

---

THE GENERAL ASSEMBLY OF PENNSYLVANIA

---

HOUSE BILL

No. 2174 Session of  
2015

---

INTRODUCED BY CALTAGIRONE, MCGINNIS, DRISCOLL, READSHAW AND  
SAVAGE, JUNE 20, 2016

---

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JUNE 20, 2016

---

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).] Venture capital investments shall be limited to not more  
21 than 2% of the book value of the total assets of the fund as

1 determined for financial statement purposes as of June 30 next  
2 preceding the date of investment. An investment shall be deemed  
3 a venture capital investment if it results in the acquisition of  
4 equity interests or a combination of debt and equity interests  
5 in a business which is expected to grow substantially in the  
6 future and in which the expected return on investment is to come  
7 predominantly from an increase in value of the equity interests  
8 and are not interests in or secured by real estate. A venture  
9 capital investment may be made only if, in the judgment of the  
10 board, the investment is reasonably likely to enhance the  
11 general welfare of this Commonwealth and its citizens and meets  
12 the standard of prudence set forth in subsection (a). In  
13 determining whether the investment meets the standard of  
14 prudence, the board may consider, together with the expected  
15 return on and the risk characteristics of the particular  
16 investment, the actual and expected future returns and the risk  
17 characteristics of the total venture capital investments held by  
18 the board at the time and the degree to which the proposed new  
19 investment would promote further diversification within the  
20 venture capital asset class.

21 \* \* \*

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

23 § 5931. Management of fund and accounts.

24 \* \* \*

25 (h) Venture capital, private placement and alternative  
26 investments.--[The board in its prudent discretion may make any  
27 venture capital investment, private placement investment or  
28 other alternative investment of any kind, structure or manner  
29 which meets the standard of prudence set forth in subsection  
30 (a).] Venture capital investments shall be limited to not more

1 than 2% of the book value of the total assets of the fund as  
2 determined for financial statement purposes as of December 31  
3 next preceding the date of investment. An investment shall be  
4 deemed a venture capital investment if it results in the  
5 acquisition of equity interests or a combination of debt and  
6 equity interests in a business which is expected to grow  
7 substantially in the future and in which the expected return on  
8 investment is to come predominantly from an increase in value of  
9 the equity interests and are not interests in or secured by real  
10 estate. A venture capital investment may be made only if, in the  
11 judgment of the board, the investment is reasonably likely to  
12 enhance the general welfare of this Commonwealth and its  
13 citizens and meets the standard of prudence set forth in  
14 subsection (a). In determining whether the investment meets the  
15 standard of prudence, the board may consider, together with the  
16 expected return on and the risk characteristics of the  
17 particular investment, the actual and expected future returns  
18 and the risk characteristics of the total venture capital  
19 investments held by the board at the time and the degree to  
20 which the proposed new investment would promote further  
21 diversification within the venture capital asset class.

22 \* \* \*

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