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PRESS RELEASE

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SEC Charges Chicago-based Aon Investments and Former Partner with Misleading Pennsylvania Public Employees' Pension Fund

FOR IMMEDIATE RELEASE | 2024-9

Washington D.C., Jan. 25, 2024 — The Securities and Exchange Commission today announced settled charges against Aon Investments USA Inc., a Chicago-based registered investment adviser, and the firm's former partner, Claire P. Shaughnessy, for misleading their client, the Pennsylvania Public School Employees' Retirement System (PSERS), about the reason for a discrepancy between two different calculations by Aon of PSERS's investment returns for the same period.

The SEC's orders find that Aon was responsible for calculating PSERS's investment returns for "risk share," a provision under Pennsylvania law that requires public school employees to contribute more to their pensions if the retirement fund does not meet certain investment return rates. If PSERS's investment return rate for the nine-year period ending June 30, 2020 was lower than 6.36 percent, it would trigger risk share, requiring an increase in public-school employees' contributions.

According to the SEC's orders, in June 2020, Aon provided PSERS its quarterly returns for the purpose of estimating PSERS's investment return rate. The orders find that some of the quarterly returns Aon provided to PSERS in 2020 did not match the historical returns that Aon previously provided PSERS for the same periods. According to the SEC's orders, PSERS repeatedly questioned Aon's calculations of the investment returns and asked Aon to investigate a discrepancy between the returns. The SEC finds that, in response to these inquiries, Aon and Shaughnessy, who led the PSERS engagement, failed to adequately investigate that discrepancy, instead providing PSERS with two reasons for the discrepancy that Aon had previously ruled out. The orders further find that Shaughnessy misrepresented to PSERS that the discrepancy was not due to errors when, in fact, she did not know the reason for the discrepancy. According to the orders, in December 2020, Aon and Shaughnessy reported to PSERS that the risk share return rate for that period was 6.38 percent – just high enough to avoid triggering risk share. Ultimately, the discrepancy turned out to be due to errors in the underlying data, and, when the rate was recalculated, the corrected return rate was 6.34 percent – triggering risk share and requiring additional employee contributions.

"Investment advisers must be scrupulously honest with their clients," said LeeAnn G. Gaunt, Chief of the Public Finance Abuse Unit. "Pension funds and other municipal entities should be able to trust that their investment advisers are telling them the truth."

Without admitting or denying the SEC's findings, Aon consented to a settled order finding that it violated Section 206(2) of the Advisers Act, censuring it, and ordering it to pay a civil penalty of $1 million and disgorgement and prejudgment interest of $542,187. Without admitting or denying the SEC's findings, Shaughnessy consented to a settled order finding that she also violated Section 206(2) of the Advisers Act, censuring her, and ordering her to pay a civil penalty of $30,000.

The SEC's investigation was conducted by Heidi M. Mitza, Joseph O. Chimienti, and Creighton Papier of the Public Finance Abuse Unit and was supervised by Kevin B. Currid. Trial counsel Susan Cooke of the Boston Regional Office also assisted in the investigation.

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Last Reviewed or Updated: Jan. 25, 2024

RESOURCES

- SEC Order - Aon
- SEC Order - Shaughnessy