, 5-, 10- and 20-year periods.

6 (ii) The performance of all investments by asset  
7 class over each time horizon, both gross and net of fees  
8 being reported commencing prospectively from the  
9 effective date of this subsection and WITH THE GROSS FEES <--  
10 retroactively for the 5-year period and, to the extent <--  
11 the information is available, retroactively for the 10- <--  
12 year period REASONABLY AVAILABLE. <--

13 (iii) An itemized listing of the fees paid to all  
14 investment managers for the applicable reporting years,  
15 separated by base management fee and profit share,  
16 including performance fees, carried interest and  
17 incentive fees, including the basis of valuation, and  
18 informed by the best practices as recommended by  
19 recognized industry standards, including, but not limited  
20 to, the Institutional Limited Partnership Association Fee  
21 Transparency Initiative. The board shall disclose in the  
22 report which industry standards were used and whether any  
23 changes to industry standards have been made.

24 (iv) Management letters prepared by:

25 (A) any independent certified public accounting <--  
26 firm authorized to conduct an audit of the system or  
27 the plan by the General Assembly;

28 (B) the Office of the Auditor General;

29 (C) auditors hired by the board and referenced  
30 in the board's financial statements filed in

1 accordance with subsection (n); and

2 ~~(D)~~ (B) an independent certified public <--  
3 accounting firm specified in subsection (o).

4 (2) As used in this subsection, the following words and  
5 phrases shall have the meanings given to them in this  
6 paragraph unless the context clearly indicates otherwise:

7 "Carried interest." Any share of profits from an  
8 alternative investment vehicle that is distributed to a fund  
9 manager, general partner or related party, including  
10 allocations of alternative investment vehicle profits  
11 received by a fund manager in consideration of having waived  
12 fees that the fund manager might otherwise have been entitled  
13 to receive.

14 "Institutional Limited Partnership Association Fee  
15 Transparency Initiative." An initiative created by the  
16 Institutional Limited Partnership Association to establish  
17 guidelines for reporting fees, expenses and compliance  
18 disclosures regarding investments.

19 Section 2. Section 5902 of Title 71 is amended by adding a  
20 subsection to read:

21 § 5902. Administrative duties of the board.

22 \* \* \*

23 (r) Additional reporting requirements.--The following shall  
24 apply:

25 (1) In addition to the requirements set forth in this  
26 section, the board shall prepare and have published on its  
27 publicly accessible Internet website, and electronically  
28 submit copies to all members of the General Assembly, the  
29 following information within six months after the end of the  
30 system's calendar year:

1           (i) The performance of all investments over the most  
2 recent 1-, 3-, 5-, 10- and 20-year periods.

3           (ii) The performance of all investments by asset  
4 class over each time horizon, both gross and net of fees  
5 being reported commencing prospectively from the  
6 effective date of this subsection and WITH THE GROSS FEES <--  
7 retroactively for the 5-year period and, to the extent <--  
8 the information is available, retroactively for the 10- <--  
9 year period REASONABLY AVAILABLE. <--

10           (iii) An itemized listing of the fees paid to all  
11 investment managers for the applicable reporting years,  
12 separated by base management fee and profit share,  
13 including performance fees, carried interest and  
14 incentive fees, including the basis of valuation, and  
15 informed by the best practices as recommended by  
16 recognized industry standards, including, but not limited  
17 to, the Institutional Limited Partnership Association Fee  
18 Transparency Initiative. The board shall disclose in the  
19 report which industry standards were used and whether any  
20 changes to industry standards have been made.

21           (iv) Management letters prepared by:

22                (A) any independent certified public accounting <--  
23 firm authorized to conduct an audit of the system or  
24 the plan by the General Assembly;

25                (B) the Office of the Auditor General;

26                (C) auditors hired by the board and referenced  
27 in the board's financial statements filed in  
28 accordance with subsection ~~(n)~~ (M); and <--

29                ~~(D)~~ (B) an independent certified public <--  
30 accounting firm specified in subsection ~~(o)~~ (N). <--

1           (2) As used in this subsection, the following words and  
2 phrases shall have the meanings given to them in this  
3 paragraph unless the context clearly indicates otherwise:

4           "Carried interest." Any share of profits from an  
5 alternative investment vehicle that is distributed to a fund  
6 manager, general partner or related party, including  
7 allocations of alternative investment vehicle profits  
8 received by a fund manager in consideration of having waived  
9 fees that the fund manager might otherwise have been entitled  
10 to receive.

11           "Institutional Limited Partnership Association Fee  
12 Transparency Initiative." An initiative created by the  
13 Institutional Limited Partnership Association to establish  
14 guidelines for reporting fees, expenses and compliance  
15 disclosures regarding investments.

16 Section 3. This act shall take effect in 60 days.