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SENATE BILL NO. 951

Offered January 23, 1995

A BILL to require certain pension funds and retirement systems to provide audited financial information.

Patron—Lambert

Referred to the Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. § 1. That all pension funds and retirement systems with assets in excess of \$50 million administered by the Commonwealth, its cities, counties, and towns (including the automated retirement systems administered by the Board of Trustees of the Virginia Retirement System) shall disclose to the public detailed financial information relating to the retirement system by causing the preparation of audited financial schedules as enumerated and described in § 2 of this act. The financial schedules shall be included in the retirement system's annual report or in a separate supplement to the annual report and shall be made available to the public upon request and at a reasonable price.

§ 2. That the financial schedules required by § 1 of this act shall include the following information:

1. An analysis of the system's securities investment managers' performance, to include:

a. Identities of the managers during the latest fiscal year, including (i) names and addresses of the managers, including managers added and deleted during the latest fiscal year, grouped by equities (active), equities (passive), and bonds with the totals for each and listed within each group by the best total rate of return during the latest fiscal year; and (ii) number of months each has served as a manager during the fiscal year;

b. Funds under management at the beginning of the fiscal year, including (i) cost of securities plus uninvested cash; (ii) market value of securities plus uninvested cash; and (iii) unrealized capital gains or losses;

c. Funds under management at the end of the fiscal year, including (i) cost of securities plus uninvested cash; (ii) market value of securities plus uninvested cash; and (iii) unrealized capital gains or losses;

d. Changes in the portfolio for the latest fiscal year, including (i) any increase or decrease in market value; (ii) the securities purchased and sold in dollars; and (iii) the percentage rate of volume turnover determined by the Looper Formula;

e. Return on investment for the latest fiscal year, including (i) realized capital gain or loss; (ii) unrealized capital gain or loss; (iii) dividend and interest income; (iv) total dollar return; and (v) percentage total return;

f. Compensation for managers for the latest fiscal year, including (i) fees paid to managers; (ii) soft dollar services provided to managers; and (iii) total compensation to managers;

g. Costs of execution for the latest fiscal year, including (i) commissions on agency trades; (ii) markups and markdowns on net trades; (iii) number of shares and \$1,000 increments of bonds traded; (iv) cost per share and per \$1,000 increment of bonds; and (v) total execution costs;

h. Total cost of managing funds, including (i) soft dollar services provided by brokers to managers and to retirement systems and (ii) net execution costs; and

i. History of performance of managers, including (i) total compensation to managers and execution costs; (ii) percentage rate of return (adjusted for partial years) for one-year, two-year, and five-year periods; (iii) average percentage rate of return over the preceding five years (adjusted if for less than five years); (iv) length of time under management, by years and months; and (v) affiliation with brokers providing trade executions and soft dollar services.

2. An analysis of securities brokers' execution costs, including:

a. Names, in alphabetical order, and addresses of brokers receiving over \$10,000 in commissions, markups, and markdowns during the latest fiscal year, and number of brokers who received \$10,000 or less in commissions, markups, and markdowns in the latest fiscal year, with totals;

b. Information on equity-agency trades, including (i) dollar amount of agency trades; (ii) commissions on agency trades; (iii) number of shares; and (iv) cost per share on agency trades;

c. Information on equity-principal trades, including (i) dollar amount of net trades; (ii) markups and markdowns on net trades; (iii) number of shares; and (iv) cents per share on net trades;

d. Information on bond-agency trades, including (i) dollar amount of agency trades; (ii) commissions on agency trades; (iii) number of agency trades; and (iv) cost per \$1,000 increment of bonds on agency

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- 60 trades;
- 61 e. Information on bond-principal trades, including (i) dollar amount of net trades; (ii) markups and
62 markdowns on net trades; (iii) number of net trades; and (iv) cost per \$1,000 increment of bonds on net
63 trades;
- 64 f. Commissions, markups and markdowns charged, including (i) total commissions, markups and
65 markdowns, (ii) cents per share on equity trades; and (iii) costs per \$1,000 increment of bonds on bond
66 trades; and
- 67 g. Net commissions, markups and markdowns, including (i) soft dollars provided to each manager
68 and the fund or system; (ii) net amount charged for trade executions; (iii) net cents per share charged
69 for equity trades executed; (iv) net cost per \$1,000 increment of bonds charged for bond trades
70 executed; and (v) affiliation with managers of fund.
- 71 3. An analysis of the management fees and commissions for real estate brokers, including:
- 72 a. Names, in alphabetical order, and addresses of real estate brokers;
- 73 b. Real estate assets under management at the beginning and at the end of the fiscal year; and
- 74 c. For the latest fiscal year, (i) property management fees; (ii) proceeds of real estate assets sold;
75 (iii) commissions paid to real estate brokers; (iv) percentage rate of commissions; and (v) total of
76 management fees and commissions.
- 77 4. An analysis of consultants' and custodian banks' fees during the latest fiscal year, including (i)
78 names, in alphabetical order, and addresses of each consultant and bank with the total number of each;
79 (ii) type of consultant or custodian bank; and (iii) consultant's or custodian bank's fees.