

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 AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES,
NOVEMBER 21, 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(n) of Title 24 of the Pennsylvania~~ <--
12 ~~Consolidated Statutes is amended to read:~~

13 SECTION 1. SECTION 8502 OF TITLE 24 OF THE PENNSYLVANIA <--
14 CONSOLIDATED STATUTES IS AMENDED BY ADDING A SUBSECTION TO READ:

15 § 8502. Administrative duties of board.

16 * * *

17 ~~(n) Annual financial statement. The following shall apply:~~ <--

18 ~~(1) The board shall [prepare]:~~

19 ~~(i) Prepare and have published, on or before January~~

1 ~~1 of each year, a financial statement as of the fiscal~~
2 ~~year ending June 30 of the previous year showing the~~
3 ~~condition of the fund and the various accounts,~~
4 ~~including, but not limited to, the board's accrual and~~
5 ~~expenditure of directed commissions, and setting forth~~
6 ~~such other facts, recommendations and data as may be of~~
7 ~~use in the advancement of knowledge concerning annuities~~
8 ~~and other benefits provided by this part. [The board~~
9 ~~shall submit]~~

10 ~~(ii) Include in the financial statement under~~
11 ~~subparagraph (i) the performance of investments over the~~
12 ~~most recent 1 , 3 , 5 , 10 and 20 year periods, the~~
13 ~~performance of investments by asset class over each time~~
14 ~~horizon both gross and net of fees and an itemized~~
15 ~~listing of the fees paid to investment managers for the~~
16 ~~applicable reporting years, separated by management and~~
17 ~~performance fees, including performance, carried interest~~
18 ~~and fees charged against assets for private equity and~~
19 ~~other alternative investment managers, informed by the~~
20 ~~practices recommended by the Institutional Limited~~
21 ~~Partnership Association Fee Transparency Initiative.~~

22 ~~(iii) Submit said financial statement to the~~
23 ~~Governor and shall make copies available to the employers~~
24 ~~for the use of the school employees and the public.~~

25 ~~(iv) Include management reports from auditors in the~~
26 ~~financial statement.~~

27 (S) ADDITIONAL REPORTING REQUIREMENTS.--THE FOLLOWING SHALL <--

28 APPLY:

29 (1) IN ADDITION TO THE REQUIREMENTS SET FORTH IN THIS
30 SECTION, THE BOARD SHALL PREPARE AND HAVE PUBLISHED ON ITS

1 PUBLICLY ACCESSIBLE INTERNET WEBSITE, AND ELECTRONICALLY
2 SUBMIT COPIES TO ALL MEMBERS OF THE GENERAL ASSEMBLY, THE
3 FOLLOWING INFORMATION WITHIN SIX MONTHS AFTER THE END OF THE
4 SYSTEM'S FISCAL YEAR:

5 (I) THE PERFORMANCE OF ALL INVESTMENTS OVER THE MOST
6 RECENT 1-, 3-, 5-, 10- AND 20-YEAR PERIODS.

7 (II) THE PERFORMANCE OF ALL INVESTMENTS BY ASSET
8 CLASS OVER EACH TIME HORIZON, BOTH GROSS AND NET OF FEES
9 BEING REPORTED COMMENCING PROSPECTIVELY FROM THE
10 EFFECTIVE DATE OF THIS SUBSECTION AND RETROACTIVELY FOR
11 THE 5-YEAR PERIOD AND, TO THE EXTENT THE INFORMATION IS
12 AVAILABLE, RETROACTIVELY FOR THE 10-YEAR PERIOD.

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) AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTING
3 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 "Alternative investment." An investment in a private <--
8 equity fund, venture fund, hedge fund or absolute return
9 fund.

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

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

22 * * *

23 Section 2. Section ~~5902(m)~~ 5902 of Title 71 is amended BY <--
24 ADDING A SUBSECTION to read:

25 § 5902. Administrative duties of the board.

26 * * *

27 ~~(m) Annual financial statement. The following shall apply:~~ <--

28 ~~(1) The board shall [prepare]:~~

29 ~~(i) Prepare and have published, on or before July 1~~
30 ~~of each year, a financial statement as of the calendar~~

~~year ending December 31 of the previous year showing the condition of the fund and the various accounts, including, but not limited to, the board's accrual and expenditure of directed commissions, and setting forth such other facts, recommendations, and data as may be of use in the advancement of knowledge concerning annuities and other benefits provided by this part. [The board shall submit]~~

~~(ii) Include in the financial statement under subparagraph (i) the performance of investments over the most recent 1, 3, 5, 10 and 20 year periods, the performance of investments by asset class over each time horizon both gross and net of fees and an itemized listing of the fees paid to investment managers for the applicable reporting years, separated by management and performance fees, including performance, carried interest and fees charged against assets for private equity and other alternative investment managers, informed by the practices recommended by the Institutional Limited Partnership Association Fee Transparency Initiative.~~

~~(iii) Submit said financial statement to the Governor and shall file copies with the head of each department for the use of the State employees and the public.~~

~~(iv) Include management reports from auditors in the financial statement.~~

(R) ADDITIONAL REPORTING REQUIREMENTS.--THE FOLLOWING SHALL <--
APPLY:

(1) IN ADDITION TO THE REQUIREMENTS SET FORTH IN THIS SECTION, THE BOARD SHALL PREPARE AND HAVE PUBLISHED ON ITS

1 PUBLICLY ACCESSIBLE INTERNET WEBSITE, AND ELECTRONICALLY
2 SUBMIT COPIES TO ALL MEMBERS OF THE GENERAL ASSEMBLY, THE
3 FOLLOWING INFORMATION WITHIN SIX MONTHS AFTER THE END OF THE
4 SYSTEM'S CALENDAR YEAR:

5 (I) THE PERFORMANCE OF ALL INVESTMENTS OVER THE MOST
6 RECENT 1-, 3-, 5-, 10- AND 20-YEAR PERIODS.

7 (II) THE PERFORMANCE OF ALL INVESTMENTS BY ASSET
8 CLASS OVER EACH TIME HORIZON, BOTH GROSS AND NET OF FEES
9 BEING REPORTED COMMENCING PROSPECTIVELY FROM THE
10 EFFECTIVE DATE OF THIS SUBSECTION AND RETROACTIVELY FOR
11 THE 5-YEAR PERIOD AND, TO THE EXTENT THE INFORMATION IS
12 AVAILABLE, RETROACTIVELY FOR THE 10-YEAR PERIOD.

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) AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTING
3 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 "Alternative investment." An investment in a private <--
8 equity fund, venture fund, hedge fund or absolute return
9 fund.

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

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

22 * * * <--

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