

Investment Transparency Policy

of

the Commonwealth of Pennsylvania
Public School Employees' Retirement Board

As adopted by
the Board of Trustees
on December 6, 2019

Effective
December 6, 2019

Public School Employees' Retirement Board Investment Transparency Policy

PREAMBLE

WHEREAS, the Public School Employees' Retirement System (PSERS) provides pension and other benefits to public school employees in accordance with the Public School Employees' Retirement Code (Retirement Code);¹ and

WHEREAS, the Trustees of the PSERB stand in a Fiduciary relationship to the members of PSERS and have a duty to invest and manage the PSERS funds with the care, skill and caution that a prudent investor would exercise under similar circumstances;² and

WHEREAS, the PSERB has a proven record of providing access to public investment records to the fullest extent required by law and Commonwealth of Pennsylvania policy; and consistent with its duties to protect the interests and rights of the PSERS and its members; and

WHEREAS, PSERS long history of providing detailed investment information, includes investment policy guidelines, asset allocation plans, detailed fund performance, and fee data; and

WHEREAS, PSERS fully embraced the Institutional Limited Partners Association (ILPA) investment fee reporting standards and has made the ILPA reporting template (or comparable template) a mandatory term for all private manager contracts approved by the PSERB since May 2016; and

WHEREAS, PSERS is already more transparent with investment fee information than many of our public pension peers and this transparency has led to many false comparisons to our peers; and

WHEREAS, additional investment fee disclosure will make PSERS more of an outlier relative to other peers who choose to report fees differently; and

WHEREAS, policymakers, stakeholders, and the PSERB should be prepared/willing to defend PSERS against false comparisons that may be made because of increased transparency on fees; and

NOW THEREFORE, the Trustees of the PSERB establish the following Investment Transparency Policy (Policy) to govern investment transparency as more particularly set forth herein:

¹ 24 Pa.C.S. §8101 *et. seq.*

² 24 Pa.C.S. §8521(a). Rest. 3rd, Trusts (Prudent Investor Rule) §227.

I. GENERAL POLICY.

This policy documents the Public School Employees' Retirement Board ("Board") commitment to investment transparency. The Board has always provided, and continues to provide, access to public investment records to the fullest extent required by law and Commonwealth of Pennsylvania policy, consistent with its duties to protect the interests and rights of the Public School Employees' Retirement System ("PSERS") and its members.

In addition to the Right-to-Know Law ("RTKL"), 65 P.S. §§67.101-67.3104, the release of information pertaining to PSERS' business is controlled by Management Directive 205.36 Amended (dated March 18, 2010), the Sunshine Act, 65 Pa. C.S. §§ 701-716, and the Public School Employees' Retirement Code ("Retirement Code"), 24 Pa. C.S. §§8101-9102. The RTKL governs the inspection and copying of agency records; Management Directive 205.36 Amended establishes policies and procedures for agency compliance when responding to requests made pursuant to the RTKL; the Sunshine Act requires public agencies to hold certain meetings and hearings open to the public; and the Retirement Code contains certain relevant provisions unique to PSERS.

Other applicable authorities include the Administrative Agency Law, 2 Pa. C.S. §§501-508; the Administrative Code (particularly 71 P.S. §182), the General Rules of Administrative Practice and Procedure, 1 Pa.Code Ch. 31-35, Pennsylvania decisional law, Management Directives (particularly No. 505.18), as well as any other laws, rules, regulations, and policy directives that may apply to public records. The Office of Chief Counsel should be consulted in cases in which this Policy does not provide sufficient guidance to reach a determination.

In promulgating this Transparency Policy, this Board must recognize and give effect not only to the statutory and decisional law on the subject but also to its fiduciary and administrative duties and obligations to the members of PSERS and to the Public School Employees' Retirement Fund (the "Fund") and the PSERS School Employees' Defined Contribution Plan. In balancing situations in which the right of the public to know competes with those other duties and obligations, PSERS shall apply the standards listed below, as appropriate.

- Information that could, if disclosed, be detrimental to Fund investments under the standard of care set forth in 24 Pa. C.S. §8521, shall not be released to the public, unless such release is compelled by law or court order.
- Records relating to partnerships and other alternative investments described in 24 Pa. C.S. §8502(e)(2)(i) - (iii) shall not be released to the public, unless such release is compelled by law or court order.
- Requests for records relating to the business of this Board, PSERS shall consider the fiduciary obligations and standard of care set forth in the Retirement Code. For example, by application of the "prudence" standard set forth in PSERS' enabling legislation, premature disclosure of information that could be detrimental to PSERS' interests in an investment would be prohibited if "persons of prudence, discretion, and intelligence who are familiar with such matters" would not disclose the information in the conduct of their own affairs. 24 Pa.C.S. §8521(a).

- If the Board has reasonable grounds to believe that criminal activity has occurred or may occur, information that could be used in furtherance of the criminal activity shall not be released.

Consistent with this policy, PSERS may, from time to time, make additional financial and investment information available on its web site (psers.pa.gov) to facilitate easier access to PSERS investment information. PSERS voluntarily provides a large amount of investment information on its website. Not only does the web posting provide easier access to information, it also saves staff time and financial resources by not requiring RTKL requests to be submitted and processed.

II. INVESTMENT INFORMATION

Public information is specified in the Retirement Code at 24 Pa. C.S. §8502(e)(5)(i)-(viii). Non-public information is specified in 24 Pa. C.S. §8502(e)(2)(i)-(iii).

The following is a non-exclusive list that illustrates examples of public investment information made available by PSERS.

Public Information

- Listing of investment managers, advisors, and partnerships
- Summary of assets by investment managers
- Brokerage commissions paid
- Investment policy statement, objectives, and guidelines
- Investment portfolio – annual list of assets
- Investment advisory agreements, consultant agreements, brokerage agreements, and other investment services agreements
- Asset allocation plan
- Asset liability report
- Detailed quarterly investment manager performance reports
 - Total fund performance reported against a risk-appropriate and commonly understood reference portfolio benchmark for 1, 3, 5, 7, 15, 20 & 25-year periods, as well as year by year
 - Performance reports include a rolling 3- and 5-year comparison in graphic form, and annual returns for the last 5 years, in addition to the returns over 3-, 5-, 10-, 15- and 20-year periods ending at the current period
- Detailed quarterly portfolio performance reports received from general consultants, with per-manager returns versus benchmarks, and alternative investment performance reports received from specialty consultants, including public market equivalent (PME) values for each fund/manager based on a Board-approved index
- Returns of investment portfolios internally managed by PSERS investment professionals will be reported in the same manner (at the fund manager level) as other investments
- Partnerships and Other Alternative Investments:
 - The name, address and vintage year of each alternative investment vehicle
 - The identity of the manager of each alternative investment vehicle

- The dollar amount of the commitment made by PSERS to each alternative investment vehicle
- The dollar amount of cash contributions made by PSERS to each alternative investment vehicle since inception
- The dollar amount of cash distributions received by PSERS from each alternative investment vehicle since inception
- The net internal rate of return and multiple of each alternative investment vehicle since inception, provided that PSERS shall not be required to disclose the net internal rate of return under circumstances in which, because of the limited number of portfolio assets remaining in an alternative investment vehicle, such disclosure could reveal the values of specifically identifiable remaining portfolio assets to the detriment of the alternative investment
- The aggregate value of the remaining portfolio assets attributable to PSERS' investment in each alternative investment vehicle, provided that PSERS shall not be required to disclose said value under circumstances in which, because of the limited number of portfolio assets remaining in an alternative investment vehicle, such disclosure could reveal the values of specifically identifiable remaining portfolio assets to the detriment of the alternative investment
- The dollar amount of total management fees and costs paid to each alternative investment vehicle by PSERS on an annual year-end basis
- Subscription agreements, provided that the release of such information would not be reasonably likely to have a detrimental effect on PSERS' interest in an investment (such contracts may be redacted to the extent necessary)