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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1253 Session of  
2017

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INTRODUCED BY CALTAGIRONE, NEILSON, ROZZI, MCGINNIS, KINSEY AND  
KORTZ, APRIL 20, 2017

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REFERRED TO COMMITTEE ON STATE GOVERNMENT, APRIL 20, 2017

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AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, in administration and  
3 miscellaneous provisions relating to retirement for school  
4 employees, further providing for management of fund and  
5 accounts; and, in administration, funds, accounts and general  
6 provisions relating to retirement for State employees and  
7 officers, further providing for management of fund and  
8 accounts.

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

11 Section 1. Section 8521(h) of Title 24 of the Pennsylvania  
12 Consolidated Statutes is amended to read:

13 § 8521. Management of fund and accounts.

14 \* \* \*

15 (h) Venture capital, private placement and alternative  
16 investments.--[The board in its prudent discretion may make any  
17 venture capital investment, private placement investment or  
18 other alternative investment of any kind, structure or manner  
19 which meets the standard of prudence set forth in subsection  
20 (a).]

21 (1) Venture capital investments shall be limited to not

1 more than 2% of the book value of the total assets of the  
2 fund as determined for financial statement purposes as of  
3 June 30 next preceding the date of investment.

4 (2) An investment shall be deemed a venture capital  
5 investment if it results in the acquisition of equity  
6 interests or a combination of debt and equity interests in a  
7 business that is expected to grow substantially in the future  
8 and in which the expected return on investment is to come  
9 predominantly from an increase in value of the equity  
10 interests and are not interests in or secured by real estate.

11 (3) A venture capital investment may be made only if, in  
12 the judgment of the board, the investment is reasonably  
13 likely to enhance the general welfare of the Commonwealth and  
14 its residents and meets the standard of prudence set forth in  
15 subsection (a).

16 (4) In determining whether the investment meets the  
17 standard of prudence, the board may consider, together with  
18 the expected return on and the risk characteristics of the  
19 particular investment, the actual and expected future returns  
20 and the risk characteristics of the total venture capital  
21 investments held by the board at the time and the degree to  
22 which the proposed new investment would promote further  
23 diversification within the venture capital asset class.

24 \* \* \*

25 Section 2. Section 5931(h) of Title 71 is amended to read:

26 § 5931. Management of fund and accounts.

27 \* \* \*

28 (h) Venture capital, private placement and alternative  
29 investments.--[The board in its prudent discretion may make any  
30 venture capital investment, private placement investment or

1 other alternative investment of any kind, structure or manner  
2 which meets the standard of prudence set forth in subsection  
3 (a).]

4 (1) Venture capital investments shall be limited to not  
5 more than 2% of the book value of the total assets of the  
6 fund as determined for financial statement purposes as of  
7 December 31 next preceding the date of investment.

8 (2) An investment shall be deemed a venture capital  
9 investment if it results in the acquisition of equity  
10 interests or a combination of debt and equity interests in a  
11 business that is expected to grow substantially in the future  
12 and in which the expected return on investment is to come  
13 predominantly from an increase in value of the equity  
14 interests and are not interests in or secured by real estate.

15 (3) A venture capital investment may be made only if, in  
16 the judgment of the board, the investment is reasonably  
17 likely to enhance the general welfare of the Commonwealth and  
18 its residents and meets the standard of prudence set forth in  
19 subsection (a).

20 (4) In determining whether the investment meets the  
21 standard of prudence, the board may consider, together with  
22 the expected return on and the risk characteristics of the  
23 particular investment, the actual and expected future returns  
24 and the risk characteristics of the total venture capital  
25 investments held by the board at the time and the degree to  
26 which the proposed new investment would promote further  
27 diversification within the venture capital asset class.

28 \* \* \*

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