National Association of State Auditors, Comptrollers and Treasurers

JULY 27, 2015

Washington Update

TWELVE STATE TREASURERS ASK SEC FOR STANDARDIZED PRIVATE EQUITY FEE DISCLOSURE

A group of 12 state treasurers has sent a letter to Securities and Exchange Commission Chairman Mary Jo White asking the Commission to require general partners to make better disclosure of private equity expenses to limited partners. The letter notes that when compared to public asset classes, the cost structures of private equity are complicated. This complexity, combined with a lack of industry disclosure best practices, has led to an uneven playing field for state fiduciaries seeking to report private equity fees fully. The letter also notes:

> "…states that voluntarily disclose more comprehensive accounts of total fees and expenses are put at a disadvantage in state-to-state comparisons. We believe increased disclosure transparency will provide limited partners with a stronger negotiating position, ultimately resulting in more efficient investment options. We have a fiduciary obligation to achieve these goals, and therefore assert that greater private equity fee disclosure standards are in the public interest."

The 12 state treasurers signing the letter are Jeffrey Barnette (DC), John Chiang (CA), Janet Cowell (NC), Thomas DiNapoli (NY), Manju Ganeriwala (VA), Mark Gordon (WY), Curtis Loftis, Jr. (SC), Seth Magaziner (RI), Beth Pearce (VT), Don Stenberg (NE), Ted Wheeler (OR) and Clint Zweifel (MO).

The full letter can be found at www.ri.gov/press/view/25387.

MSRB ANNOUNCES DISCUSSION ITEMS FOR BOARD MEETING

The Municipal Securities Rulemaking Board will meet this week on July 29-30, when new members and officers will be elected. In addition, the board will discuss the following rulemaking topics:

- **Best Execution Guidance:** The board will review draft guidance for municipal securities dealers regarding MSRB Rule G-18 on best execution, which is effective December 7, 2015.
- **Confirmation Disclosure:** The board will discuss next steps on its proposal to require dealers to provide disclosure of pricing reference information on retail customer confirmations.
- **Investor Representation on the Board:** The board will discuss comment letters received on its proposal to modify the application of the standard of independence under MSRB Rule A-3 for the one public member of its board of directors designated to be representative of institutional or retail investors in municipal securities.
- **Uniform Practice Rule Review:** The board will discuss a request for comment on proposed changes to MSRB Rule G-12, on uniform practice, as part of the MSRB's regulatory efficiency initiative.
- **Delivery of Investor Brochure:** The board will consider changes to MSRB Rule G-10, on the delivery of the investor brochure and the customer complaint process, as part of the MSRB's regulatory efficiency initiative.
- **Holistic Fee Review:** The board will discuss the findings of a holistic review of all fees on regulated entities and consider possible changes to MSRB Rules A-12 and A-13.
- **Trade Settlement Cycle:** The board will discuss the securities industry initiative to shift to a T+2 settlement cycle from the current T+3.

SOCIAL SECURITY REPORT: 2034 THE NEW DEPLETION DATE

The Social Security board of trustees has released its annual report on the long-term financial status of the Social Security Trust Funds: the Old-Age and Survivors Insurance, and Disability Insurance (OASDI) funds. In the 2015 Annual Report to Congress, the trustees announced:

- The combined trust fund reserves are still growing and will continue to do so through 2019. Beginning with 2020, the cost of the program is projected to exceed income.
- The projected point at which the combined trust fund reserves will become depleted, if Congress does not act before then, comes in 2034–one year later than projected last year. At that time, there will be sufficient income coming in to pay 79 percent of scheduled benefits.
- The Disability Insurance Trust Fund's projected depletion year remains at 2016, with 81 percent of benefits still payable.
- Social Security paid benefits of $848 billion in calendar year 2014. There were about 59 million beneficiaries at the end of the calendar year.

A press release can be found at www.socialsecurity.gov/news/#/post/7-2015-1.

TAX EXTENDERS MOVE IN SENATE

The Senate Finance Committee has approved a bill by a 23-3 vote to extend a vast array of expired tax provisions. The "tax extenders," as they are known, feature many facets of individual and business provisions, including the individual extension of the deduction for state and local sales taxes and the business extension of special expensing rules for certain film and television productions. This two-year bill would push any further consideration of these tax policies past the next election.

The full list of the extenders can be found at www.finance.senate.gov/imo/media/doc/JCX-101-15%20Extenders%20Markup.pdf.

THE WEEK AHEAD: DYNAMIC SCORING, DIVESTMENT, AND DATA ACT IMPLEMENTATION

Tuesday: The **Senate Joint Economic Committee** will conduct a hearing entitled "Dynamic Scoring: How Will It Affect Fiscal Policymaking?" Dynamic scoring predicts the impact of fiscal policy changes by forecasting the effects of economic agents' reactions to incentives created by policy. It is an adaptation of static scoring, the traditional method for analyzing policy changes. Panelists will include Phil Gramm, former chairman of the Senate Banking, Housing, and Urban Affairs Committee, and John Buckley, former chief of staff to the Joint Committee on Taxation.

- www.jec.senate.gov/public/index.cfm/2015/7/dynamic-scoring-how-will-it-affect-fiscal-policymaking

The **House Oversight and Government Reform Subcommittee** will examine the "Impact of the Boycott, Divestment, and Sanctions Movement."

- https://oversight.house.gov/hearing/impact-of-the-boycott-divestment-and-sanctions-movement/

Wednesday: A joint hearing of the **House Oversight and Government Reform Information Technology and Government Operations Subcommittees** will examine the first wave of implementation of the Digital Accountability and Transparency Act.

- https://oversight.house.gov/hearing/data-act-implementation/

WASHINGTON STAFF

CORNELIA CHEBINOU
Washington Director
cchebinou@nasact.org

NEAL HUTCHKO
Policy Analyst
nhutchko@nasact.org

TANYA GRAYSON
Administrative Assistant
tgrayson@nasact.org

National Association of State Auditors, Comptrollers and Treasurers

HEADQUARTERS OFFICE

449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503-3590
P (859) 276-1147, F (859) 278-0507

WASHINGTON OFFICE

444 N. Capitol Street, NW, Suite 234
Washington, DC 20001
P (202) 624-5451, F (202) 624-5473

www.nasact.org

For more information on this newsletter's content, contact Cornelia Chebinou at cchebinou@nasact.org or (202) 624-5451.

Washington Update