
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 951 Session of
2019

INTRODUCED BY BLAKE, BROWNE, DiSANTO, PHILLIPS-HILL, HAYWOOD,
SCHWANK, COSTA AND YUDICHAK, NOVEMBER 12, 2019

REFERRED TO FINANCE, NOVEMBER 12, 2019

AN ACT

1 Amending Titles 24 (Education), 64 (Public Authorities and
2 Quasi-public Corporations) and 71 (State Government) of the
3 Pennsylvania Consolidated Statutes, in general provisions,
4 further providing for definitions; in membership,
5 contributions and benefits, further providing for
6 appropriations by the Commonwealth and establishing the
7 Public School Employees' Contribution Fund; in School
8 Employees' Defined Contribution Plan, further providing for
9 powers and duties of board; in administration and
10 miscellaneous provisions, further providing for Public School
11 Employees' Retirement Board, for administrative duties of
12 board, for health insurance and for duties of board to report
13 to State Employees' Retirement Board, providing for duties of
14 the board to report to the investment office and further
15 providing for management of fund and accounts, for Public
16 School Employees' Retirement Fund, for State accumulation
17 account, for health insurance account, for Northern Ireland-
18 related investments, for fraud and adjustment of errors, for
19 payments to school entities by Commonwealth commencing with
20 the 2019-2020 school year and for establishment; in group
21 health insurance program, further providing for
22 administration, for Public School Retirees' Health Insurance
23 Fund and for management of fund; in public authorities,
24 establishing the Commonwealth Pension Investment Office; in
25 preliminary provisions, further providing for definitions and
26 providing for certification by Secretary of the Budget; in
27 membership, credited service, classes of service, and
28 eligibility for benefits, further providing for mandatory and
29 optional membership in the system and participation in the
30 plan; establishing the State Employees' Contribution Fund; in
31 benefits, further providing for termination of annuities; in
32 State Employees' Defined Contribution Plan, further providing
33 for termination of distributions and for powers and duties of
34 board; in administration, funds, accounts and general

1 provisions, further providing for the State Employees'
2 Retirement Board, for administrative duties of the board and
3 for duties of the board to report to the Public School
4 Employees' Retirement Board, providing for duties of the
5 board to report to the investment office and further
6 providing for management of fund and accounts, for State
7 Employees' Retirement Fund, for Northern Ireland-related
8 investments, for benefits completion plan and for fraud and
9 adjustment of errors.

10 The General Assembly of the Commonwealth of Pennsylvania
11 hereby enacts as follows:

12 Section 1. Section 102 of Title 24 of the Pennsylvania
13 Consolidated Statutes is amended by adding a definition to read:

14 § 102. Definitions.

15 Subject to additional definitions contained in subsequent
16 provisions of this title which are applicable to specific
17 provisions of this title, the following words and phrases when
18 used in this title shall have the meanings given to them in this
19 section unless the context clearly indicates otherwise:

20 * * *

21 "Investment office." The Commonwealth Pension Investment
22 Office established under 64 Pa.C.S. Ch. 81 (relating
23 to Commonwealth Pension Investment Office).

24 * * *

25 Section 2. Section 8330(b) of Title 24 is amended to read:
26 § 8330. Appropriations by the Commonwealth.

27 * * *

28 (b) Appropriation and payment.--The General Assembly shall
29 make an appropriation sufficient to provide for the separate
30 obligations of the Commonwealth to the fund and the trust as
31 certified by the board. Such amount shall be paid in accordance
32 with section 8535.1 (relating to payments to school entities by
33 Commonwealth commencing with the 2019-2020 school year) by the
34 State Treasurer through the Department of Revenue into the fund

1 or the trust within 30 days of receipt of the requisition
2 presented each quarter by the board in accordance with
3 Subchapter B.1 (relating to Public School Employees'
4 Contribution Fund).

5 Section 3. Chapter 83 of Title 24 is amended by adding a
6 subchapter to read:

7 SUBCHAPTER B.1

8 PUBLIC SCHOOL EMPLOYEES' CONTRIBUTION FUND

9 Sec.

10 8331. Definitions.

11 8332. Establishment and use of contribution fund.

12 8333. Certification of amounts payable from contribution fund.

13 8334. Payments from contribution fund.

14 § 8331. Definitions.

15 The following words and phrases when used in this subchapter
16 shall have the meanings given to them in this section unless the
17 context clearly indicates otherwise:

18 "Contribution fund." The Public School Employees'
19 Contribution Fund established under section 8332 (relating to
20 establishment and use of contribution fund).

21 § 8332. Establishment and use of contribution fund.

22 (a) Establishment.--The Public School Employees'
23 Contribution Fund is established as a restricted account in the
24 General Fund.

25 (b) Use of contribution fund.--Money in the contribution
26 fund, including interest, income, dividends and other earnings
27 on money deposited into the contribution fund shall be used for
28 the payment of the Commonwealth's share of contributions under
29 sections 8326 (relating to contributions by the Commonwealth)
30 and 8535.1 (relating to payments to school entities by

1 Commonwealth commencing with the 2019-2020 school year) and the
2 unfunded actuarial accrued liability under section 8328
3 (relating to actuarial cost method) due each fiscal year.

4 (c) Investments.--The money in the contribution fund shall
5 be invested by the State Treasurer in securities as provided by
6 law for the investment in the sinking funds of the Commonwealth.
7 § 8333. Certification of amounts payable from contribution
8 fund.

9 (a) Certification.--

10 (1) (Reserved).

11 (2) Within 10 days after the board certifies the amount
12 determined to be due from the Commonwealth to the State
13 Treasurer in accordance with sections 8330 and 8502(k) and
14 (1), the State Treasurer shall certify 100% of the amount
15 determined to be due from the Commonwealth as certified under
16 section 8502(1) to be transferred to the contribution fund by
17 the Department of Revenue.

18 (b) Duties of Department of Revenue.--Within 10 days after
19 the State Treasurer certifies the amount under subsection (a)
20 (2), the Department of Revenue shall transfer money in the
21 amount certified from the tax imposed under section 302 of the
22 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
23 of 1971, into the contribution fund.

24 § 8334. Payments from contribution fund.

25 (a) Appropriation.--

26 (1) Money transferred by the Department of Revenue into
27 the contribution fund under section 8333(b) (relating to
28 certification of amounts payable from contribution fund) is
29 appropriated to the department for the payment of the
30 Commonwealth's share of required contributions under sections

1 8326 (relating to contributions by the Commonwealth) and
2 8535.1 (relating to payments to school entities by
3 Commonwealth commencing with the 2019-2020 school year) as
4 certified by the board under section 8502(k) and (l)
5 (relating to administrative duties of board).

6 (2) Any money remaining in the contribution fund,
7 including earned interest, at the end of a calendar quarter
8 is appropriated to the board as an additional contribution to
9 the Public School Employees' Retirement Fund in excess of the
10 actuarially required contribution for the quarter. Money
11 appropriated under this paragraph shall be transferred to the
12 board within 30 days of the end of the calendar quarter.

13 (b) Treatment of transfers.--Amounts transferred to the
14 Public School Employees' Retirement Fund under subsection (a) (2)
15 must be in addition to employer contributions required under
16 sections 8326, 8327 (relating to payments by employers) and
17 8535.1 and may not be used to replace any portion of the
18 employer contributions certified by the board under section 8328
19 (relating to actuarial cost method). The board shall accept the
20 transferred money and apply the money to offset the current
21 unfunded actuarial accrued liability of the Public School
22 Employees' Retirement Fund. Amounts received by the board under
23 this subchapter shall be recognized over a specific period of
24 time as determined by the board in consultation with the board's
25 actuary.

26 (c) Commonwealth contributions.--The Commonwealth shall make
27 the full amount of the required contributions into the
28 contribution fund under sections 8326 and 8535.1 as certified by
29 the board under sections 8502(k) and (l) and 8330 (relating to
30 appropriations by Commonwealth) without regard to whether

1 sufficient amounts have been transferred to the contribution
2 fund or appropriated from the contribution fund to the
3 department under this subchapter.

4 Section 4. Section 8411(15) of Title 24 is amended and the
5 section is amended by adding a paragraph to read:

6 § 8411. Powers and duties of board.

7 The board, in addition to its powers and duties set forth in
8 Chapter 85 (relating to administration and miscellaneous
9 provisions), shall have the following powers and duties to
10 establish the plan and trust and to administer the provisions of
11 this part:

12 * * *

13 (15) The board may contract any services and duties in
14 lieu of staff except final adjudications and as prohibited by
15 law. Any duties or responsibilities of the board not required
16 by law to be performed by the board may be delegated to a
17 third-party provider or the investment office subject to
18 appeal to the board.

19 * * *

20 (19) The board may elect to invest moneys of the plan
21 and trust with the investment office.

22 Section 5. Sections 8501(f) and 8502(a)(3), (b)(1), (c)(1),
23 (d), (f), (i) and (o) of Title 24 are amended and the sections
24 are amended by adding subsections to read:

25 § 8501. Public School Employees' Retirement Board.

26 * * *

27 (b.1) Trustees of investment office.--An individual who is a
28 trustee of the investment office may not be appointed as member
29 of the board or named as a designee unless the individual first
30 resigns as a trustee of the investment office.

1 * * *

2 (f) Board training.--Each member of the board will be
3 required to obtain eight hours of mandatory training in asset
4 allocation and investment strategies, investment risk, risk
5 management, setting return assumptions, actuarial cost analysis
6 and retirement portfolio management on an annual basis.

7 § 8502. Administrative duties of board.

8 (a) Employees.--

9 * * *

10 (3) The board may utilize the staff of employees
11 provided for under this subsection for both the system and
12 the plan, but shall allocate the fees, costs and expenses
13 incurred under this subsection between the system and the
14 plan as appropriate. The board may designate board employees
15 to work on the integration management team established under
16 64 Pa.C.S. § 8111 (relating to integration management team)
17 to assist in the performance of the team's duties. Work
18 completed by designated employees shall be considered a part
19 of the designated employees' duties as officers and employees
20 of the board.

21 (b) Professional personnel.--

22 (1) The board shall contract for the services of a chief
23 medical examiner, an actuary, investment advisors,
24 counselors, an investment coordinator, and such other
25 professional personnel as it deems advisable. The board's
26 authority to contract for the services of investment advisors
27 and counselors includes the authority to enter into
28 agreements with the investment office to provide services.

29 * * *

30 (c) Expenses.--

1 (1) The board shall, through the Governor, submit to the
2 General Assembly annually a budget covering the
3 administrative expenses of the system and a separate budget
4 covering the administrative expenses of the plan. The
5 separate budgets shall include those expenses necessary to
6 establish the plan and trust. The budgets prepared under this
7 subsection shall not include the expenses of the investment
8 office budgeted under 64 Pa.C.S. § 8104(o) (relating to
9 Commonwealth Pension Investment Office).

10 * * *

11 (d) Meetings.--The board shall hold at least [six] four
12 regular meetings annually and such other meetings as it may deem
13 necessary.

14 * * *

15 (f) Functions.--The board shall perform such other functions
16 as are required for the execution of this part and 64 Pa.C.S.
17 Ch. 81 (relating to Commonwealth Pension Investment Office) and
18 shall have the right to inspect the employment records of
19 employers.

20 * * *

21 (i) Data.--The board and the investment office shall keep in
22 convenient form such data as are stipulated by the actuary in
23 order that an annual actuarial valuation of the various accounts
24 of the fund can be completed within six months of the close of
25 each fiscal year. The board shall have final authority over the
26 means by which data is collected, maintained and stored and in
27 so doing shall protect the rights of its membership as to
28 privacy and confidentiality.

29 * * *

30 (o) Independent audits.--The board shall provide for annual

1 audits of the system and the plan by an independent certified
2 public accounting firm. The audits shall include the board's
3 accrual and expenditure of directed commissions. The board may
4 use the same independent certified public accounting firm for
5 the audits of [both] the system [and the plan.], the plan and
6 the investment office. The board's audits under this subsection
7 shall include the portion of the fund managed and invested by
8 the investment office. In preparing audits of the fund managed
9 and investment by the investment office, the board may accept
10 and rely on the certifications by the independent auditors
11 retained by the investment office under 64 Pa.C.S. § 8105(a)(4)
12 (relating to powers and duties) of audits performed under 64
13 Pa.C.S. § 8105 (e)(24).

14 * * *

15 (s) Appointment of trustees to investment office.--The board
16 shall appoint trustees as authorized under 64 Pa.C.S. Ch. 81
17 (relating to Commonwealth Pension Investment Office) and may
18 take actions required and authorized relating to the
19 establishment of the investment office and the management and
20 investment of the fund under this part and 64 Pa.C.S. Ch. 81.

21 Section 5.1. Section 8502.2(b) of Title 24 is amended to
22 read:

23 § 8502.2. Health insurance.

24 * * *

25 (b) Separate account.--All funds related to the health
26 insurance program shall be maintained and accounted for
27 separately from the Public School Employees' Retirement Fund.
28 The board may elect to invest any or all of the moneys of the
29 program with the investment office.

30 * * *

1 Section 6. Section 8504 of Title 24 is amended by adding
2 subsections to read:

3 § 8504. Duties of board to report to State Employees'
4 Retirement Board.

5 * * *

6 (d) Duty to cooperate.--The board must cooperate with the
7 State Employees' Retirement Board in effectuating all
8 requirements and obligations of the board under 64 Pa.C.S. Ch.
9 81 (relating to Commonwealth Pension Investment Office).

10 (e) Investment office.--The following apply:

11 (1) The board shall notify the State Employees'
12 Retirement Board when the board names individuals as trustees
13 of the investment office. The board shall enter into joint
14 agreements with the State Employees' Retirement Board to
15 contract with a third-party consultant to establish and
16 maintain a pool of candidates to be trustees of the
17 investment office under 64 Pa.C.S. § 8104(c) (relating to
18 Commonwealth Pension Investment Office).

19 (2) If the board initiates and approves a proposed joint
20 resolution of the board and the State Employees' Retirement
21 Board to remove a trustee of the investment office under 64
22 Pa.C.S. § 8104(d), the board shall transmit a certified copy
23 of the proposed joint resolution to the secretary of the
24 State Employees' Retirement Board for consideration and
25 action by the State Employees' Retirement Board.

26 (3) If the secretary of the board receives a certified
27 copy of a proposed joint resolution to remove a trustee of
28 the investment office under 64 Pa.C.S. § 8104(d) which was
29 initiated by the State Employees' Retirement Board or a
30 resolution approved by the trustees of the investment office

1 to remove a trustee of the office, the board shall
2 expeditiously consider and act on the proposed joint
3 resolution or the resolution of the trustees of the
4 investment office, and the board's secretary shall notify the
5 secretary of the State Employees' Retirement Board and the
6 chief executive officer of the investment office of the
7 board's action.

8 (4) Upon the approval of a joint resolution under this
9 subsection, the board's secretary shall inform the Governor,
10 the General Assembly and the chief executive officer of the
11 investment office of the action.

12 Section 7. Title 24 is amended by adding a section to read:

13 § 8504.1. Duties of the board to report to the investment
14 office.

15 (a) Projection of contributions and disbursements.--
16 Periodically, but not less than annually, the board shall report
17 to the investment office the expected future annual
18 contributions to the fund by members and employers, benefit
19 payments from the fund and other disbursements from the fund,
20 including, but not limited to, the administrative expenses,
21 projected for a period of not less than 10 years.

22 (b) Expected fund transfers.--Periodically, but not less
23 than annually, the board shall report to the investment office
24 the expected amounts to be transferred on a monthly basis from
25 the restricted account for the board established under 64
26 Pa.C.S. § 8106(h) (relating to relationship to SERB and PSERB)
27 to the account or funds held by the State Treasurer under
28 section 8521(g) (relating to management of fund and accounts).

29 (c) Required fund transfers.--The board shall determine and
30 communicate to the investment office the transfers required

1 under 64 Pa.C.S. § 8106(h) (3).

2 Section 8. Section 8521(a), (d), (e), (f) and (g) of Title
3 24 are amended and the section is amended by adding a subsection
4 to read:

5 § 8521. Management of fund and accounts.

6 (a) Control and management of fund.--The members of the
7 board shall be the [trustees] co-trustees of the fund with the
8 trustees of the investment office. Regardless of any other
9 provision of law governing the investments of funds under the
10 control of an administrative board of the State government, but
11 subject to the provisions of this part and 64 Pa.C.S. Ch 81
12 (relating to Commonwealth Pension Investment Office)
13 transferring certain authority to manage and invest the fund
14 from the board to the investment office and retaining certain
15 other authority with the board, the trustees of the board shall
16 have exclusive control and management of the said fund and full
17 power to invest the same, in accordance with the provisions of
18 this section, subject, however, to the exercise of that degree
19 of judgment, skill and care under the circumstances then
20 prevailing which persons of prudence, discretion and
21 intelligence who are familiar with such matters exercise in the
22 management of their own affairs not in regard to speculation,
23 but in regard to the permanent disposition of the fund,
24 considering the probable income to be derived therefrom as well
25 as the probable safety of their capital. The trustees shall have
26 the power to hold, purchase, sell, lend, assign, transfer, or
27 dispose of any of the securities and investments in which any of
28 the moneys in the fund shall have been invested as well as of
29 the proceeds of said investments, including any directed
30 commissions which have accrued to the benefit of the fund as a

1 consequence of the investments, and of any moneys belonging to
2 said fund, subject in every case to meeting the standard of
3 prudence set forth in this subsection.

4 (a.1) Investment through investment office required.--
5 Notwithstanding any other provision of law, the trustees shall
6 invest all moneys in the fund exclusively through the investment
7 office.

8 * * *

9 (d) Payments from fund.--[All payments from the fund shall
10 be made by the State Treasurer in accordance with requisitions
11 signed by the secretary of the board, or his designee, and
12 ratified by resolution of the board.]

13 (1) All payments made after the effective date of this
14 paragraph as a disbursement for benefits, administrative
15 expenses of the board or related to investments by the board
16 or expenses in the performance of the board's duties related
17 to the management and investment of the fund shall be made by
18 the State Treasurer in accordance with requisitions signed by
19 the secretary of the board, or the secretary's designee, and
20 ratified by resolution of the board.

21 (2) All payments from the fund being made as a result of
22 the management and investment of the fund by the investment
23 office under 64 Pa.C.S. Ch. 81 shall be made by the State
24 Treasurer in accordance with requisitions signed by the chief
25 executive officer of the investment office or designee as
26 authorized by resolution of the trustees of the investment
27 office.

28 (e) Fiduciary status of board.--The members of the board,
29 employees of the board, and agents thereof shall stand in a
30 fiduciary relationship to the members of the system regarding

1 the investments and disbursements of any of the moneys of the
2 fund, to the extent the administration of benefits under this
3 part and the management and investment of the fund have been
4 retained by the board and have not been granted to the
5 investment office, and shall not profit either directly or
6 indirectly with respect thereto. The board may, when possible
7 and consistent with its fiduciary duties imposed by this
8 subsection or other law, including its obligation to invest and
9 manage the fund for the exclusive benefit of the members of the
10 system, consider whether an investment in any project or
11 business enhances and promotes the general welfare of this
12 Commonwealth and its citizens, including, but not limited to,
13 investments that increase and enhance the employment of
14 Commonwealth residents, encourage the construction and retention
15 of adequate housing and stimulate further investment and
16 economic activity in this Commonwealth. The board shall, through
17 the Governor, submit to the General Assembly annually, at the
18 same time the board submits its budget covering administrative
19 expenses, a report identifying the nature and amount of all
20 existing investments made pursuant to this subsection.

21 (f) Name for transacting business.--By the name of "The
22 Public School Employees' Retirement System" or "The Public
23 School Employees' Retirement System" all of the business of the
24 system shall be transacted, its fund invested by the board, all
25 requisitions for money drawn and payments made, and all of its
26 cash and securities and other property shall be held, except to
27 the extent that business transactions, fund investments,
28 requisitions for money drawn and payments made and cash,
29 securities and property are held by the name of "The
30 Commonwealth Pension Investment Office" under 64 Pa.C.S. §

1 8105(d) (relating to powers and duties), and except that, any
2 other law to the contrary notwithstanding, the board may
3 establish a nominee registration procedure for the purpose of
4 registering securities in order to facilitate the purchase,
5 sale, or other disposition of securities pursuant to the
6 provisions of this part.

7 (g) Deposits in banks and trust companies.--For the purpose
8 of receiving contributions from members and employers and
9 meeting disbursements for annuities and other payments in excess
10 of the receipts, there shall be kept available by the State
11 Treasurer an amount, not exceeding 10% of the total amount in
12 the fund, which may not be transferred to the investment office
13 under the authority to manage and invest the fund granted to the
14 investment office under 64 Pa.C.S. Ch. 81 on deposit in any
15 bank, savings bank or savings and loan association in this
16 Commonwealth organized under the laws thereof or under the laws
17 of the United States or with any trust company or companies
18 incorporated by any law of this Commonwealth, provided any of
19 such banks, trust companies, savings banks or savings and loan
20 associations shall furnish adequate security for said deposit.
21 The sum deposited in any one bank or trust company shall not
22 exceed 25% of the paid-up capital and surplus of said bank or
23 trust company or, in the case of savings banks or savings and
24 loan associations, shall not exceed 25% of the unappropriated
25 surplus. Any amount in excess of the needs of the board shall be
26 transferred to the restricted account for the board established
27 under 64 Pa.C.S. § 8106(h) (relating to relationship to SERB and
28 PSERB).

29 * * *

30 Section 9. Section 8522(a), 8524 and 8526 of Title 24 are

1 amended to read:

2 § 8522. Public School Employees' Retirement Fund.

3 (a) General rule.--The fund shall consist of all moneys in
4 the several separate funds in the State Treasury set apart to be
5 used under the direction of the board for the benefit of members
6 of the system, without regard to whether any portion of the fund
7 is invested and managed by the board or the investment office,
8 severally or jointly as co-trustees; and the Treasury Department
9 shall credit to the fund all moneys received from the Department
10 of Revenue arising from the contributions relating to or on
11 behalf of the members of the system required under the
12 provisions of Chapter 83 (relating to membership, contributions
13 and benefits) and all earnings from investments or moneys of
14 said fund. There shall be established and maintained by the
15 board the several ledger accounts specified in sections 8523
16 (relating to members' savings account), 8524 (relating to State
17 accumulation account), 8525 (relating to annuity reserve
18 account) and 8526 (relating to health insurance account). The
19 board may also establish additional ledger accounts to account
20 for earnings generated by the investment office.

21 * * *

22 § 8524. State accumulation account.

23 The State accumulation account shall be the ledger account to
24 which shall be credited all contributions of the Commonwealth
25 and other employers as well as the earnings of the fund,
26 including earnings generated by the investment office, except
27 the premium assistance contributions and earnings thereon in the
28 health insurance account. Valuation interest shall be allowed on
29 the total amount of such account less any earnings of the fund
30 credited during the year. The reserves necessary for the payment

1 of annuities and death benefits resulting from membership in the
2 system as approved by the board and as provided in Chapter 83
3 (relating to membership, contributions and benefits) shall be
4 transferred from the State accumulation account to the annuity
5 reserve account. At the end of each year the required interest
6 shall be transferred from the State accumulation account to the
7 credit of the members' savings account and the annuity reserve
8 account. The administrative expenses of the board shall be
9 charged to the State accumulation account. Employer defined
10 contributions, mandatory pickup contributions and a
11 participant's voluntary contributions, together with any income
12 or interest earned thereon, may be temporarily placed into the
13 State accumulation account pending allocation or distribution to
14 the participant's individual investment account.

15 § 8526. Health insurance account.

16 The health insurance account shall be the ledger account to
17 which shall be credited the contributions from the Commonwealth
18 and other employers as determined in accordance with section
19 8328(f) (relating to actuarial cost method) for the payment of
20 health insurance premium assistance for participating eligible
21 annuitants as provided in section 8509 (relating to health
22 insurance premium assistance program). All earnings derived from
23 investment of the assets of the health insurance account shall
24 be credited to this account. The board is authorized to
25 separately invest the amounts in the health insurance account in
26 a prudent manner intended to maximize the safety of the capital
27 contained in the health insurance account. The direct
28 administrative expenses of the board related to the
29 administration of the health insurance program, as provided in
30 section 8509, shall be charged to this account. The board may

1 elect to invest moneys of the program with the investment
2 office.

3 Section 10. Section 8527 of Title 24 is amended by adding a
4 subsection to read:

5 § 8527. Northern Ireland-related investments.

6 * * *

7 (d) Duties transferred.--After the transfer of the assets
8 and investments of the fund to the investment office, the duties
9 and responsibilities of the board under this section shall be
10 transferred to the trustees of the investment office.

11 Section 11. Sections 8534(b) and 8535.1(3) of Title 24 are
12 amended to read:

13 § 8534. Fraud and adjustment of errors.

14 * * *

15 (b) Adjustment of errors.--Should any change or mistake in
16 records of the board or the investment office result in any
17 member, participant, beneficiary, survivor annuitant or
18 successor payee receiving from the system or plan more or less
19 than he would have been entitled to receive had the records been
20 correct, then regardless of the intentional or unintentional
21 nature of the error and upon the discovery of such error, the
22 board shall correct the error and if the error affects
23 contributions to or payments from the system, then so far as
24 practicable shall adjust the payments which may be made for and
25 to such person in such a manner that the actuarial equivalent of
26 the benefit to which he was correctly entitled shall be paid. If
27 the error affects contributions to or payments from the plan,
28 the board shall take such action as shall be provided for in the
29 plan document.

30 § 8535.1. Payments to school entities by Commonwealth

1 commencing with the 2019-2020 school year.

2 For each school year, beginning with the 2019-2020 school
3 year, each school entity shall be paid by the Commonwealth for
4 contributions based upon school service of active members of the
5 system and active participants of the plan after June 30, 2018,
6 as follows:

7 * * *

8 (3) School entities shall have up to [five] three days
9 after receipt of the Commonwealth's portion of the employer's
10 liability to forward the payment to the fund or the trust.
11 School entities are expected to make the full payment to the
12 fund or the trust in accordance with section 8327 (relating
13 to payments by employers) in the event the receipt of the
14 Commonwealth's portion of the employer's liability is delayed
15 because of delinquent salary reporting or other conduct by
16 the school entities.

17 * * *

18 Section 12. Section 8542 of Title 24, added July 2, 2019
19 (P.L.434, No.72), is amended by adding a subsection to read:
20 § 8542. Establishment.

21 * * *

22 (e) Delegation to investment office.--The board shall
23 delegate the board's responsibilities and obligations to
24 establish and administer the program to the investment office,
25 which shall independently comply with the provisions of this
26 subchapter.

27 Section 13. Section 8901 of Title 24 is amended by adding a
28 paragraph to read:

29 § 8901. Administration.

30 The board may sponsor a group health insurance program to be

1 funded by and for eligible persons. The board may administer the
2 program itself or through any legal entity authorized by law to
3 do so. The program may also be administered in whole or in part
4 on a fully insured or self-funded basis at the board's sole
5 discretion. In addition to the powers granted by other
6 provisions of this part, the board shall have the powers
7 necessary or convenient to carry out this part, including, but
8 not limited to, the power to:

9 * * *

10 (12) Elect to invest moneys of the Health Insurance Fund
11 with the investment office.

12 Section 14. Sections 8902(a) and (b)(2) and 8903(a) of Title
13 24 are amended to read:

14 § 8902. Public School Retirees' Health Insurance Fund.

15 (a) Establishment of fund.--The Public School Retirees'
16 Health Insurance Fund is established in the State Treasury. The
17 moneys of the fund are appropriated on a continuing basis and
18 shall be used exclusively for the purposes set forth in this
19 part. All of the assets of the fund shall be maintained and
20 accounted for, separate from all other funds and moneys of the
21 Commonwealth and the Public School Employees' Retirement Fund
22 identified in section 8522 (relating to Public School Employees'
23 Retirement Fund). The board may elect to invest moneys of the
24 fund with the investment office.

25 (b) Reserve account.--

26 * * *

27 (2) The moneys in the reserve account may be invested by
28 the board separate from other moneys of the fund. All
29 earnings derived from investment of the assets of the reserve
30 account shall be credited to the reserve account. The board

1 may elect to invest moneys of the reserve account with the
2 investment office.

3 * * *

4 § 8903. Management of fund.

5 (a) Control and management of fund.--The members of the
6 board shall be the trustees of the fund. Regardless of any other
7 provisions of law governing the investment of funds under the
8 control of an administrative board of the State government, the
9 trustees shall have exclusive control and management of the fund
10 and full power to invest the fund in accordance with the
11 provisions of this section, subject, however, to the exercise of
12 that degree of judgment, skill and care under the circumstances
13 then prevailing which persons of prudence, discretion and
14 intelligence who are familiar with such matters exercise in the
15 management of their own affairs, not in regard to speculation
16 but in regard to the permanent disposition of the fund,
17 considering the probable income to be derived therefrom as well
18 as the probable safety of their capital. The trustees shall have
19 the power to hold, purchase, sell, lend, assign, transfer or
20 dispose of any of the securities and investments in which any of
21 the moneys in the fund shall have been invested as well as of
22 the proceeds of the investments, including, but not limited to,
23 directed commissions which have accrued to the benefit of the
24 fund as a consequence of the investments and of the moneys
25 belonging to the fund, subject in every case to meeting the
26 standard of prudence set forth in this section. The board may
27 elect to invest moneys the fund with the investment office.

28 * * *

29 Section 15. Part III of Title 64 is amended by adding a
30 chapter to read:

1 public school employees and State public servants throughout
2 this Commonwealth.

3 (3) The establishment of a Commonwealth Pension
4 Investment Office is intended to attract and retain high-
5 quality financial professionals to manage and invest the
6 funds of the retirement systems in a cost-efficient manner.

7 (4) It is essential to the members of the public
8 retirement systems that their fiduciaries are held to a high
9 ethical standard, free of conflicts and political influence,
10 operating with discipline and consistency in its investment
11 strategy and administration.

12 (5) Establishment of a Commonwealth Pension Investment
13 Office will strengthen fiduciary investment management and
14 modernize oversight to enhance accountability and
15 transparency.

16 § 8103. Definitions.

17 The following words and phrases when used in this chapter
18 shall have the meanings given to them in this section unless the
19 context clearly indicates otherwise:

20 "Actuary." A consultant to the investment office who shall
21 be:

22 (1) a member of the American Academy of Actuaries;

23 (2) an individual who has demonstrated to the
24 satisfaction of the Insurance Commissioner of Pennsylvania
25 that the individual has the educational background necessary
26 for the practice of actuarial science and has had at least
27 seven years of actuarial experience; or

28 (3) a firm, partnership or corporation of which at least
29 one member meets the requirements of paragraph (1) or (2).

30 "Client board." SERB, PSERB and any public pension board in

1 this Commonwealth that enters into an agreement with the
2 investment office to entrust pension assets and money to the
3 investment office for investment.

4 "Client funds." The retirement funds and any pension assets
5 and money of a public pension board in this Commonwealth
6 entrusted to the investment office for investment.

7 "Institutional investor." An entity which pools money to
8 purchase securities, real property and other investment assets
9 or originates loans. The term includes:

10 (1) A bank, insurance company pension, hedge fund, Real
11 Estate Investment Trust, investment advisor, endowment and
12 mutual fund.

13 (2) An operating company which invests excess capital in
14 securities, real property and other investment assets.

15 "Investment office." The Commonwealth Pension Investment
16 Office.

17 "PSERB." The Public School Employees' Retirement Board.

18 "PSERS." The Public School Employees' Retirement System.

19 "Retirement funds." The State Employees' Retirement Fund and
20 the Public School Employees' Retirement Fund.

21 "Senior investment professional." An individual performing
22 investment functions as determined by the investment office
23 trustees based on the level of responsibility, experience and
24 education required for the position.

25 "SERB." The State Employees' Retirement Board.

26 "SERS." The State Employees' Retirement System.

27 § 8104. Commonwealth Pension Investment Office.

28 (a) Establishment.--The Commonwealth Pension Investment
29 Office is established as an independent administrative board
30 which shall be a body corporate and politic.

1 (b) Membership.--

2 (1) The investment office shall consist of the following
3 trustees appointed from the pool of candidates identified
4 under subsection (c), each of whom shall be subject to the
5 qualification criteria under paragraph (2) and subsections
6 (g), (h), (i) and (j):

7 (i) Three trustees appointed by PSERB.

8 (ii) Three trustees appointed by SERB.

9 (iii) Three trustees appointed by a majority of the
10 trustees appointed under subparagraphs (i) and (ii).

11 (2) Two trustees appointed by SERB, two trustees
12 appointed by PSERB and two trustees appointed by the trustees
13 appointed by SERB and PSERB, must have at least five years of
14 institutional investment experience.

15 (c) Pool of candidates.--SERB and PSERB shall jointly
16 contract with a third-party consultant to establish and maintain
17 a pool of candidates for trustees of the investment office. The
18 pool of candidates shall consist of individuals who meet the
19 requirements under subsection (g).

20 (d) Removal.--A trustee of the investment office shall only
21 be removed from the trustee's position by a resolution adopted
22 by a majority of the other trustees and a joint resolution of
23 SERB and PSERB for:

24 (1) Misconduct in office, including a violation of the
25 restrictions under subsections (i), (j) and (k), willful
26 neglect of duty or conduct evidencing unfitness for office or
27 incompetence.

28 (2) Conviction of an offense graded as a felony, an
29 infamous crime or offense under the laws of this Commonwealth
30 or an equivalent offense under Federal law or the law of

1 another jurisdiction.

2 (3) Abandonment of office under subsection (m).

3 (e) Initial appointments.--

4 (1) The terms of the three initial investment office
5 trustees appointed by SERB shall, as designated by SERB at
6 the time of appointment, expire:

7 (i) one on the fourth June 30 after the effective
8 date of this subsection;

9 (ii) one on the fifth June 30 after the effective
10 date of this subsection; and

11 (iii) one on the sixth June 30 after the effective
12 date of this subsection.

13 (2) The terms of the three initial investment office
14 trustees appointed by PSERB shall, as designated by PSERB at
15 the time of appointment, expire:

16 (i) one on the fourth June 30 after the effective
17 date of this subsection;

18 (ii) one on the fifth June 30 after the effective
19 date of this subsection; and

20 (iii) one on the sixth June 30 after the effective
21 date of this subsection.

22 (3) The terms of the three initial investment office
23 trustees appointed by the six trustees appointed by SERB and
24 PSERB shall, as designated by the six trustees appointed by
25 SERB and PSERB at the time of appointment, expire:

26 (i) one on the fourth June 30 after the effective
27 date of this subsection;

28 (ii) one on the fifth June 30 after the effective
29 date of this subsection; and

30 (iii) one on the sixth June 30 after the effective

1 date of this subsection.

2 (f) Terms of office.--Upon the expiration of a term under
3 subsection (e) of a trustee appointed under subsection (b), the
4 following shall apply:

5 (1) The term of office of a trustee shall be four years.

6 (2) An appointment to fill a vacancy shall be for the
7 remainder of the unexpired or holdover term and shall be made
8 by the appointing authority of the trustee being replaced.

9 (3) A trustee shall serve no more than two full or
10 partial terms.

11 (g) Qualifications.--A person shall not be eligible to be
12 appointed as a trustee of the investment office unless the
13 person has been determined by the third-party consultant under
14 subsection (c) that the person possesses at least one of the
15 following qualifications:

16 (1) An earned Ph.D. in economics or finance from a
17 nationally or internationally accredited doctorate-granting
18 institution.

19 (2) At least 12 years of professional experience in the
20 financial management of public pensions or at least 12 years
21 of professional experience as a certified public accountant
22 or chartered management global accountant with financial
23 management or pension expertise.

24 (3) At least 12 years of professional experience in
25 financial risk management with public pensions.

26 (4) At least 12 years of senior professional management,
27 financial, information technology, legal or human resource
28 experience relevant to the business of the investment office.

29 (5) The Chartered Financial Analyst credential of the
30 CFA Institute with at least 10 years of institutional

1 investing experience.

2 (6) The Chartered Alternative Investment Analyst
3 credential of the Chartered Alternative Investment Analyst
4 Association with at least 10 years of institutional investing
5 experience.

6 (7) The Certified Financial Risk Manager credential of
7 the Global Association of Risk Professionals with at least 10
8 years of institutional investing experience.

9 (8) A Professional Risk Manager Designation of the
10 Professional Risk Managers' International Association with at
11 least ten years of institutional investing experience.

12 (9) Twenty years of institutional investing or risk
13 management experience with:

14 (i) public pension plans, corporate pension plans,
15 family offices, sovereign wealth funds, endowments and
16 foundations, each with assets in excess of \$500,000,000;

17 (ii) money management firms with assets in excess of
18 \$2,000,000,000; and

19 (iii) consulting firms to large pools of capital in
20 excess of \$5,000,000,000.

21 (10) Twenty years of teaching experience in economics or
22 finance, 10 of which must have occurred at a nationally or
23 internationally accredited doctorate-granting university,
24 master-granting college or university or a baccalaureate
25 college.

26 (11) The Certified Public Accountant credential or
27 Certified Internal Auditor credential from the Institute of
28 Internal Auditors with at least 10 years of experience with
29 entities under paragraph (9) or federally chartered banking
30 entities.

1 (h) Additional qualifications.--In addition to the
2 qualifications under subsection (g), a person appointed as
3 trustees of the investment office under subsection (b)(2) shall
4 possess demonstrated professional experience and competencies in
5 at least one of the following:

6 (1) Highly sophisticated risk management and related
7 decision-making experience.

8 (2) Highly sophisticated investment decision-making
9 experience.

10 (3) Direct investment or operating experience in large
11 capital-intensive infrastructure, real estate, public market
12 indexing or private market investments or assets.

13 (4) Significant executive leadership relevant to the
14 business of the investment office, including experience
15 developing vision and strategy, achieving operational
16 effectiveness and fostering an ethical and performance-based
17 culture.

18 (i) Restrictions.--An individual shall not be eligible to be
19 appointed or to serve as a trustee of the investment office or
20 to be employed or continued to be employed as a senior
21 investment professional of the investment office if any of the
22 following apply to the individual:

23 (1) The individual has been indicted or charged with,
24 convicted of, pleaded guilty or nolo contendere to or
25 forfeited bail concerning:

26 (i) a felony; or

27 (ii) a misdemeanor involving fraud, theft or
28 dishonesty under the laws of any jurisdiction in the
29 United States.

30 (2) The individual has been dismissed from other

1 employment for gross misconduct or has intentionally made a
2 false statement concerning a material fact in connection with
3 the application to be employed by or to serve as a trustee of
4 the investment office.

5 (3) The individual has had a judgment entered against
6 the individual by a court of competent jurisdiction in a
7 civil matter involving a breach of fiduciary duties.

8 (4) The individual has been the subject of an adverse
9 action by a law enforcement agency or a regulatory or
10 oversight body, including the Securities and Exchange
11 Commission, Financial Industry Regulatory Authority, United
12 States Department of Labor, United States Department of
13 Justice or a state regulator, which resulted in a settlement,
14 sanction, payment of a fine, injunction or other negative
15 finding, whether individually, or as a partner, principal
16 member, managing director or other position of leadership of
17 any entity subject to such penalty or finding.

18 (5) The individual is a member of SERB or PSERB, an
19 elected public official or a candidate for an elected public
20 office. A trustee or employee of the investment office who is
21 appointed or elected a member of a client board, or who
22 assumes a position, employment or office that makes the
23 individual an ex officio member of a client board shall
24 immediately resign as trustee or employee of the investment
25 office.

26 (6) The individual currently holds or has held an
27 elected office in this Commonwealth in the past five years.

28 (7) The individual has been a board member of SERB or
29 PSERB in the past five years.

30 (8) The individual currently holds or has held office in

1 a political party or political committee in the past five
2 years.

3 (9) The individual currently is or has been a staff
4 member of an elected official for the past five years.

5 (10) The individual has been an employee of or an
6 investment manager or investment consultant for the
7 investment office, PSERS or SERS, in the past five years.

8 (11) The individual holds any other Commonwealth board
9 position.

10 (12) The individual has an actual or perceived conflict
11 of interest.

12 (13) The individual has been convicted of a felony or
13 has lost a professional accreditation for misconduct.

14 (i.1) Additional restrictions.--An individual shall not be
15 eligible to be appointed or to serve as a trustee of the
16 investment office if the individual is an annuitant of SERS or
17 PSERS or a participant receiving distributions from the State
18 Employees' Defined Contribution Plan or the Public School
19 Employees' Defined Contribution Plan who is not over normal
20 retirement age as defined in the State Employees' Retirement
21 Code or the Public School Employees' Retirement Code and who has
22 not been an annuitant or a participant receiving distributions
23 for more than one year.

24 (j) Additional prohibitions.--In addition to the other
25 prohibitions contained under this chapter, trustees and
26 employees of the investment office shall:

27 (1) not accept any discount, gift, gratuity,
28 compensation, travel, lodging or other thing of value
29 directly or indirectly from a person or entity seeking or
30 doing business with the investment office or a client board;

1 (2) not hold or campaign for public office;

2 (3) not solicit funds for a charitable, educational,
3 religious, health, fraternal, civic or other nonprofit entity
4 from a person or entity doing business with or seeking to do
5 business with the investment office or a client board;

6 (4) avoid impropriety and the appearance of impropriety
7 and observe standards and conduct that promote public
8 confidence;

9 (5) not accept employment with or be retained by any
10 person or nongovernmental entity doing business with the
11 investment office or a client board for a period of two years
12 following their termination of employment as a senior
13 investment professional with the investment office or as a
14 trustee of the investment office;

15 (6) not directly or indirectly solicit, request, suggest
16 or recommend to a person or nongovernmental entity doing
17 business with the investment office, SERB or PSERB, the
18 appointment or employment of a person in any capacity;

19 (7) disclose if the individual, or their spouse or an
20 immediate family member, is or becomes employed by a service
21 provider to the investment office, SERB or PSERB;

22 (8) not engage in:

23 (i) insider trading, which is the buying or selling
24 of a security, in breach of a fiduciary duty or other
25 relationship of trust and confidence, on the basis of
26 material, nonpublic information about the security as
27 prohibited by judicial opinions interpreting section
28 10(b) of the Securities Exchange Act of 1934 and
29 Securities and Exchange Commission Rule 10b-5;

30 (ii) front running, which is the trading of a

1 security with knowledge that an investment office
2 decision or trading order to buy or sell a security is
3 pending; and

4 (iii) any other conduct in violation of antifraud
5 provisions of policies adopted by the investment office.

6 The investment office shall adopt policies and procedures
7 providing a fair and reasonable process for resolving
8 complaints of violations of this subsection, which shall
9 provide that a trustee or employee who is a subject of a
10 complaint is provided full and fair opportunity to be
11 heard throughout the process.

12 (k) Oath of office.--Each trustee of the investment office
13 shall take an oath of office that the trustee will, so far as it
14 devolves upon the trustee, diligently and honestly, administer
15 the affairs of the investment office and that the trustee will
16 not knowingly violate or willfully permit to be violated any of
17 the provisions of law applicable to this chapter. The oath shall
18 be subscribed by the trustee taking the oath and certified by
19 the officer before whom the oath is taken and shall be
20 immediately filed in the Office of the Secretary of the
21 Commonwealth.

22 (l) Meetings.--Regular meetings of the trustees shall be
23 held at least six times each year until a single chief
24 investment officer is appointed under section 8104(s), after
25 which the trustees may schedule fewer, but not less than four,
26 regular meetings each year. The trustees may hold other meetings
27 as deemed necessary. The time and place of the meetings shall be
28 fixed by the trustees. A majority of the appointed trustees of
29 the investment office shall constitute a quorum for the
30 transaction of business.

1 (m) Abandonment.--A trustee of the investment office shall
2 be deemed to have abandoned office upon failure to attend any
3 regular or special meeting of the investment office without
4 excuse approved by resolution of the investment office for two
5 consecutive meetings.

6 (n) Fiduciary relationship.--The trustees of the investment
7 office, employees of the investment office and agents of the
8 investment office shall be co-trustees with the client boards of
9 the respective retirement funds or other client funds to the
10 extent assigned to the investment office or agreed on under this
11 chapter and shall stand in a fiduciary relationship to the
12 client boards and the members and beneficiaries of the systems
13 and plans that the investment office administers under section
14 8105(b).

15 (o) Administrative and investment expenses.--

16 (1) The trustees of the investment office shall:

17 (i) annually prepare and approve a budget, which
18 shall include expenses necessary for the administration
19 of the investment office;

20 (ii) the following apply:

21 (A) Allocate the administrative expenses of the
22 investment office to client funds that are not the
23 retirement funds, as the office determines
24 appropriate.

25 (B) sixty percent of the administrative expenses
26 remaining after allocation under clause (A) shall be
27 allocated to the Public School Employees' Retirement
28 Fund and 40% shall be allocated to the State
29 Employees' Retirement Fund;

30 (iii) allocate the investment expenses related to

1 the investment and management of the client funds to each
2 of the client funds as they determine is just and proper
3 based on the amount of each client fund in each
4 investment and the expenses related to each investment;

5 (iv) administrative expenses approved by the
6 trustees shall be paid from the investment earnings of
7 the client funds;

8 (v) concurrently with the budget, the investment
9 office shall prepare annually a list of proposed
10 expenditures which the investment office intends to pay
11 through the use of directed commissions and a list of the
12 actual expenditures from the past year paid by the
13 investment office through the use of directed
14 commissions. Directed commission expenditures shall be
15 made by the investment office for the exclusive benefit
16 of the client boards and client board members and
17 beneficiaries;

18 (vi) at least 30 days before the approval of the
19 budget, provide a proposed budget and the lists under
20 subparagraph (v) to SERB and PSERB for review and
21 comment;

22 (vii) consider comments received from SERB and PSERB
23 and make amendments to the budget as a result of the
24 comments;

25 (viii) approve a budget covering the administrative
26 expenses of the investment office; and

27 (ix) by November 1 of the calendar year preceding
28 that for which the budget is being prepared, provide a
29 copy of the final approved budget and the list of
30 proposed and actual expenditures of directed commissions

1 to SERB and PSERB.

2 (2) Notwithstanding any other provision of law, the
3 investment office's budget and approved expenditures shall be
4 regarded as final and not subject to review, modification,
5 alteration, revision, reduction, approval or disapproval by
6 the Governor or the Secretary of the Budget and shall not be
7 subject to section 610 or 615 of the act of April 9, 1929
8 (P.L.177, No.175), known as The Administrative Code of 1929.

9 (p) Liability.--A trustee shall not be personally liable
10 for:

11 (1) obligations of the investment office; and

12 (2) actions within the scope of the investment office
13 made in good faith.

14 (q) Compensation and expenses.--

15 (1) Trustees of the investment office shall receive
16 salary established initially by the transitional integration
17 management team in consultation with the third-party
18 consultant selected under subsection (c). After the initial
19 appointment of trustees to the office, salaries shall be
20 reviewed by the third-party consultant selected under
21 subsection (c) at the end of every trustee's four-year term.
22 The third-party consultant shall take into consideration
23 benchmarking criteria and salaries of other trustees in the
24 industry. In no case shall the annual salary of a trustee be
25 reduced during the trustee's term of office.

26 (2) In addition to the salary under paragraph (1) and
27 subject to an aggregate per annum limitation and any other
28 rules and regulations as the investment office shall
29 determine, a trustee of the investment office shall be
30 entitled to necessary expenses, including travel expenses,

1 incurred in the discharge of duties.

2 (3) Trustees of the investment office are not eligible
3 for membership in SERS or participation in the State
4 Employees' Defined Contribution Plan and may not receive
5 service credit or eligibility points or make contributions
6 based on service or compensation as a trustee of the
7 investment office. This paragraph shall not prevent a trustee
8 who concurrently is employed in another position as a State
9 employee as defined in 71 Pa.C.S. § 5102 (relating to
10 definitions) from making contributions or earning service
11 credit or eligibility points in SERS or the State Employees'
12 Defined Contribution Plan as otherwise provided for under the
13 71 Pa.C.S. (relating to State government) based only on the
14 position as a State employee.

15 (4) Trustees of the investment office are not eligible
16 for enrollment or coverage in medical or health insurance
17 provided by the Commonwealth or the investment office as a
18 result of service as a trustee of the investment office.

19 (r) Chair.--The chair of the investment office shall be
20 elected by the trustees of the investment office from the
21 membership of the investment office.

22 (s) Appointments.--Appointments to the investment office
23 shall be made and a majority of the appointed trustees of the
24 investment office shall take the oath of office within one year
25 of the effective date of this subsection. Transfer of the
26 retirement funds, except money retained by SERB and PSERB and
27 held by the State Treasurer under 71 Pa.C.S. § 5931(g) (relating
28 to management of fund and accounts) and 24 Pa.C.S. § 8521(g)
29 (relating to management of fund and accounts) to the investment
30 office shall take place, and the management and investment by

1 the investment office of the portions of the retirement funds
2 transferred to the investment office shall begin the second July
3 1 following a majority of the appointed trustees of the
4 investment office taking the oath of office. Notwithstanding
5 section 8105(a) (4) (relating to powers and duties), the trustees
6 of the investment office shall select a single chief investment
7 officer by the July 1 following a majority of the appointed
8 trustees of the investment office taking the oath of office.
9 § 8105. Powers and duties.

10 (a) General powers.--The investment office shall have all
11 the powers necessary or convenient for investing client funds in
12 accordance with the directives or policies provided by the
13 client boards, including the following rights and powers:

14 (1) The investment office shall employ individuals as
15 necessary to carry out the powers and duties of the
16 investment office. Investment office employees shall:

17 (i) be considered State employees for purposes of 71
18 Pa.C.S. Pt. XXV (relating to retirement for State
19 employees and officers);

20 (ii) serve at the pleasure of the investment office;
21 and

22 (iii) retain status in the classified service.

23 (2) The investment office shall establish a system of
24 classification and compensation of the employees of the
25 investment office. The investment office shall have the sole
26 authority to establish the number, classification and
27 compensation of investment office employees who are not
28 covered by a collective bargaining agreement, including the
29 discretion to:

30 (i) revise or establish new standards for the hiring

1 and qualifications for employment and may take into
2 consideration the location of the work and the conditions
3 under which the service is rendered;

4 (ii) revise or set new titles, salaries and wages of
5 individuals employed under this paragraph;

6 (iii) establish different standards for different
7 kinds, grades and classes of similar work or service;

8 (iv) revise or establish new bureaus, divisions,
9 departments and offices;

10 (v) approve or disapprove the payment of extra
11 compensation to employees hired under this paragraph; and

12 (vi) revise or establish new rules and policies
13 providing for travel, lodging and other expenses for
14 which employees hired under this paragraph may be
15 reimbursed.

16 (3) Within 180 days of a majority of the appointed
17 trustees of the investment office taking the oath of office,
18 the investment office shall transmit to the Legislative
19 Reference Bureau for publication in the Pennsylvania Bulletin
20 and shall post of the investment office's publicly accessible
21 Internet website the classification system for all employees
22 of the investment office.

23 (4) The investment office shall have the sole authority
24 to establish the number of employees, including, without
25 limitation, the selection and retention of a chief executive
26 officer, one or more chief investment officers, senior
27 investment professionals, other investment professionals,
28 legal counsel and other employees necessary to carry out the
29 investment office's powers and duties who shall serve at the
30 pleasure of the investment office. Except as otherwise

1 determined by the investment office, the positions of chief
2 executive officer, chief investment officer, investment
3 professionals, legal counsel and all other employees of the
4 investment office shall be placed under the unclassified
5 service provisions of the former act of August 5, 1941
6 (P.L.752, No.286), known as the Civil Service Act. An
7 employee transferred from SERS or PSERS to the investment
8 office under this chapter shall retain any civil service
9 employment status assigned to the employee.

10 (5) The investment office shall contract for the
11 services of an independent auditor, investment advisors,
12 managers and consultants and other professional personnel as
13 the investment office deems advisable. The investment office
14 may contract for the services of an actuary. The investment
15 office may contract for legal services. Notwithstanding any
16 other provision of law, a contract or bid for services under
17 this section shall not be subject to 62 Pa.C.S. Pt. I
18 (relating to Commonwealth Procurement Code).

19 (6) The investment office, acting either on its own
20 behalf or, in its sole discretion, through the Department of
21 General Services, may negotiate any lease and rent or
22 purchase any property to maintain an office or offices for
23 the conduct of one or more functions of the investment
24 office.

25 (7) Notwithstanding the act of April 9, 1929 (P.L.177,
26 No.175), known as The Administrative Code of 1929, and 62
27 Pa.C.S. Pt. I, the investment office acting on the investment
28 office's behalf or, in the investment office's sole
29 discretion through the Department of General Services which
30 shall serve as the purchasing agent, may purchase or contract

1 for the purchase of any equipment or materials necessary to
2 carry out and conduct the powers and duties of the investment
3 office.

4 (8) The investment office is not subject to the
5 provisions of The Administrative Code of 1929 relating to the
6 number, classification and compensation of investment office
7 employees.

8 (b) Control and management of the client funds.--

9 (1) The following shall apply:

10 (i) Subject to subparagraph (ii) and notwithstanding
11 any other provision of law governing the investments of
12 client funds, the investment office shall have exclusive
13 control and management of the client funds and full power
14 to invest the client funds to the extent of the duties,
15 rights, powers and authority:

16 (A) assigned to the investment office; and

17 (B) which are not reserved or retained by the
18 client boards.

19 (ii) The investment office shall exercise the
20 prevailing degree of judgment, skill and care which a
21 person of prudence, discretion and intelligence who is
22 familiar with investment matters exercises in the
23 management of the individual's own affairs, without
24 speculation, considering, in regard to the permanent
25 disposition of the client funds, the probable income to
26 be derived from the client funds and the probable safety
27 of their capital.

28 (2) Subject to paragraph (1)(ii), the investment office
29 shall have the power to hold, purchase, sell, lend, assign,
30 transfer or dispose of:

1 (i) securities and investments in which any money in
2 the client funds has been invested;

3 (ii) the proceeds of the investments under
4 subparagraph (i), including any directed commissions
5 which have accrued to the benefit of the client funds as
6 a consequence of the investments; and

7 (iii) money in the client funds.

8 (c) Investment powers.--The investment office shall have the
9 authority to invest the retirement funds and any other client
10 fund and be subject to the restrictions and conditions on
11 investment of each retirement fund and any other client fund
12 that is identical to the authority granted by law to SERB and
13 PSERB and the board of any other client fund to invest the
14 respective retirement funds and client fund. The investment
15 office authority shall include:

16 (1) Diversifying investments in order to minimize the
17 risk of large sustained losses, unless it is clearly prudent
18 not to diversify.

19 (2) Administering assets of each client fund solely for
20 the purpose of ensuring the fulfillment of the purpose of
21 each client fund at a reasonable cost.

22 (3) Acquiring interest in a business organization
23 existing under the laws of any jurisdiction. The liability of
24 the investment office acquired under this paragraph shall be
25 limited to the amount of its investment.

26 (4) Holding, purchasing, selling, lending, assigning,
27 transferring or disposing of:

28 (i) securities and investments in which money in the
29 client funds has been invested;

30 (ii) proceeds of investments under subparagraph (i),

1 including any directed commissions which have accrued to
2 the benefit of the client funds as a consequence of the
3 investments; and

4 (iii) money in client funds.

5 (5) Investing, reinvesting, assigning, reassigning,
6 selling, transferring and managing client funds and
7 portfolios of client boards.

8 (6) Exercising any shareholder or other voting rights
9 arising from an investment.

10 (7) Performing necessary due diligence to source new
11 investment opportunities and monitor existing investments,
12 which may include on-site meetings with current or potential
13 investment managers and investment funds, on-site inspection
14 of physical assets or on-site investor meetings necessary for
15 the proper investment of client funds.

16 (8) Soliciting proxies in connection with contests for
17 corporate control of corporations in which client funds have
18 been invested.

19 (9) Negotiating with, selecting and retaining:

20 (i) investment managers and service providers;

21 (ii) portfolio systems services;

22 (iii) consultants;

23 (iv) investment information resources; and

24 (v) any other sources of expertise, research or
25 services necessary to conduct investment activities,
26 protect client funds or otherwise support the management
27 and investment of client funds.

28 (10) Executing all contracts, agreements or other legal
29 documents necessary to effectuate the investment of client
30 funds or to implement a portfolio management system.

1 (11) Delegating to the chief investment officer and
2 appropriate employees of the investment office all applicable
3 powers and duties relating to investment and administrative
4 functions necessary to prudently manage and invest client
5 funds.

6 (12) Prudently expending money from investment income to
7 support the investment of and accounting for the assets of
8 SERS and PSERS and to support other purposes necessary to the
9 activities of the investment office, including the payment of
10 professional development dues for the employees of the
11 investment office.

12 (13) Taking any other action necessary and prudent in
13 the investment of client funds.

14 (14) Exercising any other right or action or fulfilling
15 any obligations necessary to accomplish the investment
16 office's mission or comply with the laws of this
17 Commonwealth.

18 (15) Combining assets of all or a portion of the client
19 funds in a single investment or investment vehicle if the
20 investment office accounts for amounts contributed and
21 allocates the returns, costs and expenses on a pro rata
22 basis.

23 (d) Name for transacting business.--

24 (1) Except as provided in paragraphs (2) and (3), the
25 business of the investment office shall be transacted in the
26 name "The Commonwealth Pension Investment Office."

27 (2) Notwithstanding any law to the contrary, the
28 investment office may establish a nominee registration
29 procedure for the purpose of registering securities in order
30 to facilitate the purchase, sale or other disposition of

1 securities pursuant to the provisions of this chapter. This
2 paragraph only applies to the assets of the client funds
3 subject to the investment and management of the investment
4 office under this chapter.

5 (3) As applicable, the investment office may use the
6 names for transacting business under 24 Pa.C.S. Pt. IV
7 (relating to relating to retirement for school employees) or
8 71 Pa.C.S. Pt. XXV and the respective nominee registration
9 procedures established by SERB and PSERB for the management
10 and investment of the respective retirement funds.

11 (e) Duties.--The trustees of the investment office shall:

12 (1) exercise administrative oversight over all functions
13 and operations;

14 (2) oversee the investment process and the investments
15 made by investment office employees and develop investment
16 policies, processes and standards for the delegation of
17 authority for the investment office employees to make
18 investments;

19 (3) make recommendations to client boards regarding
20 investment policy, asset allocation, strategy and procedures;

21 (4) meet with each client board at least once annually;

22 (5) act as the investment fiduciary of the client funds;

23 (6) provide reports directly to each client board at
24 least monthly, including monthly investment reports
25 containing information and data, in a form established by the
26 client board, to be used by the client boards to prepare
27 monthly financial statements for the respective client funds;

28 (7) invest and reinvest client funds consistent and in
29 accordance with the asset allocations established by the
30 client boards;

1 (8) account for all principal, interest, other income
2 and dividends and for expenses related to investment of
3 client funds;

4 (9) provide to SERB annually, at times and in a format
5 established by SERB, the investment reporting information and
6 data on a calendar year basis required by SERB for the
7 preparation of SERB comprehensive annual financial reports,
8 annual audits and report required under 71 Pa.C.S. § 5931(e)
9 (relating to management of fund and accounts) which shall be
10 submitted to the General Assembly through the Governor;

11 (10) provide to PSERB annually, at times and in a format
12 established by PSERB, the investment reporting information
13 and data required by PSERB for the preparation of the PSERB
14 comprehensive annual financial reports, annual audits and
15 report required under 24 Pa.C.S. § 8521(e) (relating to
16 management of fund and accounts) which shall be submitted to
17 the General Assembly through the Governor;

18 (11) provide to other client boards reports necessary
19 for the performance of the client boards' duties at the time
20 and in a format established in the agreements between the
21 investment office and the client boards for the management
22 and investment of the client boards' retirement and pension
23 systems and plans assets;

24 (12) set policies for investing and operational
25 activities pertaining to the management and investment of the
26 client funds;

27 (13) monitor overall and asset class performance;

28 (14) hire and supervise employees;

29 (15) set the investment office's budget, complement and
30 compensation;

1 (16) review and conduct general oversight of business
2 planning, financial position and results, risk management,
3 compliance, internal controls and information systems, human
4 resources, communications and stakeholder relations;

5 (17) provide all necessary support associated with
6 prudent investment management, including, but not limited to,
7 legal, accounting, compliance, auditing, risk monitoring and
8 reporting services;

9 (18) formulate and adopt policies, procedures and bylaws
10 necessary and appropriate to carry out investment office
11 functions and enable the consolidation of the SERB investment
12 functions and the PSERB investment functions and continue the
13 operations of both;

14 (19) collect the principal and interest or other income
15 and dividends of investments when due and payable and pay the
16 principal and interest or other income and dividends, when
17 collected, into the appropriate fund as directed by the
18 client boards;

19 (20) sue and be sued in its own name and be responsible
20 for instituting or defending against legal proceedings
21 arising out of the investment office's investment of client
22 funds;

23 (21) keep data in convenient form as stipulated by SERB,
24 PSERB and other client boards to ensure that SERB and PSERB
25 can perform duties under 24 Pa.C.S. Pt. IV or 71 Pa.C.S. Pt.
26 XXV and that the other client boards can perform duties under
27 the client boards' enabling legislation and the provisions of
28 the client boards' retirement and pension systems and plans
29 of which they are trustees;

30 (22) at the request of a client board, provide

1 information pertaining to the respective client fund as the
2 client board may require and maintain and preserved records
3 as the client board may direct for the expeditious discharge
4 of the client board's duties;

5 (23) invest and manage the client funds in a manner as
6 to provide for the benefit payment and administrative budget
7 obligations of the client boards, transfer to the restricted
8 account in the respective retirement funds established under
9 section 8106(h) (relating to relationship to SERB and PSERB)
10 sufficient funds to make all transfers to the accounts
11 established under 71 Pa.C.S. § 5931(g) and 24 Pa.C.S. §
12 8521(g) when requested by the SERB or the PSERB and make
13 transfers when requested;

14 (24) provide for annual audits of the investment office,
15 including the investment office's accrual and expenditure of
16 directed commissions, and the portions of the client funds
17 the investment office manages and invests by independently
18 certified public accountants. The trustees may use the same
19 independently certified public accountant for the audits of
20 all client funds; and

21 (25) act expeditiously on any joint resolution approved
22 by SERB and PSERB to remove a trustee of the investment
23 office and inform the Governor, the General Assembly, SERB
24 and PSERB of the approval or disapproval of the joint
25 resolution.

26 § 8106. Relationship to SERB and PSERB.

27 (a) Coordination.--The powers, duties and authority granted
28 to the investment office are subject to the restrictions,
29 limitations, directions and powers regarding investment and
30 administration of the retirement funds retained by SERB and

1 PSERB.

2 (b) No authority over benefits.--Nothing under this chapter
3 shall be deemed to grant the investment office any authority or
4 power to administer, calculate or determine the eligibility for
5 or amount of benefits, set contribution rates, assess employer,
6 employee or Commonwealth contributions or establish membership
7 or participation or any other benefit and contribution related
8 terms and conditions under 24 Pa.C.S. Pt. IV (relating to
9 retirement for school employees) or 71 Pa.C.S. Pt. XXV (relating
10 to retirement for State employees and officers) or other law
11 establishing a benefit, plan or program administered by SERB or
12 PSERB.

13 (c) Exclusive management.--The investment office shall
14 exclusively manage and invest the State Employees' Retirement
15 Fund and the Public School Employees' Retirement Fund other than
16 the portion of the retirement funds retained by SERB and PSERB
17 in cash or short-term investments for the collection of
18 contributions, payment of benefits and operation of SERS and
19 PSERS, subject to and limited by the authority and power that
20 remains vested in SERB and PSERB over SERB's and PSERB's
21 respective funds, the administration of benefits and the core
22 strategic decisions established and adopted by SERB and PSERB
23 under 71 Pa.C.S. § 5931 (relating to management of fund and
24 accounts) and 24 Pa.C.S. § 8521 (relating to management of fund
25 and accounts).

26 (d) Retained authority.--SERB and PSERB retain the right,
27 pertaining to the retirement funds, to:

28 (1) set the strategic asset allocation, actuarial
29 assumptions, including assumed investment returns and rates
30 of inflation, whether economic or demographic and risk policy

1 of the funds;

2 (2) set liquidity requirements and require the
3 investment office to maintain assets in cash or other liquid
4 investments and to transfer cash to SERB and PSERB as
5 requested;

6 (3) monitor progress against long-term-fund-level
7 performance targets; and

8 (4) manage and invest a cash or short-term investment
9 account as part of the retirement funds for the collection of
10 contributions, payment of benefits and operations of SERS and
11 PSERS.

12 (e) Additional investment agreements with SERB and PSERB.--
13 The investment office may enter into agreements with SERB and
14 PSERB for the management or investment of other assets or
15 programs of which SERB or PSERB are trustees that are not part
16 of the retirement funds.

17 (f) Agreements for administrative services.--The investment
18 office may enter into agreements with SERB, PSERB or other
19 agencies and departments of the Commonwealth to receive
20 administrative support and services, including human resources,
21 information technology, purchasing or accounting or auditing
22 services.

23 (g) Contracting authority.--The investment office shall be
24 the sole contracting authority to retain external investment
25 management and consulting services on behalf of the retirement
26 funds, other than the portion of the retirement funds retained
27 by SERB and PSERB in cash or short-term investments for the
28 collection of contributions, payment of benefits and operations
29 of SERS and PSERS, except for consultants SERB and PSERB retain
30 to provide expert advice to SERB and PSERB in exercising SERB's

1 and PSERB's decision-making authority under this chapter and in
2 exercising SERB's and PSERB's decision-making authority and
3 investment authority for the management or investment of other
4 assets or programs of which SERB or PSERB are trustees that are
5 not part of the retirement funds.

6 (h) Client board management accounts.--

7 (1) The portion of the retirement funds held in the
8 accounts established under 71 Pa.C.S. § 5931(g) and 24
9 Pa.C.S. § 8521(g) that is transferred to the investment
10 office to be managed and invested shall be transferred to
11 restricted accounts in each of the respective retirement
12 funds that shall be established to provide for the transfer
13 of investment earnings determined necessary by SERB and PSERB
14 for the payment of benefits and administrative costs of SERB
15 and PSERB.

16 (2) The amount in each restricted account identified in
17 paragraph (1) shall not exceed 10% of the total amount of the
18 respective fund and shall be kept available by the State
19 Treasurer and on deposit in a bank in this Commonwealth
20 organized under the laws of this Commonwealth or under the
21 laws of the United States or with any trust company or
22 companies incorporated by any law of this Commonwealth,
23 provided:

24 (i) any of the banks or trust companies shall
25 furnish adequate security for the deposit, and the sum
26 deposited in any one bank or trust company shall not
27 exceed 25% of the paid-up capital and surplus of the bank
28 or trust company; and

29 (ii) the State Treasurer may also invest the money
30 in the accounts as provided by law for the investments in

1 the sinking funds of the Commonwealth.

2 (3) Money deposited into the restricted accounts,
3 including interest and earnings, shall be used to transfer to
4 the accounts and funds held by the State Treasurer under 71
5 Pa.C.S. § 5931(g) and 24 Pa.C.S. § 8521(g) for the payment of
6 benefits and administrative expenses of SERS and PSERS. The
7 investment office also may use the respective restricted
8 accounts of each retirement fund to fund investments and
9 deposit proceeds of investments credited to that retirement
10 fund.

11 (4) The investment office shall make monthly and other
12 transfers into the restricted accounts as determined and
13 communicated to the investment office by SERB and PSERB.

14 (5) The State Treasurer shall transfer funds to the
15 account or funds held by the State Treasurer under 71 Pa.C.S.
16 § 5931(g) for SERB and shall transfer to the account or funds
17 held by the State Treasurer under 24 Pa.C.S. § 8521(g) for
18 PSERB from SERB's and PSERB's designated restricted accounts
19 established under this subsection for the payment of SERB's
20 and PSERB's respective obligations as deemed necessary by
21 SERB and PSERB.

22 (6) The client systems shall annually prepare an
23 anticipated monthly transfer schedule from the client
24 system's respective restricted accounts to the accounts and
25 funds held by the State Treasurer under 71 Pa.C.S. § 5931(g)
26 and 24 Pa.C.S. § 8521(g) for the investment office to
27 estimate the total amount of funds to be transferred.

28 (7) Funds transferred to the restricted accounts and the
29 accounts or funds held by the State Treasurer under 71
30 Pa.C.S. § 5931(g) and 24 Pa.C.S. § 8521(g) shall be

1 reconciled on a regular basis with SERS and PSERS based on
2 actual cash needs.

3 (8) The investment office and State Treasurer may
4 establish similar accounts or fund transfer arrangements for
5 client boards other than SERB and PSERB as provided in
6 agreements between the investment office and the client
7 boards for the management and investment of the assets of the
8 retirement or pension systems or plans of which they are
9 trustees.

10 § 8107. Agreements with other client boards.

11 The investment office may enter into agreements with the
12 pension boards of other public pension plans or systems in this
13 Commonwealth for the management or investment of other assets or
14 programs of retirement or pension systems or plans of which
15 those boards are trustees.

16 § 8108. Penalty for fraud.

17 A person who knowingly makes a false statement or falsifies
18 or permits to be falsified a record of the investment office, a
19 client board or a client fund in an attempt to defraud the
20 investment office, a client board or a client fund commits a
21 misdemeanor of the second degree.

22 § 8109. Applicability of other statutes.

23 (a) General rule.--The following statutes shall apply to the
24 investment office:

25 (1) The act of July 19, 1957 (P.L.1017, No.451), known
26 as the State Adverse Interest Act.

27 (2) The act of February 14, 2008 (P.L.6, No.3), known as
28 the Right-to-Know Law, subject to the provisions in section
29 8110 (relating to publication and access to meetings and
30 records).

1 (3) The provisions of 65 Pa.C.S. Chs. 7 (relating to
2 open meetings) and 11 (relating to ethics standards and
3 financial disclosure).

4 (b) Status of investment office.--Notwithstanding any other
5 provision of law, the investment office shall be:

6 (1) An independent agency for the purposes of the act of
7 October 15, 1980 (P.L.950, No.164), known as the Commonwealth
8 Attorneys Act.

9 (2) An agency for the purposes of the following:

10 (i) The act of July 31, 1968 (P.L.769, No.240),
11 referred to as the Commonwealth Documents Law; and

12 (ii) The act of June 25, 1982 (P.L.633, No.181),
13 known as the Regulatory Review Act.

14 (3) A State-affiliated entity under 62 Pa.C.S. Pt. I
15 (relating to the Commonwealth Procurement Code) for contracts
16 made effective under 62 Pa.C.S. § 543(a) (relating to
17 effective contracts) after the effective date of this
18 section.

19 (4) An independent administrative board under the act of
20 April 9, 1929 (P.L.177, No.175), known as The Administrative
21 Code of 1929. Notwithstanding the status of the investment
22 office as an independent administrative board under The
23 Administrative Code of 1929, except as expressly provided
24 under this chapter, the investment office shall not be
25 subject to the following provisions of The Administrative
26 Code of 1929:

27 (i) Section 212, with respect to the Executive
28 Board's authority to approve bureaus or divisions as may
29 be required for the proper conduct of the work of the
30 investment office;

1 (ii) Section 214, with respect to the Governor's
2 authority to approve the number of all employees and to
3 approve the compensation of employees not covered by a
4 collective bargaining agreement, and with respect to the
5 authority of the Executive Board to fix the standard
6 compensation for any kind, grade or class of service or
7 employment not covered by a collective bargaining
8 agreement. The Governor's power and authority to appoint
9 and fix the compensation of a comptroller and all
10 accountants, auditors, clerks, stenographers, bookkeepers
11 and other assistants and employees as may be required for
12 the proper conduct of the work of the comptroller shall
13 not be affected by this subparagraph.

14 (iii) Section 220, with respect to the Governor's
15 authority to assign rooms to be used as the investment
16 office's office, unless the investment office elects to
17 use rooms in buildings owned by the Commonwealth, or to
18 approve the investment office's decision to establish and
19 maintain branch offices for the conduct of one or more
20 functions of the investment office.

21 (iv) Section 610.

22 (v) Section 615, with respect to the Governor's or
23 Secretary of the Budget's authority for approval or
24 disapproval of estimates of the amount of money required
25 or the levels of activity and accomplishment for each
26 program carried on by the investment office, authority
27 for the establishment of an authorized personnel
28 complement level or the authority to disapprove or reduce
29 any amount appropriated by the General Assembly to the
30 investment office.

1 (vi) Section 709, with respect to the Governor's and
2 Executive Board's authority to approve personnel
3 complement level, the authority to standardize the wages
4 or fix, approve or disapprove the compensation for each
5 investment professional and other officers and employees
6 of the investment office who are not covered by a
7 collective bargaining agreement and the authority to
8 approve or disapprove the establishment of bureaus and
9 divisions and the establishment of branch offices.

10 (c) Corporate power.--For the purposes of this chapter, the
11 investment office shall possess the power and privileges of a
12 corporation.

13 § 8110. Publication and access to meetings and records.

14 (a) Records.--

15 (1) The investment office shall keep records of its
16 proceedings, which records shall be accessible to the public,
17 except as otherwise provided under this chapter or by other
18 law. The investment office may discuss, deliberate on and
19 make decisions on a portion of the annual investment plan or
20 other related financial or investment matters, personnel
21 matters, legal matters and other privileged, confidential or
22 otherwise nonpublic matters in executive session consistent
23 with the provisions of 65 Pa.C.S. Ch. 7 (relating to open
24 meetings) and the act of February 14, 2008 (P.L.6, No.3),
25 known as the Right-to-Know Law.

26 (2) Any record, material or data received, prepared,
27 used or retained by the investment office or its employees,
28 investment professionals or agents relating to an investment
29 shall not constitute a public record subject to public access
30 under the Right-to-Know Law, if, in the reasonable judgment

1 of the investment office, the access would:

2 (i) in the case of an alternative investment or
3 alternative investment vehicle, involve the release of
4 sensitive investment or financial information relating to
5 the alternative investment or alternative investment
6 vehicle which the fund or trust was able to obtain only
7 upon agreeing to maintain confidentiality of the
8 information;

9 (ii) cause substantial competitive harm to the
10 person from whom sensitive investment or financial
11 information relating to the investment was received; or

12 (iii) have a substantial detrimental impact on the
13 value of an investment to be acquired, held or disposed
14 of by the fund or trust, or would cause a breach of the
15 standard of care or fiduciary duty under this chapter.

16 (3) The sensitive investment or financial information
17 excluded from access under paragraph (2)(i), to the extent
18 not otherwise excluded from access, shall constitute a public
19 record subject to public access under the Right-to-Know Law
20 once:

21 (i) The investment office is no longer required by
22 its agreement to maintain confidentiality.

23 (ii) The later of the following occurs:

24 (A) the access no longer causes substantial
25 competitive harm to the person from whom the
26 information was received; or

27 (B) the entity in which the investment was made
28 is liquidated,
29 whichever is later.

30 (iii) The later of the following occurs:

1 (A) the access no longer has a substantial
2 detrimental impact on the value of an investment of
3 the fund or trust and would not cause a breach of the
4 standard of care or fiduciary duty under this
5 chapter; or

6 (B) the entity in which the investment was made
7 is liquidated.

8 (4) Except for the provisions of paragraph (3), nothing
9 under this subsection shall be construed to designate any
10 record, material or data received, prepared, used or retained
11 by the investment office or its employees, investment
12 professionals or agents relating to an investment as a public
13 record subject to public access under the Right-to-Know Law.

14 (5) Notwithstanding the provisions of this subsection,
15 the following information regarding an alternative investment
16 vehicle shall be subject to public access under the Right-to-
17 Know Law:

18 (i) The name, address and vintage year of the
19 alternative investment vehicle.

20 (ii) The identity of the manager of the alternative
21 investment vehicle.

22 (iii) The dollar amount of the commitment made by
23 the system or plan to the alternative investment vehicle.

24 (iv) The dollar amount of cash contributions made by
25 the system or plan to the alternative investment vehicle
26 since inception.

27 (v) The dollar amount of cash distributions received
28 by the system or plan from the alternative investment
29 vehicle since inception.

30 (vi) The net internal rate of return of the

1 alternative investment vehicle since inception, provided
2 that the system or plan shall not be required to disclose
3 the net internal rate of return under circumstances in
4 which, because of the limited number of portfolio assets
5 remaining in the alternative investment vehicle, the
6 disclosure could reveal the values of specifically
7 identifiable remaining portfolio assets to the detriment
8 of the alternative investment.

9 (vii) The aggregate value of the remaining portfolio
10 assets attributable to the system's or plan's investment
11 in the alternative investment vehicle, provided that the
12 system or plan shall not be required to disclose the
13 value under circumstances in which, because of the
14 limited number of portfolio assets remaining in the
15 alternative investment vehicle, the disclosure could
16 reveal the values of specifically identifiable remaining
17 portfolio assets to the detriment of the alternative
18 investment.

19 (viii) The dollar amount of total management fees
20 and costs paid to the alternative investment vehicle by
21 the system or plan on an annual fiscal year-end basis.

22 (6) Any record, material or data received, prepared,
23 used or retained by the investment office or its employees or
24 agents relating to the contributions, account value or
25 benefits payable to or on account of a participant of the
26 State Employees' Defined Contribution Plan or the School
27 Employees' Defined Contribution Plan shall not constitute a
28 public record subject to public access under the Right-to-
29 Know Law, if, in the reasonable judgment of the investment
30 office, the access would disclose any of the following

1 regarding a participant of the State Employees' Defined
2 Contribution Plan or the School Employees' Defined
3 Contribution Plan:

4 (i) The existence, date, amount and any other
5 information pertaining to the voluntary contributions,
6 including rollover contributions and trustee-to-trustee
7 transfers, of the participant.

8 (ii) The investment option selections of the
9 participant.

10 (iii) The balance of the participant's individual
11 investment account, including the amount distributed to
12 the participant, and any investment gains or losses or
13 rates of return.

14 (iv) The identity of the participant's designated
15 beneficiary, successor payee or alternate payee.

16 (v) The benefit payment option or form of
17 distribution of the participant's account.

18 (7) Nothing in this section shall be construed to:

19 (i) Designate any record, material or data received,
20 prepared, used or retained by the investment office or
21 its employees or agents relating to the contributions,
22 account value or benefits payable to or on account of a
23 participant as a public record subject to public access
24 under the Right-to-Know Law.

25 (ii) Mean that the release or publicizing of a
26 record, material or data that would not constitute a
27 public record under this subsection is a violation of the
28 investment office's fiduciary duties.

29 (8) This subsection shall apply to a record, material or
30 data under this subsection, notwithstanding whether:

1 (i) the record, material or data was created,
2 generated or stored before the effective date of this
3 section;

4 (ii) the record, material or data was previously
5 released or made public; or

6 (iii) a request for the record, material or data was
7 made or is pending final response under the former act of
8 June 21, 1957 (P.L. 390, No. 212), referred to as the
9 Right-to-Know Law, or the Right-to-Know Law.

10 (b) Audio and video recording.--Public sessions of the
11 investment office shall be audio and video recorded and made
12 available on the investment office's publicly accessible
13 Internet website.

14 (c) Investment fees, costs, and returns.--The investment
15 office shall disclose and report to the public, subject to the
16 limitations and exemptions in subsection (a):

17 (1) Travel or other expenses incurred by trustees and
18 staff and paid for by an external investment manager, fund or
19 consultant.

20 (2) Investment manager fees, costs and expenses, for
21 traditional investments.

22 (3) All records related to investment performance for
23 SERS and PSERS.

24 (4) Total fund performance and performance of certain
25 asset classes relative to benchmarks.

26 (5) Returns, costs, and fees of individual investments.

27 (d) Protection of rights.--

28 (1) The public information and disclosure provisions of
29 this section shall apply only to investments made and
30 contracts entered into by the investment office.

1 (2) Records, contracts, agreements, documents, fees,
2 costs, returns, information and other matters related to
3 investments made under contracts, agreements or investments
4 entered into by SERB and PSERB, including any amendments to
5 those contracts, agreements or investments, are subject to
6 such disclosure, publication and access as determined by SERB
7 and PSERB under the law, rules, regulations, terms and
8 conditions that would be in effect had this chapter not been
9 enacted.

10 § 8111. Integration management team.

11 (a) Establishment.--A transitional integration management
12 team is established to:

13 (1) initiate and oversee the creation of and transition
14 to the newly established investment office prior to a
15 majority of the appointed trustees of the investment office
16 taking the oath of office; and

17 (2) to provide advice to and the preliminary
18 administrative support for the investment office prior to the
19 investment office employing its own administrative staff.

20 (b) Composition.--The integration management team shall be
21 composed of the secretaries of SERB and PSERB, with each
22 secretary appointing from SERB's and PSERB's respective
23 retirement system staffs, three employees of SERS or PSERS.

24 (c) Meetings.--The integration management team shall meet
25 regularly to outline action steps necessary to establish the
26 investment office and its administrative and investment
27 professional staff in a manner and on a timeline consistent with
28 the statutory requirement for creation of the investment office.

29 (d) Staff.--

30 (1) The integration management team may utilize the

1 staff or employees of SERS and PSERS and may contract through
2 SERS and PSERS with consultants and advisors to assist it to
3 perform its duties.

4 (2) The chief counsels of SERB and PSERB shall provide
5 legal services to the integration management team as
6 requested.

7 (e) Transition.--SERB and PSERB shall work cooperatively to
8 transition to the creation of the investment office and enter
9 into agreements specifying the rights and obligations SERB and
10 PSERB have to each other in carrying out SERB's and the PSERB's
11 respective responsibilities under this chapter and to further
12 the intent of this section.

13 (f) Allocation of costs.--Sixty percent of the costs of the
14 integration management team, other than costs related to SERS
15 and PSERS employees, shall be allocated to the Public School
16 Employees' Retirement Fund and 40% of the costs of the
17 integration management team, other than costs related to SERS
18 and PSERS employees, shall be allocated to the State Employees'
19 Retirement Fund.

20 (g) Performance of duties.--

21 (1) Performance of duties and work for the integration
22 management team shall be part of the job responsibilities and
23 duties of the SERB and PSERB secretaries and other SERS and
24 PSERS employees assigned to those tasks.

25 (2) Until such time as the investment office has
26 employed its own administrative officers and established its
27 own administrative procedures, either the SERB secretary or
28 PSERB secretary may administer the oath of office to
29 appointed trustees of the investment office.

30 (h) Monthly reports.--The integration management team shall

1 provide monthly progress reports to SERB and PSERB, the
2 Governor, the majority and minority leaders of the Senate, the
3 majority and minority chairpersons of the Appropriations
4 committee of the Senate, the majority and minority leaders of
5 the House of Representatives and the majority and minority
6 chairpersons of the Appropriations Committee of the House of
7 Representatives.

8 (i) Dissolution.--The integration management team shall
9 dissolve the earlier of two years after a majority of the
10 appointed trustees of the investment office taking the oath of
11 office or when the investment office provides notice to SERB and
12 PSERB.

13 § 8112. Application and construction.

14 (a) Notice to members and participants.--Notice by
15 publication, including newsletters, newspapers, forms, first
16 class mail, letters, manuals and, to the extent authorized by a
17 policy adopted by the investment office, electronically,
18 including, but not limited to, e-mail or Internet websites,
19 distributed or made available to members, participants or
20 beneficiaries of the client boards in a manner reasonably
21 calculated to give actual notice of the provisions of this
22 chapter that require notice to members, participants or
23 beneficiaries of retirement or pension systems or plans
24 administered by the client boards shall be deemed sufficient
25 notice for all purposes.

26 (b) Construction and administration.--This title shall be
27 construed and administered in such a manner that the State
28 Employees' Retirement System, the State Employees' Defined
29 Contribution Plan, the Public School Employees' Retirement
30 System and the School Employees' Defined Contribution Plan shall

1 satisfy the requirements necessary to qualify as a qualified
2 pension plan under section 401(a) of the Internal Revenue Code
3 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)) and other
4 applicable provisions of the Internal Revenue Code of 1986. The
5 rules, regulations and procedures adopted and promulgated by the
6 trustees of the investment office under section 8105(e)(18)
7 (relating to powers and duties) may include those necessary to
8 accomplish the purpose of this section.

9 (c) References to Internal Revenue Code of 1986.--References
10 in this chapter to provisions of the Internal Revenue Code of
11 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), including for
12 this purpose administrative regulations promulgated under the
13 Internal Revenue Code of 1986 are intended to include laws and
14 regulations in effect on the effective date of this section and
15 as may be amended or supplemented or supplanted by successor
16 provisions after the effective date of this section.

17 (d) References.--As of the second July 1 following a
18 majority of the appointed trustees of the investment office
19 taking the oath of office, unless the context clearly indicates
20 otherwise, a reference to the State Employees' Retirement Board
21 or the Public School Employees' Retirement Board in a statutory
22 provision other than this title, 24 Pa.C.S. Pt. IV (relating to
23 retirement for school employees) and 71 Pa.C.S. Pt XXV (relating
24 to retirement for state employees and officers) relating to the
25 management and investment of the State Employees' Retirement
26 Fund or the Public School Employees' Retirement Fund shall
27 include a reference to the Commonwealth Pension Investment
28 Office.

29 Section 16. Section 5102 of Title 71 is amended by adding a
30 definition to read:

1 § 5102. Definitions.

2 The following words and phrases as used in this part, unless
3 a different meaning is plainly required by the context, shall
4 have the following meanings:

5 * * *

6 "Investment office." The Commonwealth Pension Investment
7 Office, established under 64 Pa.C.S. Ch. 81 (relating to
8 Commonwealth Pension Investment Office).

9 * * *

10 Section 17. Title 71 is amended by adding a section to read:

11 § 5105. Certification by Secretary of the Budget.

12 (a) Federal determination.--The Secretary of the Budget
13 shall seek a determination from the Federal Government that the
14 dedicated funding mechanism in Chapter 56 (relating to State
15 Employees' Contribution Fund) will not negatively affect the
16 Commonwealth's ability to receive the normal and customary
17 Federal reimbursement for the Federal share of the State
18 employee pension costs. The Secretary of the Budget shall
19 provide each appropriate Federal agency with the data necessary
20 to review the dedicated funding mechanism contained in Chapter
21 56.

22 (b) Information to standing committees.--Within 30 days of
23 receiving a final determination under subsection (a), the
24 Secretary of the Budget shall provide a copy of the
25 determination to the chair and minority chair of the
26 Appropriations Committee of the Senate and the chair and
27 minority chair of the Appropriations Committee of the House of
28 Representatives with the following information:

29 (1) If the Federal Government determines the funding
30 mechanism in Chapter 56 does not negatively impact the

1 Commonwealth's ability to receive the normal and customary
2 Federal reimbursement for the Federal share of the State
3 employee pension costs, the certification of the Federal
4 response, which must indicate the fiscal year in which the
5 dedicated funding mechanism will commence.

6 (2) If the Federal Government does not approve the
7 dedicated funding mechanism or indicates approval may result
8 in lower Federal reimbursement of State employee pension
9 costs, notification that the dedicated funding mechanism
10 cannot be implemented.

11 (c) Publication.--If the Secretary of the Budget certifies
12 the determination under subsection (b)(1), the Secretary of the
13 Budget shall transmit to the Legislative Reference Bureau for
14 publication in the Pennsylvania Bulletin the certification,
15 which must indicate the fiscal year in which the dedicated
16 funding mechanism will commence.

17 Section 18. Section 5301(a)(17), (a.1), (c), (c.1) and (d)
18 (2) of Title 71 are amended and subsection (a) is amended by
19 adding a paragraph to read:

20 § 5301. Mandatory and optional membership in the system and
21 participation in the plan.

22 (a) Mandatory membership.--Membership in the system shall be
23 mandatory as of the effective date of employment for all State
24 employees except the following:

25 * * *

26 (17) State employees, other than any Class A-5 exempt
27 employees and State employees listed in paragraph (18),
28 performing service as Class A-5 exempt employees, whose first
29 period of State service starts on or after January 1, 2019,
30 provided that a State employee listed in this paragraph who

1 is not listed in paragraphs (1) through (16) or paragraph
2 (18) shall be mandatory members unless the employee elected
3 to be solely a participant in the plan under section 5306.4
4 (relating to election to become a Class A-6 member or solely
5 a participant in the plan).

6 (18) State employees who are trustees of the investment
7 office.

8 (a.1) Mandatory participation in the plan.--A State employee
9 who is a member of the system as a member of Class A-5 or Class
10 A-6 shall be a mandatory participant in the plan for that same
11 service as of the effective date of Class A-5 or Class A-6
12 membership in the system except for service as a Class A-5
13 exempt employee. A State employee who elected to be solely a
14 participant in the plan shall be a mandatory participant in the
15 plan for all service except for service as a Class A-5 exempt
16 employee and service as an employee listed in subsection (a)
17 (18).

18 * * *

19 (c) Prohibited membership in the system.--The State
20 employees listed in subsection (a)(12), (13), (14) [and (15)],
21 (15) and (18) shall not have the right to elect membership in
22 the system. The State employees listed in subsection (a)(18)
23 shall not be eligible for membership in the system for service,
24 notwithstanding any other election or membership in any other
25 class of service.

26 (c.1) Prohibited participation in the plan.--The State
27 employees listed in subsection (a)(11), (12), (13), (14) [and
28 (15)], (15) and (18) or who first become a member of the system
29 before January 1, 2019, or who could have elected membership in
30 the system but did not do so in the required time period shall

1 not be eligible to be active participants in the plan unless an
2 election is made under section 5306.5. Class A-5 exempt
3 employees shall not be eligible to participate in the plan for
4 service performed as a Class A-5 exempt employee. State
5 employees who are not mandatory participants in the plan under
6 subsection (a.1) or eligible for optional participation in the
7 plan under subsection (b.1) shall not be eligible to participate
8 in the plan unless an election is made under section 5306.5. The
9 State employees listed in subsection (a)(18) shall not be
10 eligible for participation in the plan for service,
11 notwithstanding any other election or membership in any other
12 class of service or election or participation in the plan.

13 (d) Return to service.--

14 * * *

15 (2) An annuitant or a participant receiving
16 distributions who returns to service as a State employee on
17 or after January 1, 2019, except as a State employee listed
18 in subsection (a)(18), shall resume active membership in the
19 system and, if an active member of Class A-5 or Class A-6,
20 shall be an active participant in the plan as of the
21 effective date of employment, except as otherwise provided in
22 section 5706(a), regardless of the optional membership or
23 participation category of the position: Provided, however,
24 That a participant or former participant who previously
25 elected to be solely a participant under section 5306.4 or
26 5306.5 shall be a participant in the plan and not an active
27 member of the system, except for service as a Class A-5
28 exempt employee.

29 * * *

30 Section 19. (Reserved).

1 Section 20. Title 71 is amended by adding a chapter to read:

2 CHAPTER 56

3 STATE EMPLOYEES' CONTRIBUTION FUND

4 Sec.

5 5601. Definitions.

6 5602. Establishment and use of contribution fund.

7 5603. Certification of amounts payable from contribution fund.

8 5604. Payments from contribution fund.

9 § 5601. Definitions.

10 The following words and phrases when used in this chapter
11 shall have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Contribution fund." The State Employees' Contribution Fund
14 established under section 5602 (relating to establishment and
15 use of contribution fund).

16 § 5602. Establishment and use of contribution fund.

17 (a) Establishment.--The State Employees' Contribution Fund
18 is established as a restricted account in the General Fund.

19 (b) Use of contribution fund.--Money in the contribution
20 fund, including interest, income, dividends and other earnings
21 on money deposited into the contribution fund, shall be used for
22 the payment of the Commonwealth's share of contributions under
23 section 5507 (relating to contributions to the system by the
24 Commonwealth and other employers) and the unfunded actuarial
25 accrued liability under section 5508 (relating to actuarial cost
26 method) due each fiscal year.

27 (c) Investments.--The money in the contribution fund shall
28 be invested by the State Treasurer in securities as provided by
29 law for the investment in the sinking funds of the Commonwealth.

30 § 5603. Certification of amounts payable from contribution

1 fund.

2 (a) Certification.--

3 (1) (Reserved).

4 (2) Within 10 days after the board certifies the amount
5 determined to be due from the Commonwealth to the State
6 Treasurer in accordance with section 5902(k) and (l), the
7 State Treasurer shall certify 100% of the amount determined
8 to be due from the Commonwealth as certified under section
9 5902(1) to be transferred to the contribution fund by the
10 Department of Revenue.

11 (b) Duties of Department of Revenue.--Within 10 days after
12 the State Treasurer certifies the amount under subsection (a)
13 (2), the Department of Revenue shall transfer money in the
14 amount certified from the tax imposed under section 302 of the
15 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code
16 of 1971, into the contribution fund.

17 § 5604. Payments from contribution fund.

18 (a) Appropriation.--

19 (1) Money transferred by the Department of Revenue into
20 the contribution fund under section 5603(b) (relating to
21 certification of amounts payable from contribution fund) is
22 appropriated to the Department of Revenue for the payment of
23 the Commonwealth's share of required contributions under
24 section 5507 (relating to contributions to the system by the
25 Commonwealth and other employers) as certified by the board
26 under section 5902(k) and (l) (relating to administrative
27 duties of the board).

28 (2) Any money remaining in the contribution fund,
29 including earned interest, at the end of a calendar quarter
30 is appropriated to the board as an additional contribution to

1 the State Employees' Retirement Fund in excess of the
2 actuarially required contribution for the quarter. Money
3 appropriated under this paragraph shall be transferred to the
4 board within 30 days of the end of the calendar quarter.

5 (b) Treatment of transfers.--Amounts transferred to the
6 State Employees' Retirement Fund under subsection (a)(2) must be
7 in addition to employer contributions required under section
8 5507 and may not be used to replace any portion of the employer
9 contributions certified by the board under section 5508
10 (relating to actuarial cost method). The board shall accept the
11 transferred money and apply the money to offset the current
12 unfunded actuarial accrued liability of the State Employees'
13 Retirement Fund. Amounts received by the board under this
14 chapter shall be recognized over a specific period of time as
15 determined by the board in consultation with the board's
16 actuary.

17 (c) Commonwealth contributions.--The Commonwealth shall make
18 the full amount of the required contributions into the
19 contribution fund under section 5507 as certified by the board
20 under section 5902(k) and (l) without regard to whether
21 sufficient amounts have been transferred to the contribution
22 fund or appropriated from the contribution fund to the
23 department under this chapter.

24 Section 21. Section 5706(a)(2) of Title 71 is amended to
25 read:

26 § 5706. Termination of annuities.

27 (a) General rule.--

28 * * *

29 (2) This subsection shall not apply in the case of any
30 annuitant who:

1 (i) may render services to the Commonwealth in the
2 capacity of an independent contractor; [or]

3 (ii) is over normal retirement age or who has been
4 an annuitant for more than one year and who may render
5 service to the Commonwealth:

6 (A) as a member of an independent board or
7 commission or as a member of a departmental
8 administrative or advisory board or commission when
9 such members of independent or departmental boards or
10 commissions are compensated on a per diem basis for
11 not more than 150 days per calendar year; or

12 (B) as a member of an independent board or
13 commission requiring appointment by the Governor,
14 with advice and consent of the Senate, where the
15 annual salary payable to the member does not exceed
16 \$35,000 and where the member has been an annuitant
17 for at least six months immediately preceding the
18 appointment[.]; or

19 (iii) may render services to the Commonwealth as a
20 trustee of the investment office.

21 * * *

22 Section 22. Section 5810(a) of Title 71 is amended by adding
23 a paragraph to read:

24 § 5810. Termination of distributions.

25 (a) Return to State service.--

26 * * *

27 (3) This subsection shall not apply to a participant
28 receiving distributions or an inactive participant who
29 returns to State service as a trustee of the investment
30 office and is over normal retirement age or who has been an

1 annuitant for more than one year and may render service to
2 the Commonwealth.

3 * * *

4 Section 23. Section 5812(15) is amended and the section is
5 amended by adding paragraphs to read:

6 § 5812. Powers and duties of board.

7 The board, in addition to its powers and duties set forth in
8 Chapter 59 (relating to administration, funds, accounts, general
9 provisions), shall have the following powers and duties to
10 establish the plan and trust and administer the provisions of
11 this chapter and part:

12 * * *

13 (15) The board may contract any services and duties in
14 lieu of staff, except final adjudications and as prohibited
15 by law. Any duties or responsibilities of the board not
16 required by law to be performed by the board can be delegated
17 to a third-party provider or the investment office subject to
18 appeal to the board.

19 * * *

20 (19) The board may enter into agreements with the
21 investment office to manage and invest all or part of the
22 trust and the participants' individual investment accounts.

23 (20) Notwithstanding any other provision of law, the
24 trustees of the investment office shall invest all moneys of
25 the fund exclusively through the investment office.

26 Section 24. Section 5901(f) of Title 71 is amended and the
27 section is amended by adding a subsection to read:

28 § 5901. The State Employees' Retirement Board.

29 * * *

30 (b.1) Trustees of investment office.--An individual who is a

1 trustee of the investment office may not be appointed as member
2 of the board unless the individual first resigns as a trustee of
3 the investment office.

4 * * *

5 (f) Board training.--Each member of the board will be
6 required to obtain eight hours of mandatory training in asset
7 allocation and investment strategies, investment risk, risk
8 management, actuarial cost analysis, setting return assumptions
9 and retirement portfolio management on an annual basis.

10 Section 25. Section 5902(b)(1), (c)(1), (d), (f), (i) and
11 (n) of Title 71 are amended, subsections (a), (a.1) and (e) are
12 amended by adding paragraphs and the section is amended by
13 adding a subsection to read:

14 § 5902. Administrative duties of the board.

15 (a) Employees.--

16 * * *

17 (3) The secretary may designate officers and employees
18 of the board to work on the integration management team
19 established under 64 Pa.C.S. § 8111 (relating to integration
20 management team) to assist in the performance of the team's
21 duties. Work completed by designated employees shall be
22 considered a part of the designated employees' duties as
23 officers and employees of the board.

24 (a.1) Secretary.--The secretary shall act as chief
25 administrative officer for the board with respect to both the
26 system and the plan. In addition to other powers and duties
27 conferred upon and delegated to the secretary by the board, the
28 secretary shall:

29 * * *

30 (7) Serve on the integration management team established

1 under 64 Pa.C.S. § 8111 and perform all tasks and duties
2 necessary to establish the investment office.

3 (b) Professional personnel.--

4 (1) The board shall contract for the services of a chief
5 medical examiner, an actuary, investment advisors and
6 counselors, and such other professional personnel as it deems
7 advisable. The board's authority to contract for the services
8 of investment advisors and counselors includes the authority
9 to enter into agreements with the investment office to
10 provide the services. The board may contract for legal
11 services.

12 * * *

13 (c) Expenses.--

14 (1) The board shall, through the Governor, submit to the
15 General Assembly annually a budget covering the
16 administrative expenses of the system and a separate budget
17 covering the administrative expenses of the plan. Budgets
18 under this paragraph shall include those expenses necessary
19 to establish the plan and trust. The budgets prepared under
20 this subsection shall not include the expenses of the
21 investment office budgeted under 64 Pa.C.S. § 8104(p)
22 (relating to Commonwealth Pension Investment Office).

23 * * *

24 (d) Meetings.--The board shall hold at least [six] four
25 regular meetings annually and such other meetings as it may deem
26 necessary.

27 (e) Records.--

28 * * *

29 (4.1) Notwithstanding the provisions of this subsection,
30 the following information regarding an alternative investment

1 vehicle shall be subject to public access under the Right-to-
2 Know Law:

3 (i) The name, address and vintage year of the
4 alternative investment vehicle.

5 (ii) The identity of the manager of the alternative
6 investment vehicle.

7 (iii) The dollar amount of the commitment made by
8 the system or plan to the alternative investment vehicle.

9 (iv) The dollar amount of cash contributions made by
10 the system or plan to the alternative investment vehicle
11 since inception.

12 (v) The dollar amount of cash distributions received
13 by the system or plan from the alternative investment
14 vehicle since inception.

15 (vi) The net internal rate of return of the
16 alternative investment vehicle since inception.
17 Disclosure under this subparagraph shall not include the
18 net internal rate of return under circumstances in which,
19 because of the limited number of portfolio assets
20 remaining in the alternative investment vehicle,
21 disclosure could reveal the values of specifically
22 identifiable remaining portfolio assets to the detriment
23 of the alternative investment.

24 (vii) The aggregate value of the remaining portfolio
25 assets attributable to the system's or plan's investment
26 in the alternative investment vehicle. Disclosure under
27 this subparagraph shall not include the value under
28 circumstances in which, because of the limited number of
29 portfolio assets remaining in the alternative investment
30 vehicle, disclosure could reveal the values of

1 specifically identifiable remaining portfolio assets to
2 the detriment of the alternative investment.

3 (viii) The dollar amount of total management fees
4 and costs paid to the alternative investment vehicle by
5 the system or plan on an annual fiscal year-end basis.

6 * * *

7 (f) Functions.--The board shall perform such other functions
8 as are required for the execution of the provisions of this part
9 and 64 Pa.C.S. Ch. 81 (relating to Commonwealth Pension
10 Investment Office).

11 * * *

12 (i) Data.--The board and the investment office shall keep in
13 convenient form such data as are stipulated by the actuary in
14 order that an annual actuarial valuation of the various accounts
15 of the fund can be completed within six months of the close of
16 each calendar year.

17 * * *

18 (n) Independent audits.--The board shall provide for annual
19 audits of the system and the plan by independent certified
20 public accountants. The audits shall include the board's accrual
21 and expenditure of directed commissions. The board may use the
22 same independent certified public accountant for the audits of
23 both the system and the plan. The board's audits under this
24 subsection shall include the portion of the fund managed and
25 invested by the investment office. In preparing audits of the
26 fund managed and investment by the investment office, the board
27 may accept and rely on the certifications by the independent
28 auditors retained by the investment office under 64 Pa.C.S. §
29 8105(a)(4) (relating to powers and duties) of audits performed
30 under 64 Pa.C.S. § 8105(e)(24).

1 * * *

2 (r) Appointment of trustees to investment office.--The board
3 shall appoint trustees as authorized under 64 Pa.C.S. Ch. 81 and
4 may take actions required and authorized relating to the
5 establishment of the investment office and the management and
6 investment of the fund under this part and 64 Pa.C.S. Ch. 81.

7 Section 26. Section 5904 of Title 71 is amended by adding a
8 subsection to read:

9 § 5904. Duties of the board to report to the Public School
10 Employees' Retirement Board.

11 * * *

12 (e) Investment office.--The following apply:

13 (1) The board shall notify the Public School Employees'
14 Retirement Board when the board names individuals as trustees
15 of the investment office. The board shall enter into joint
16 agreements with the Public School Employees' Retirement Board
17 to contract with a third-party consultant to establish and
18 maintain a pool of candidates to be trustees of the
19 investment office under 64 Pa.C.S. § 8104(c) (relating to
20 (relating to Commonwealth Pension Investment Office).

21 (2) If the board initiates and approves a proposed joint
22 resolution of the board and the Public School Employees'
23 Retirement Board to remove a trustee of the investment office
24 under 64 Pa.C.S. § 8104(d), the board shall transmit a
25 certified copy of the proposed joint resolution to secretary
26 of the Public School Employees' Retirement Board for
27 consideration and action by the Public School Employees'
28 Retirement Board.

29 (3) If the secretary of the board receives a certified
30 copy of a proposed joint resolution to remove a trustee of

1 the investment office under 64 Pa.C.S. § 8104(d) which was
2 initiated by the Public School Employees' Retirement Board or
3 a resolution approved by the trustees of the investment
4 office to remove a trustee of the office, the board shall
5 expeditiously consider and act on the proposed joint
6 resolution or the resolution of the trustees of the
7 investment office and the board's secretary shall notify the
8 secretary of the Public School Employees' Retirement Board
9 and the chief executive officer of the investment office of
10 the board's action.

11 (4) Upon the approval of a joint resolution under this
12 subsection, the board's secretary shall inform the Governor,
13 the General Assembly and the chief executive officer of the
14 investment office of the action.

15 Section 27. Title 71 is amended by adding a section to read:
16 § 5904.1. Duties of the board to report to the investment
17 office.

18 (a) Projection of contributions and disbursements.--
19 Periodically, but not less than annually, the board shall report
20 to the investment office the expected future annual
21 contributions to the fund by members and employers, benefit
22 payments from the fund and other disbursements from the fund,
23 including, but not limited to, the administrative expenses,
24 projected for a period of not less than the next 10 years.

25 (b) Expected fund transfers.--Periodically, but not less
26 than annually, the board shall report to the investment office
27 the expected amounts to be transferred on a monthly basis from
28 the restricted account for the board established under 64
29 Pa.C.S. § 8106(h) (relating to relationship to SERB and PSERB)
30 to the account or funds held by the State Treasurer under

1 section 5931(g) (relating to management of fund and accounts).

2 (c) Required fund transfers.--The board shall determine and
3 communicate to the investment office the transfers required
4 under 64 Pa.C.S. § 8106(h) (3).

5 (d) Removal of investment office trustee.--If the board
6 takes action either to approve or disapprove a resolution by the
7 trustees of the investment office or a proposed joint resolution
8 with the Public School Employees' Retirement Board to remove a
9 trustee of the investment office, it shall transmit notice of
10 the action to the investment office without regard to whether
11 the board or the Public School Employees' Retirement Board
12 initiated the proposed joint resolution.

13 Section 28. Sections 5931(a), (d), (e), (f) and (g) and
14 5932(a) of Title 71 are amended to read:

15 § 5931. Management of fund and accounts.

16 (a) Control and management of fund.--The members of the
17 board shall be the [trustees of the fund] co-trustees of the
18 fund with the trustees of the investment office. Regardless of
19 any other provision of law governing the investments of funds
20 under the control of an administrative board of the State
21 government, but subject to the provisions of this part and 64
22 Pa.C.S. Ch. 81 (relating to Commonwealth Pension Investment
23 Office) transferring certain authority to manage and invest the
24 fund from the board to the investment office and retaining
25 certain other authority with the board, the trustees shall have
26 exclusive control and management of the said fund and full power
27 to invest the same in accordance with the provisions of this
28 section, subject, however, to the exercise of that degree of
29 judgment, skill and care under the circumstances then prevailing
30 which persons of prudence, discretion and intelligence, who are

1 familiar with such matters, exercise in the management of their
2 own affairs not in regard to speculation, but in regard to the
3 permanent disposition of the funds, considering the probable
4 income to be derived therefrom as well as the probable safety of
5 their capital. The trustees shall have the power to hold,
6 purchase, sell, lend, assign, transfer or dispose of any of the
7 securities and investments in which any of the moneys in the
8 fund shall have been invested as well as of the proceeds of said
9 investments, including any directed commissions which have
10 accrued to the benefit of the fund as a consequence of the
11 investments, and of any moneys belonging to said fund, subject
12 in every case to meeting the standard of prudence set forth in
13 this subsection.

14 * * *

15 (d) Payments from fund.--[All payments from the fund shall
16 be made by the State Treasurer in accordance with requisitions
17 signed by the secretary of the board, or his designee, and
18 ratified by resolution of the board.]

19 (1) All payments being made after the effective date of
20 this paragraph as a disbursement for benefits, administrative
21 expenses of the board or are related to investments by the
22 board or expenses in the performance of the board's duties
23 related to the management and investment of the fund shall be
24 made by the State Treasurer in accordance with requisitions
25 signed by the secretary of the board, or the secretary's
26 designee, and ratified by resolution of the board.

27 (2) All payments from the fund being made as a result of
28 the management and investment of the fund by the investment
29 office under 64 Pa.C.S. Ch. 81 shall be made by the State
30 Treasurer in accordance with requisitions signed by the chief

1 executive officer of the investment office or designee as
2 authorized by resolution of the trustees of the investment
3 office.

4 (e) Fiduciary status of board.--The members of the board,
5 employees of the board and agents thereof shall stand in a
6 fiduciary relationship to the members of the system regarding
7 the investments and disbursements of any of the moneys of the
8 fund to the extent the administration of benefits under this
9 part and the management and investment of the fund have been
10 retained by the board and have not been granted to the
11 investment office and shall not profit either directly or
12 indirectly with respect thereto. The board may, when possible
13 and consistent with its fiduciary duties imposed by this
14 subsection or other law, including its obligation to invest and
15 manage the fund for the exclusive benefit of the members of the
16 system, consider whether an investment in any project or
17 business enhances and promotes the general welfare of this
18 Commonwealth and its citizens, including, but not limited to,
19 investments that increase and enhance the employment of
20 Commonwealth residents, encourage the construction and retention
21 of adequate housing and stimulate further investment and
22 economic activity in this Commonwealth. The board shall, through
23 the Governor, submit to the General Assembly annually, at the
24 same time the board submits its budget covering administrative
25 expenses, a report identifying the nature and amount of all
26 existing investments made pursuant to this subsection.

27 (f) Name for transacting business.--By the name of "The
28 State Employees' Retirement System" or "The State Employees'
29 Retirement System" all of the business of the system shall be
30 transacted, its fund invested by the board, all requisitions for

1 money drawn and payments made, and all of its cash and
2 securities and other property shall be held, except to the
3 extent that business transactions, fund investments,
4 requisitions for money drawn and payments made and cash,
5 securities and property are held by the name of "The
6 Commonwealth Pension Investment Office" under 64 Pa.C.S. §
7 8105(d) (relating to powers and duties), and except that, any
8 other law to the contrary notwithstanding, the board may
9 establish a nominee registration procedure for the purpose of
10 registering securities in order to facilitate the purchase, sale
11 or other disposition of securities pursuant to the provisions of
12 this law.

13 (g) Deposits in banks and trust companies.--For the purpose
14 of receiving contributions from members and employers and
15 meeting disbursements for annuities and other payments in excess
16 of the receipts, there shall be kept available by the State
17 Treasurer an amount, not exceeding 10% of the total amount in
18 the fund that shall not be transferred to the investment office
19 under the authority to manage and invest the fund granted to it
20 by 64 Pa.C.S. Ch. 81, on deposit in any bank or banks in this
21 Commonwealth organized under the laws thereof or under the laws
22 of the United States or with any trust company or companies
23 incorporated by any law of this Commonwealth, provided any of
24 such banks or trust companies shall furnish adequate security
25 for said deposit, and provided that the sum so deposited in any
26 one bank or trust company shall not exceed 25% of the paid-up
27 capital and surplus of said bank or trust company. Any amount in
28 excess of the needs of the board shall be transferred to the
29 restricted account for the board established under 64 Pa.C.S. §
30 8106(h) (relating to relationship to SERB and PSERB).

1 * * *

2 § 5932. State Employees' Retirement Fund.

3 (a) General rule.--The fund shall consist of all balances in
4 the several separate accounts set apart to be used under the
5 direction of the board for the benefit of members of the system
6 without regard to whether any portion of the fund is invested
7 and managed by the board or the investment office, severally or
8 jointly as co-trustees; and the Treasury Department shall credit
9 to the fund all moneys received from the Department of Revenue
10 arising from the contributions relating to or on behalf of
11 members of the system required under the provisions of Chapter
12 55 (relating to contributions), and any income earned by the
13 investments or moneys of said fund. There shall be established
14 and maintained by the board the several ledger accounts
15 specified in sections 5933 (relating to members' savings
16 account), 5934 (relating to State accumulation account), 5935
17 (relating to annuity reserve account), 5936 (relating to State
18 Police benefit account), 5937 (relating to enforcement officers'
19 benefit account), 5938 (relating to supplemental annuity
20 account) and 5939 (relating to interest reserve account).

21 * * *

22 Section 29. Section 5940 of Title 71 is amended by adding a
23 subsection to read:

24 § 5940. Northern Ireland-related investments.

25 * * *

26 (d) Duties transferred.--After the transfer of the assets
27 and investments of the fund to the investment office, the duties
28 and responsibilities of the board under this section shall be
29 transferred to the trustees of the investment office.

30 Section 30. Sections 5941 and 5954(b) of Title 71 are

1 amended to read:

2 § 5941. Benefits completion plan.

3 (a) Establishment of plan.--Notwithstanding any other law to
4 the contrary, the board shall establish and serve as trustee of
5 a retirement benefit plan within the meaning of, in conformity
6 with and then only to the extent and so long as permitted by IRC
7 § 415(m) for the purpose of providing such retirement benefits
8 as would otherwise have been payable under this part to
9 annuitants of the system on or after July 2, 2001, but for the
10 application of the limitations on benefits of IRC § 415. The
11 board may, in its sole discretion and within the limits of IRC §
12 415(m) and this section, determine all terms and provisions of
13 the plan, including, but not limited to, the cost of and
14 procedures for funding the plan as provided in this section. The
15 Commonwealth and other employers whose employees are members of
16 the system shall make contributions to the plan on behalf of all
17 members in such amounts as shall be certified by the board.

18 (b) Agreement with investment office.--The board may enter
19 into an agreement with the investment office to perform all or
20 part of the investment management of the assets of the
21 retirement benefit plan established under this section.

22 § 5954. Fraud and adjustment of errors.

23 * * *

24 (b) Adjustment of errors.--Should any change or mistake in
25 records of the board or the investment office result in any
26 member, participant, beneficiary, survivor annuitant or
27 successor payee receiving from the system or plan more or less
28 than he would have been entitled to receive had the records been
29 correct, then regardless of the intentional or unintentional
30 nature of the error and upon the discovery of such error, the

1 board or the investment office shall correct the error and if
2 the error affected contributions to or payments from the system,
3 then so far as practicable shall adjust the payments which may
4 be made for and to such person in such a manner that the
5 actuarial equivalent of the benefit to which he was correctly
6 entitled shall be paid. If the error affected contributions to
7 or payments from the plan, the board shall take action as
8 provided for in the plan document.

9 Section 31. The following apply to contributions and
10 benefits:

11 (1) Except as set forth in paragraph (2), nothing in
12 this act shall be construed to imply a change in the
13 contributions or benefits of any of the following:

14 (i) A member of the Public School Employees'
15 Retirement System.

16 (ii) A participant in the Public School Employees'
17 Defined Contribution Plan.

18 (iii) A member of the State Employees' Retirement
19 System.

20 (iv) A participant in the State Employees' Defined
21 Contribution Plan.

22 (v) A beneficiary, survivor annuitant or alternate
23 payee of an individual under subparagraph (i), (ii),
24 (iii) or (iv).

25 (2) Paragraph (1) does not apply to a trustee of the
26 Commonwealth Pension Investment Office who is a member of the
27 State Employees' Retirement System or a participant in the
28 State Employees' Defined Contribution Plan.

29 Section 32. The following apply:

30 (1) This section applies to an amendment or addition

1 made by this act to a provision of 24 Pa.C.S. Pt. IV, 64
2 Pa.C.S. or 71 Pa.C.S. Pt. XXV in relation to the management
3 and investment of any of the following:

4 (i) The Public School Employees' Retirement Fund.

5 (ii) The State Employees' Retirement Fund.

6 (iii) Any of the following of which the Public
7 School Employees' Retirement Board or the State
8 Employees' Retirement Board is a trustee:

9 (A) A retirement or pension system or plan, fund
10 or trust.

11 (B) A fund or trust of a benefit plan.

12 (2) A provision under paragraph (1) shall not create a
13 contractual right, either express or implied, in the manner,
14 method, board or office which manages or invests money
15 referred to in paragraph (1)(i), (ii) or (iii) in any of the
16 following:

17 (i) A member of the Public School Employees'
18 Retirement System.

19 (ii) A participant in the Public School Employees'
20 Defined Contribution Plan.

21 (iii) A member of the State Employees' Retirement
22 System.

23 (iv) A participant in the State Employees' Defined
24 Contribution Plan.

25 (v) A person claiming an interest in the account of
26 an individual under subparagraph (i), (ii), (iii), (iii)
27 or (iv).

28 Section 33. This act shall be construed and administered in
29 a manner that the Public School Employees' Retirement System,
30 the School Employees' Defined Contribution Plan, the State

1 Employees' Retirement System and the State Employees' Defined
2 Contribution Plan will satisfy the requirements necessary to
3 qualify as a qualified pension plan under the Internal Revenue
4 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38
5 U.S.C. Ch. 43 (relating to employment and reemployment rights of
6 members of the uniformed services). Policies, procedures and
7 bylaws under the addition of 64 Pa.C.S. § 8105(e)(18) may
8 include those necessary to accomplish the purpose of this
9 section.

10 Section 34. Nothing in this act shall be construed to affect
11 the authority of the Auditor General to obtain a copy of a
12 record, material or data in connection with an audit.

13 Section 35. The amendment of 71 Pa.C.S. § 5902(e) shall
14 apply only to an investment made and a contract entered into on
15 or after the effective date of this section. For an investment
16 made or a contract entered into before the effective date of
17 this section, the State Employees' Retirement Board shall
18 determine disclosure, publication and access to information
19 related to the investment or contract under law and under
20 contractual agreement in effect on or before the effective date
21 of this section.

22 Section 36. Public officials shall be held harmless, as
23 follows:

24 (1) Notwithstanding any other provision of law,
25 fiduciary requirement, investment standard of practice or
26 other requirement to the contrary, the members of the Public
27 School Employees' Retirement Board, the employees and
28 officials of the Public School Employees' Retirement System
29 and their investment advisors, counselors and consultants
30 retained under 24 Pa.C.S. § 8502(b) shall not be held liable

1 or in breach or violation, either as individuals or in their
2 official capacity or as a governmental or corporate entity,
3 for the transfer of all or a portion of the Public School
4 Employees' Retirement Fund and other assets or programs which
5 are not part of the Public School Employees' Retirement Fund
6 to the Commonwealth Pension Investment Office for management
7 and investment.

8 (2) Notwithstanding any other provision of law,
9 fiduciary requirement, investment standard of practice or
10 other requirement to the contrary, the members of the State
11 Employees' Retirement Board, the employees and officials of
12 the State Employees' Retirement System and their investment
13 advisors, counselors and consultants retained under 71
14 Pa.C.S. § 5902(b) shall not be held liable or in breach or
15 violation, either as individuals or in their official
16 capacity or as a governmental or corporate entity, for the
17 transfer of all or a portion of the State Employees'
18 Retirement Fund and other assets or programs which are not
19 part of the State Employees' Retirement Fund to the
20 Commonwealth Pension Investment Office for management and
21 investment.

22 Section 37. The following apply to transfer:

23 (1) The following are subjects of transfer:

24 (i) Money.

25 (ii) Agreements, partnerships and leases.

26 (iii) Investments in the State Employees' Retirement
27 Fund in excess of money reserved by the State Employees'
28 Retirement Board in the State Employees' Retirement Fund.

29 (iv) Money held by the State Treasurer for receipt
30 of member and employer contributions under:

1 (A) 24 Pa.C.S. § 8521(g); and

2 (B) 71 Pa.C.S. § 5931(g).

3 (v) Disbursement of benefit payments and other
4 disbursements. This paragraph includes administrative
5 expenses of:

6 (A) the Public School Employees' Retirement
7 System; and

8 (B) the State Employees' Retirement System.

9 (vi) Except as necessary under section 38,
10 allocations, appropriations, equipment, supplies,
11 records, contracts, rights and obligations.

12 (2) Subjects of transfer under paragraph (1) shall be
13 transferred to the Commonwealth Pension Investment Office on
14 the second July 1 after trustees of the Commonwealth Pension
15 Investment Office sufficient to constitute a quorum take the
16 oath of office.

17 (3) The Public School Employees' Retirement Board and
18 the State Employees' Retirement Board may enter into
19 agreements with the Commonwealth Pension Investment Office
20 and with managers, general partners and other counterparties
21 of investments to be transferred to effectuate the transfer.

22 (4) If the Public School Employees' Retirement Board is
23 retaining records of the Public School Employees' Retirement
24 Fund which will be needed by the Commonwealth Pension
25 Investment Office as co-trustee, the Public School Employees'
26 Retirement Board shall make and transfer the necessary
27 copies.

28 (5) If the State Employees' Retirement Board is
29 retaining records of the State Employees' Retirement Fund
30 which will be needed by the Commonwealth Pension Investment

1 Office as co-trustee, the State Employees' Retirement Board
2 shall make and transfer the necessary copies.

3 Section 38. The following apply to personnel retention:

4 (1) The Public School Employees' Retirement Board shall
5 identify the personnel it will retain to perform
6 administrative functions retained under this act. This
7 paragraph includes collection of member and employer
8 contributions, payment of benefits and investment-related
9 functions retained under this act.

10 (2) The State Employees' Retirement Board shall identify
11 the personnel it will retain to perform administrative
12 functions retained under this act. This paragraph includes
13 collection of member and employer contributions, payment of
14 benefits and the investment-related functions.

15 Section 39. This act shall take effect immediately.