



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1964

PRINTERS NO. 4580

PRIME SPONSOR: B. Miller

COST / (SAVINGS)

FUND	FY 2020/21	FY 2021/22
General Fund	\$0	\$0
State Employees' Retirement Fund	\$0	See fiscal impact
Public School Employees' Retirement Fund	\$0	See fiscal impact

SUMMARY: House Bill 1964 amends Title 24 (Education) and Title 71 (State Government) providing for further duties of the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) concerning transparency and reporting requirements. Upon enactment, this bill shall take effect in 60 days.

ANALYSIS: This legislation imposes new transparency requirements onto SERS and PSERS, specifically related to investments and operations. The bill would require the livestreaming of all SERS and PSERS public board meetings along with a written record. This information must be posted online to a publicly accessible website and shall remain online for at least one year.

Any record used by the board, its employees, investment professionals, or agents of each system will be considered records under the Right-to-Know Law (RTKL) unless, in the reasonable judgment of the board, access would cause substantial competitive harm to the entity providing the information, would have a substantial detrimental impact on the value of an investment to be acquired, held or disposed of by the system, or would cause a breach of the system's fiduciary duty. These records, even if deemed sensitive by the boards, would constitute a public record when such access would no longer cause substantial harm to the provider of information, or the assets of the fund, or when the entity in which the investment was made is liquidated.

The following information would be subject to RTKL for alternative investments:

- Name, address, and vintage year of investment vehicle.
- Identity of the investment manager.
- Dollar amount of the commitment made by the system to the investment.
- Dollar amount of cash contributions made by the system to the investment since inception.
- Dollar amount of cash distributions received by the system since inception.
- Gross and net internal rate of return of the investment since inception, unless disclosure would reveal the value of portfolio assets that may harm the system's investment.

- Aggregate value of remaining portfolio assets unless such disclosure would reveal the value of portfolio assets to the detriment of the system's investment.
- Dollar amounts of total management fees, costs, and expenses paid to, or retained by, an alternative investment vehicle, specifically itemizing gross management fees, carried interest, and other expenses.

Both SERS and PSERS would be required to prepare additional reports to be submitted to the General Assembly and published online within six months of the end of system's fiscal year, unless delayed by the late receipt of information necessary for publication, in which case the information shall be published no later than 12 months after the end of the fiscal year. These reports shall include the following:

- Net of fees performance of all investments over the most recent 1-, 3-, 5-, 10-, 15-, and 20-year periods.
- Performance of all investments by asset class and manager over each time horizon, both gross and net of fees, compared to benchmarks being reported for all investments prospectively, and gross returns for all investments of the past five years.
- Itemized listing of fees and expenses paid to, or retained by, all investment managers for all reporting years and periods, separated by base management fees, profit share, performance fees, carried interest, and incentive fees.
- All travel or other expenses incurred by staff and paid for by an external investment manager, fund, or consultant.

FISCAL IMPACT: The Independent Fiscal Office (IFO) states it has determined that House Bill 1964 has no material impact after reviewing for actuarial cost impact.

There may be undetermined costs associated with the implementation and compliance of livestreaming and reporting requirements for both SERS and PSERS. Such costs should be within current budgets for both systems.

PREPARED BY: Casey Martin
House Appropriations Committee (R)

DATE: October 20, 2020

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.