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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**

**No. 26**

Session of  
2001

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INTRODUCED BY STRITTMATTER, LUCYK, NICKOL, SCHULER, ARMSTRONG,  
BUNT, CALTAGIRONE, CAPPABIANCA, CURRY, GEORGE, GODSHALL,  
HENNESSEY, HERSHEY, LESCOVITZ, STAIRS, E. Z. TAYLOR, THOMAS,  
TIGUE, TULLI, YOUNGBLOOD, PISTELLA, WILT, GEIST, R. MILLER,  
HORSEY, CREIGHTON, STEELMAN, L. I. COHEN, WATERS, FRANKEL AND  
WASHINGTON, JANUARY 31, 2001

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SENATOR TILGHMAN, APPROPRIATIONS, IN SENATE, RE-REPORTED AS  
AMENDED, APRIL 30, 2001

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AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, further providing for  
3 mandatory and optional membership, for credited school  
4 service, FOR TERMINATION OF ANNUITIES, for membership of the ←  
5 Public School Employees' Retirement Board and the State  
6 Employees' Retirement Board, for administrative duties of  
7 board and for management of fund and accounts.

8 The General Assembly of the Commonwealth of Pennsylvania  
9 hereby enacts as follows:

10 Section 1. Sections 8301, 8302(a), 8346, 8501(a) and (b), ←  
11 8502(g), 8521(h), (i) and (j) of Title 24 of the Pennsylvania  
12 Consolidated Statutes are amended to read:

13 § 8301. Mandatory and optional membership.

14 (a) Mandatory membership.--Membership in the system shall be  
15 mandatory as of the effective date of employment for all school  
16 employees except the following:

17 (1) Any officer or employee of the Department of

1 Education, State-owned educational institutions, community  
2 colleges, area vocational-technical schools, technical  
3 institutes, or the Pennsylvania State University and who is a  
4 member of the State Employees' Retirement System or a member  
5 of another retirement program approved by the employer.

6 (2) Any school employee who is employed on a per diem or  
7 hourly basis for less than 80 full-day sessions or 500 hours  
8 in any fiscal year or annuitant who returns to school service  
9 under the provisions of section 8346(b) (relating to  
10 termination of annuities).

11 (3) Any officer or employee of a governmental entity who  
12 subsequent to December 22, 1965 and prior to July 1, 1975  
13 administers, supervises, or teaches classes financed wholly  
14 or in part by the Federal Government so long as he continues  
15 in such service.

16 (4) Any part-time school employee who has an individual  
17 retirement account pursuant to the Federal act of September  
18 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the  
19 Employee Retirement Income Security Act of 1974.

20 (5) Employees of a charter school, as defined in Article  
21 XVII-A of the act of March 10, 1949 (P.L.30, No.14), known as  
22 the Public School Code of 1949.

23 (b) Prohibited membership.--The school employees categorized  
24 in subsection (a)(1) and (2) shall not have the right to elect  
25 membership in the system.

26 (c) Optional membership.--

27 (1) The school employees categorized in subsection  
28 (a)(3) and, if otherwise eligible, subsection (a)(4) shall  
29 have the right to elect membership in the system. Once such  
30 election is exercised, membership shall commence from the

1 original date of eligibility and shall continue until the  
2 termination of such service.

3 (2) Notwithstanding anything to the contrary in Article  
4 XVII-A of the act of March 10, 1949 (P.L.30, No.14), known as  
5 the Public School Code of 1949, employees of a charter school  
6 shall only be eligible for membership in the system if the  
7 charter school in which they are employed affirmatively  
8 elects to have its employees to be eligible for membership in  
9 the system. Said election shall be in writing on a form  
10 prescribed by the board and filed with the system. Once such  
11 election is exercised, membership for eligible employees  
12 shall commence from the original date of their eligibility  
13 and shall continue until the termination of such service.

14 § 8302. Credited school service.

15 (a) Computation of credited service.--In computing credited  
16 school service of a member for the determination of benefits, a  
17 full-time salaried school employee shall receive one year of  
18 credit for each school year or the corresponding fraction  
19 thereof, in accordance with the proportion of the full school  
20 year for which both the required regular member and employer  
21 contributions have been made, or for which such contributions  
22 otherwise required for such service were not made solely by  
23 reason of any provision of this part relating to the limitation  
24 under IRC § 401(a)(17). A per diem or hourly school employee  
25 shall receive one year of credited service for each  
26 nonoverlapping period of 12 consecutive months in which he is  
27 employed and for which both member and employer contributions  
28 are made, or would have been made but for such limitation under  
29 the IRC, for at least 180 full-day sessions or 1,100 hours of  
30 employment. If such member was employed and member or employer

1 contributions were made for less than 180 full-day sessions or  
2 1,100 hours, he shall be credited with a fractional portion of a  
3 year determined by the ratio of the number of full-day sessions  
4 or hours of service actually rendered to 180 full-day sessions  
5 or 1,100 hours, as the case may be. A part-time salaried  
6 employee shall be credited with the fractional portion of the  
7 year which corresponds to the service actually rendered in  
8 relation to the service required as a comparable full-time  
9 salaried employee and for which both member and employer  
10 contributions were made. In no case shall a member receive more  
11 than one year of credited service for any 12 consecutive months  
12 or a member who has elected multiple service receive an  
13 aggregate in the two systems of more than one year of credited  
14 service for any 12 consecutive months.

15 \* \* \*

16 § 8346. TERMINATION OF ANNUITIES. ←

17 (A) GENERAL RULE.--IF AN ANNUITANT RETURNS TO SCHOOL SERVICE  
18 OR ENTERS STATE SERVICE AND ELECTS MULTIPLE SERVICE MEMBERSHIP,  
19 ANY ANNUITY PAYABLE TO HIM UNDER THIS PART SHALL CEASE AND IN  
20 THE CASE OF AN ANNUITY OTHER THAN A DISABILITY ANNUITY THE  
21 PRESENT VALUE OF SUCH ANNUITY, ADJUSTED FOR FULL COVERAGE IN THE  
22 CASE OF A JOINT COVERAGE MEMBER WHO MAKES THE APPROPRIATE BACK  
23 CONTRIBUTIONS FOR FULL COVERAGE, SHALL BE FROZEN AS OF THE DATE  
24 SUCH ANNUITY CEASES. AN ANNUITANT WHO IS CREDITED WITH AN  
25 ADDITIONAL 10% OF MEMBERSHIP SERVICE AS PROVIDED IN SECTION  
26 8302(B.2) (RELATING TO CREDITED SCHOOL SERVICE) AND WHO RETURNS  
27 TO SCHOOL SERVICE, EXCEPT AS PROVIDED IN SUBSECTION (B), SHALL  
28 FORFEIT SUCH CREDITED SERVICE AND SHALL HAVE HIS FROZEN PRESENT  
29 VALUE ADJUSTED AS IF HIS 10% RETIREMENT INCENTIVE HAD NOT BEEN  
30 APPLIED TO HIS ACCOUNT. IN THE EVENT THAT THE COST-OF-LIVING

1 INCREASE ENACTED DECEMBER 18, 1979, OCCURRED DURING THE PERIOD  
2 OF SUCH STATE OR SCHOOL EMPLOYMENT, THE FROZEN PRESENT VALUE  
3 SHALL BE INCREASED, ON OR AFTER THE MEMBER ATTAINS  
4 SUPERANNUATION AGE, BY THE PERCENT APPLICABLE HAD HE NOT  
5 RETURNED TO SERVICE.

6 (B) RETURN TO SCHOOL SERVICE DURING EMERGENCY.--WHEN, IN THE  
7 JUDGMENT OF THE EMPLOYER, AN EMERGENCY CREATES AN INCREASE IN  
8 THE WORK LOAD SUCH THAT THERE IS SERIOUS IMPAIRMENT OF SERVICE  
9 TO THE PUBLIC OR IN THE EVENT OF A SHORTAGE OF APPROPRIATE  
10 SUBJECT CERTIFIED TEACHERS, AN ANNUITANT MAY BE RETURNED TO  
11 SCHOOL SERVICE FOR A PERIOD NOT TO EXCEED [95] 120 FULL-DAY  
12 SESSIONS IN ANY SCHOOL YEAR WITHOUT LOSS OF HIS ANNUITY. IN  
13 COMPUTING THE NUMBER OF DAYS AN ANNUITANT HAS RETURNED TO SCHOOL  
14 SERVICE, ANY AMOUNT OF TIME LESS THAN ONE-HALF OF A DAY SHALL BE  
15 COUNTED AS ONE-HALF OF A DAY.

16 (C) SUBSEQUENT DISCONTINUANCE OF SERVICE.--UPON SUBSEQUENT  
17 DISCONTINUANCE OF SERVICE, SUCH MEMBER OTHER THAN A FORMER  
18 ANNUITANT WHO HAD THE EFFECT OF HIS FROZEN PRESENT VALUE  
19 ELIMINATED IN ACCORDANCE WITH SUBSECTION (D) OR A FORMER  
20 DISABILITY ANNUITANT SHALL BE ENTITLED TO AN ANNUITY WHICH IS  
21 ACTUARIALLY EQUIVALENT TO THE SUM OF THE PRESENT VALUE AS  
22 DETERMINED UNDER SUBSECTION (A) AND THE PRESENT VALUE OF A  
23 MAXIMUM SINGLE LIFE ANNUITY BASED ON YEARS OF SERVICE CREDITED  
24 SUBSEQUENT TO REENTRY IN THE SYSTEM AND HIS FINAL AVERAGE SALARY  
25 COMPUTED BY REFERENCE TO HIS COMPENSATION DURING HIS ENTIRE  
26 PERIOD OF SCHOOL AND STATE SERVICE.

27 (D) ELIMINATION OF THE EFFECT OF FROZEN PRESENT VALUE.--

28 (1) AN ANNUITANT WHO RETURNS TO SCHOOL SERVICE AND EARNS  
29 THREE ELIGIBILITY POINTS BY PERFORMING CREDITED SCHOOL  
30 SERVICE FOLLOWING THE MOST RECENT PERIOD OF RECEIPT OF AN

1 ANNUITY UNDER THIS PART, OR AN ANNUITANT WHO ENTERS STATE  
2 SERVICE AND:

3 (I) IS A MULTIPLE SERVICE MEMBER; OR

4 (II) WHO ELECTS MULTIPLE SERVICE MEMBERSHIP, AND  
5 EARNS THREE ELIGIBILITY POINTS BY PERFORMING CREDITED STATE  
6 SERVICE OR CREDITED SCHOOL SERVICE FOLLOWING THE MOST RECENT  
7 PERIOD OF RECEIPT OF AN ANNUITY UNDER THIS PART, AND WHO HAD  
8 THE PRESENT VALUE OF HIS ANNUITY FROZEN IN ACCORDANCE WITH  
9 SUBSECTION (A), SHALL QUALIFY TO HAVE THE EFFECT OF THE  
10 FROZEN PRESENT VALUE RESULTING FROM ALL PREVIOUS PERIODS OF  
11 RETIREMENT ELIMINATED, PROVIDED THAT ALL PAYMENTS UNDER  
12 OPTION 4 AND ANNUITY PAYMENTS PAYABLE DURING PREVIOUS PERIODS  
13 OF RETIREMENT PLUS INTEREST AS SET FORTH IN PARAGRAPH (3)  
14 SHALL BE RETURNED TO THE FUND IN THE FORM OF AN ACTUARIAL  
15 ADJUSTMENT TO HIS SUBSEQUENT BENEFITS OR IN SUCH FORM AS THE  
16 BOARD MAY OTHERWISE DIRECT.

17 (2) UPON SUBSEQUENT DISCONTINUANCE OF SERVICE AND THE  
18 FILING OF AN APPLICATION FOR AN ANNUITY, A FORMER ANNUITANT  
19 WHO QUALIFIES TO HAVE THE EFFECT OF A FROZEN PRESENT VALUE  
20 ELIMINATED UNDER THIS SUBSECTION SHALL BE ENTITLED TO RECEIVE  
21 THE HIGHER OF EITHER:

22 (I) AN ANNUITY (PRIOR TO OPTIONAL MODIFICATION)  
23 CALCULATED AS IF THE FREEZING OF THE FORMER ANNUITANT'S  
24 ACCOUNT PURSUANT TO SUBSECTION (A) HAD NOT OCCURRED,  
25 ADJUSTED ACCORDING TO PARAGRAPH (3), PROVIDED THAT A  
26 FORMER ANNUITANT OF THE SYSTEM OR A FORMER ANNUITANT OF  
27 THE STATE EMPLOYEES' RETIREMENT SYSTEM WHO RETIRED UNDER  
28 A PROVISION OF LAW GRANTING ADDITIONAL SERVICE CREDIT IF  
29 TERMINATION OF SCHOOL OR STATE SERVICE OR RETIREMENT  
30 OCCURRED DURING A SPECIFIC PERIOD OF TIME SHALL NOT BE

1 PERMITTED TO RETAIN THE ADDITIONAL SERVICE CREDIT UNDER  
2 THE PRIOR LAW WHEN THE ANNUITY IS COMPUTED FOR HIS MOST  
3 RECENT RETIREMENT; OR

4 (II) AN ANNUITY (PRIOR TO OPTIONAL MODIFICATION)  
5 CALCULATED AS IF THE FORMER ANNUITANT DID NOT QUALIFY TO  
6 HAVE THE EFFECT ON THE FROZEN PRESENT VALUE ELIMINATED,  
7 UNLESS THE FORMER ANNUITANT NOTIFIES THE BOARD IN WRITING BY  
8 THE LATER OF THE DATE THE APPLICATION FOR ANNUITY IS FILED OR  
9 THE EFFECTIVE DATE OF RETIREMENT THAT THE FORMER ANNUITANT  
10 WISHES TO RECEIVE THE LOWER ANNUITY.

11 (3) IN ADDITION TO ANY OTHER ADJUSTMENT TO THE PRESENT  
12 VALUE OF THE MAXIMUM SINGLE LIFE ANNUITY THAT A MEMBER MAY BE  
13 ENTITLED TO RECEIVE THAT OCCURS AS A RESULT OF ANY OTHER  
14 PROVISION OF LAW, THE PRESENT VALUE OF THE MAXIMUM SINGLE  
15 LIFE ANNUITY SHALL BE REDUCED BY ALL AMOUNTS PAID OR PAYABLE  
16 TO HIM DURING ALL PREVIOUS PERIODS OF RETIREMENT PLUS  
17 INTEREST ON THESE AMOUNTS UNTIL THE DATE OF SUBSEQUENT  
18 RETIREMENT. THE INTEREST FOR EACH YEAR SHALL BE CALCULATED  
19 BASED UPON THE ANNUAL INTEREST RATE ADOPTED FOR THAT SCHOOL  
20 YEAR BY THE BOARD FOR THE CALCULATION OF THE NORMAL  
21 CONTRIBUTION RATE PURSUANT TO SECTION 8328(B) (RELATING TO  
22 ACTUARIAL COST METHOD).

23 § 8501. Public School Employees' Retirement Board.

24 (a) Status and membership.--The board shall be an  
25 independent administrative board and shall consist of 15  
26 members: the Secretary of Education, ex officio; the State  
27 Treasurer, ex officio; two Senators; two members of the House of  
28 Representatives; the executive secretary of the Pennsylvania  
29 School Boards Association, ex officio; two to be appointed by  
30 the Governor, at least one of whom shall not be a school

1 employee or an officer or employee of the State; three to be  
2 elected by the active professional members of the system from  
3 among their number; one to be elected by annuitants from among  
4 their number; one to be elected by the active nonprofessional  
5 members of the system from among their number; and one to be  
6 elected by members of Pennsylvania public school boards from  
7 among their number. The appointments made by the Governor shall  
8 be confirmed by the Senate and each election shall be conducted  
9 in a manner approved by the board. The terms of the appointed  
10 and nonlegislative elected members shall be three years. The  
11 members from the Senate shall be appointed by the President pro  
12 tempore of the Senate and shall consist of one member from the  
13 majority and one member from the minority. The members from the  
14 House of Representatives shall be appointed by the Speaker of  
15 the House of Representatives and shall consist of one member  
16 from the majority and one member from the minority. The  
17 legislative members shall serve on the board for the duration of  
18 [the terms for which they were elected] their legislative terms  
19 and shall continue to serve until 30 days after the convening of  
20 the next regular session of the General Assembly after the  
21 expiration of their respective legislative terms, or until a  
22 successor is appointed for the new term, whichever occurs first.  
23 The chairman of the board shall be elected by the board members.  
24 Each ex officio member of the board and each legislative member  
25 of the board may appoint a duly authorized designee to act in  
26 his stead.

27 (b) [Appointment and terms of initial members.--For the  
28 purposes of securing an orderly transition and staggered terms,  
29 the elected members of the board serving on the effective date  
30 of this part shall serve until the expiration of their

1 respective terms. The board member initially elected by members  
2 of Pennsylvania public school boards shall serve until January  
3 1, 1976. The board member initially elected by the active  
4 nonprofessional members of the system shall serve until January  
5 1, 1977. One of the initial board members appointed by the  
6 Governor after the effective date of this part shall serve until  
7 January 1, 1976 and the second appointed board member shall  
8 serve until January 1, 1977.] Vacancies.--A vacancy occurring  
9 during the term of any member shall be filled for the unexpired  
10 term by a successor appointed or elected as the case may be in  
11 the same manner as his predecessor.

12 \* \* \*

13 § 8502. Administrative duties of board.

14 \* \* \*

15 (g) Performance of employer duties.--In the event the  
16 employer fails to comply with the procedures as mandated in  
17 section 8506 (relating to duties of employers), the board shall  
18 perform such duties and bill the employer who shall pay for the  
19 cost of same. In the event the employer is delinquent in the  
20 payment of:

21 (1) the board's bill for the cost of the board to  
22 perform the duties of the employer mandated in section 8506;

23 (2) the employer contributions required in accordance  
24 with section 8327 (relating to payments by employers)[,]; or

25 (3) the member contributions required in accordance with  
26 section 8506,

27 then the board shall notify the Secretary of Education and the  
28 State Treasurer of such delinquency and certify the actual or  
29 estimated amount thereof. Within 30 days of the receipt of the  
30 board's delinquency notice, the Secretary of Education shall pay

1 to the board the amount so certified that remains unpaid as of  
2 the date of secretary's payment. All such amounts paid by the  
3 Secretary of Education shall be credited by the board to the  
4 appropriate account in the fund. The Secretary of Education  
5 shall be entitled to exercise the remedy set forth in section  
6 8327(b) to recover any amounts paid to the board pursuant to  
7 this subsection. In the event the Secretary of Education  
8 exercises the remedy set forth in section 8327(b) to recover any  
9 amounts paid to the board, as a consequence of a delinquency  
10 caused by a charter school, and reduces the amount of funds paid  
11 to a chartering school district, as defined in Article XVII-A of  
12 the act of March 10, 1949 (P.L.30, No.14), known as the Public  
13 School Code of 1949, the chartering school district shall reduce  
14 the amount of funds paid to the charter school by any amount  
15 deducted by the Secretary of Education that would have otherwise  
16 been paid to the chartering school district.

17 \* \* \*

18 § 8521. Management of fund and accounts.

19 \* \* \*

20 (h) Venture capital[.--Venture capital investments shall be  
21 limited to not more than 2% of the book value of the total  
22 assets of the fund as determined for financial statement  
23 purposes as of June 30 next preceding the date of investment. An  
24 investment shall be deemed a venture capital investment if it  
25 results in the acquisition of equity interests or a combination  
26 of debt and equity interests in a business which is expected to  
27 grow substantially in the future and in which the expected  
28 return on investment is to come predominantly from an increase  
29 in value of the equity interests and are not interests in or  
30 secured by real estate. A venture capital investment may be made

1 only if, in the judgment of the board, the investment is  
2 reasonably likely to enhance the general welfare of this  
3 Commonwealth and its citizens and meets the standard of prudence  
4 set forth in subsection (a). In determining whether the  
5 investment meets the standard of prudence, the board may  
6 consider, together with the expected return on and the risk  
7 characteristics of the particular investment, the actual and  
8 expected future returns and the risk characteristics of the  
9 total venture capital investments held by the board at the time  
10 and the degree to which the proposed new investment would  
11 promote further diversification within the venture capital asset  
12 class.], private placement and alternative investments.--The  
13 board in its prudent discretion may make any venture capital  
14 investment, private placement investment or other alternative  
15 investment of any kind, structure or manner which meets the  
16 standard of prudence set forth in subsection (a).

17 (i) Vehicles for authorized investments.--The board in its  
18 prudent discretion may make any investments which meet the  
19 standard of prudence set forth in subsection (a) by [becoming a  
20 limited partner in partnerships that will hold such investments,  
21 or by acquiring shares or units of participation or otherwise  
22 participating beneficially in bank collective trusts or in the  
23 separate accounts of any insurance company authorized to do  
24 business in this Commonwealth, or by acquiring stocks or shares  
25 or units of participation or otherwise participating  
26 beneficially in the fund of any corporation or trust organized  
27 or created and existing under the laws of the United States or  
28 of any state, district or territory thereof which fund is  
29 maintained for and consists of assets of employees' benefit  
30 trusts, including governmental plans as defined in IRC § 414(d)

1 or which meet the requirements for qualification under IRC §  
2 401] acquiring any type of interest in a business organization  
3 existing under the laws of any jurisdiction, provided that, in  
4 any such case, the liability of the Public School Employees'  
5 Retirement Fund shall be limited to the amount of its  
6 investment.

7 (j) Legislative declaration concerning certain authorized  
8 investments.--The General Assembly finds and declares that  
9 authorized investments of the fund made by or on behalf of the  
10 board under this section whereby the board becomes a joint owner  
11 or stockholder in any company, corporation [or], association or  
12 other lawful business organization are outside the scope of the  
13 original intent of and therefor do not violate the prohibition  
14 set forth in section 8 of Article VIII of the Constitution of  
15 Pennsylvania.

16 Section 2. Sections 5901(a) and (b) and 5931(h), (i) and (j)  
17 of Title 71 are amended to read:

18 § 5901. The State Employees' Retirement Board.

19 (a) Status and membership.--The board shall be an  
20 independent administrative board and consist of 11 members: the  
21 State Treasurer, ex officio, two Senators [or former Senators],  
22 two members [or former members] of the House of Representatives  
23 and six members appointed by the Governor, one of whom shall be  
24 an annuitant of the system, for terms of four years, subject to  
25 confirmation by the Senate. At least five board members shall be  
26 active members of the system, and at least two shall have ten or  
27 more years of credited State service. The chairman of the board  
28 shall be designated by the Governor from among the members of  
29 the board. Each member of the board who is a member of the  
30 General Assembly may appoint a duly authorized designee to act

1 in his stead.

2 (b) Appointments and terms.--The two members elected by the  
3 board and serving on the effective date of this title shall  
4 continue to serve until the expiration of their respective  
5 terms. The members [or former members] of the Senate shall be  
6 appointed by the President pro tempore of the Senate and shall  
7 consist of a majority and a minority member [or former member].  
8 The members [or former members] of the House of Representatives  
9 shall be appointed by the Speaker of the House of  
10 Representatives and shall consist of a majority and a minority  
11 member [or former member]. The legislative members shall serve  
12 on the board for the duration of [the terms for which they were  
13 elected and former legislative members shall serve a term of two  
14 years.] their legislative terms and shall continue to serve  
15 until 30 days after the convening of the next regular session of  
16 the General Assembly after the expiration of their respective  
17 legislative terms, or until a successor is appointed for the new  
18 term, whichever occurs first. Of the remaining four appointees,  
19 one shall be appointed for an initial term of two years, one for  
20 an initial term of three years, and two for an initial term of  
21 four years. A vacancy occurring during the term of an appointed  
22 member shall be filled for the unexpired term by the appointment  
23 and confirmation of a successor in the same manner as his  
24 predecessor.

25 \* \* \*

26 § 5931. Management of fund and accounts.

27 \* \* \*

28 (h) Venture capital[.--Venture capital investments shall be  
29 limited to not more than 2% of the book value of the total  
30 assets of the fund as determined for financial statement

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

25 (i) Vehicles for authorized investments.--The board in its  
26 prudent discretion may make any investments which meet the  
27 standard of prudence set forth in subsection (a) by [becoming a  
28 limited partner in partnerships that will hold such investments;  
29 or by acquiring shares or units of participation or otherwise  
30 participating beneficially in bank collective trusts or in the

1 separate accounts of any insurance company authorized to do  
2 business in this Commonwealth; or by acquiring stocks or shares  
3 or units of participation or otherwise participating  
4 beneficially in the fund of any corporation or trust organized  
5 or created and existing under the laws of the United States or  
6 of any state, district or territory thereof, which fund is  
7 maintained for and consists of assets of employees' benefit  
8 trusts, including governmental plans as defined in IRC § 414(d)  
9 or which meet the requirements for qualification under IRC §  
10 401] acquiring any type of interest in a business organization  
11 existing under the laws of any jurisdiction, provided that, in  
12 any such case, the liability of the State Employees' Retirement  
13 Fund shall be limited to the amount of its investment.

14 (j) Legislative declaration concerning certain authorized  
15 investments.--The General Assembly finds and declares that  
16 authorized investments of the fund made by or on behalf of the  
17 board under this section whereby the board becomes a joint owner  
18 or stockholder in any company, corporation [or], association or  
19 other lawful business organization are outside the scope of the  
20 original intent of and therefore do not violate the prohibition  
21 set forth in section 8 of Article VIII of the Constitution of  
22 Pennsylvania.

23 Section 3. Any and all investments of the Public School  
24 Employees' Retirement Board and of the State Employees'  
25 Retirement Board, respectively, which on the effective date of  
26 this section are owned or held through a vehicle as described in  
27 24 Pa.C.S. § 8521(i) or 71 Pa.C.S. § 5931(i), as applicable,  
28 shall be deemed to have been lawfully made through such vehicle  
29 at inception.

30 Section 4. All acts and parts of acts are repealed insofar

1 as they are inconsistent with this act.

2 Section 5. This act shall take effect immediately.