

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 26

Session of  
2001

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

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,  
MARCH 13, 2001

## AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, further providing for  
3 ~~eligibility for annuities, eligibility for vesting, for~~ <—  
4 ~~payments by employers, for member's options, for membership~~  
5 MANDATORY AND OPTIONAL MEMBERSHIP, FOR CREDITED SCHOOL <—  
6 SERVICE, FOR MEMBERSHIP of the Public School Employees'  
7 Retirement Board and the State Employees' Retirement Board,  
8 FOR ADMINISTRATIVE DUTIES OF BOARD AND for management of fund <—  
9 and accounts ~~and for disability annuities.~~ <—

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

12 ~~Section 1. The definition of "vestee" in section 8102 of~~ <—  
13 ~~Title 24 of the Pennsylvania Consolidated Statutes is amended to~~  
14 ~~read:~~

15 ~~§ 8102. Definitions.~~

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

19 \* \* \*

1       ~~"Vestee." A member with [ten] five or more eligibility~~  
2 ~~points who has terminated school service, has left his~~  
3 ~~accumulated deductions in the fund, and is deferring filing of~~  
4 ~~an application for receipt of an annuity.~~

5       ~~Section 2. Sections 8307(b) and 8308 of Title 24 are amended~~  
6 ~~to read:~~

7 ~~§ 8307. Eligibility for annuities.~~

8       ~~\* \* \*~~

9       ~~(b) Withdrawal annuity. A vestee with [ten] five or more~~  
10 ~~eligibility points or an active or inactive member who~~  
11 ~~terminates school service having [ten] five or more eligibility~~  
12 ~~points shall, upon filing a proper application, be entitled to~~  
13 ~~receive an early annuity.~~

14       ~~\* \* \*~~

15 ~~§ 8308. Eligibility for vesting.~~

16       ~~Any member who terminates school service with [ten] five or~~  
17 ~~more eligibility points shall be entitled to vest his retirement~~  
18 ~~benefits until attainment of superannuation age.~~

19       ~~Section 3. Section 8327 of Title 24 is amended by adding a~~  
20 ~~subsection to read:~~

21 ~~§ 8327. Payments by employers.~~

22       ~~\* \* \*~~

23       ~~(b.1) Payment of charter school employer and employee~~  
24 ~~contributions.~~

25       ~~(1) For each school year commencing with the 2001-2002~~  
26 ~~school year, the Secretary of Education and the State~~  
27 ~~Treasurer shall cause to be deducted from the amount of any~~  
28 ~~moneys due to:~~

29       ~~(i) a chartering school district of a charter~~  
30 ~~school, as defined in Article XVII A of the act of March~~

~~10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, which is an employer; or~~

~~(ii) a charter school which is an employer, on account of any appropriation for schools or other purposes such amount equal to the employer and pickup contributions estimated to be due to the fund as certified by the board. Such deductions shall be paid to the fund on the date such amounts would otherwise be paid by the employer to the fund and shall be credited to the appropriate accounts in the fund.~~

~~(2) The Department of Education shall reduce the amount of funds paid to the chartering school district or to the charter school, as the case may be, by the deducted amount. The chartering school district shall reduce the amount of funds paid to the charter school by any amount deducted by the Department of Education that would otherwise have been paid to the chartering school district. The charter school shall continue to collect and account for pickup contributions from its school employees.~~

~~(3) In the event the estimated amount is insufficient to cover the actual employer and pickup contributions due, then the board, at its discretion, may add any shortfall to the estimated amount for the following year or may require the charter school to make payment as otherwise provided in this part for any other employer.~~

~~\* \* \*~~

~~Section 4. Sections 8345(a), 8501(a) and (b) and 8521(h), (i) and (j) of Title 24 are amended to read:~~

~~§ 8345. Member's options.~~

~~(a) General rule. Any vestee with [ten] five or more~~

1 ~~eligibility points or any other eligible member upon termination~~  
2 ~~of school service who has not withdrawn his accumulated~~  
3 ~~deductions as provided in section 8341 (relating to return of~~  
4 ~~accumulated deductions) may apply for and elect to receive~~  
5 ~~either a maximum single life annuity, as calculated in~~  
6 ~~accordance with the provisions of section 8342 (relating to~~  
7 ~~maximum single life annuity), or a reduced annuity certified by~~  
8 ~~the actuary to be actuarially equivalent to the maximum single~~  
9 ~~life annuity and in accordance with one of the following~~  
10 ~~options, except that no member shall elect an annuity payable to~~  
11 ~~one or more survivor annuitants other than his spouse or~~  
12 ~~alternate payee of such a magnitude that the present value of~~  
13 ~~the annuity payable to him for life plus any lump sum payment he~~  
14 ~~may have elected to receive is less than 50% of the present~~  
15 ~~value of his maximum single life annuity.~~

16 ~~(1) Option 1. A life annuity to the member with a~~  
17 ~~guaranteed total payment equal to the present value of the~~  
18 ~~maximum single life annuity on the effective date of~~  
19 ~~retirement with the provision that, if, at his death, he has~~  
20 ~~received less than such present value, the unpaid balance~~  
21 ~~shall be payable to his beneficiary.~~

22 ~~(2) Option 2. A joint and survivor annuity payable~~  
23 ~~during the lifetime of the member with the full amount of~~  
24 ~~such annuity payable thereafter to his survivor annuitant, if~~  
25 ~~living at his death.~~

26 ~~(3) Option 3. A joint and fifty percent (50%) survivor~~  
27 ~~annuity payable during the lifetime of the member with one-~~  
28 ~~half of such annuity payable thereafter to his survivor~~  
29 ~~annuitant, if living at his death.~~

30 ~~(4) Option 4. Some other benefit which shall be~~

~~certified by the actuary to be actuarially equivalent to the maximum single life annuity, subject to the following restrictions:~~

~~(i) Any annuity shall be payable without reduction during the lifetime of the member.~~

~~(ii) The sum of all annuities payable to the designated survivor annuitants shall not be greater than one and one half times the annuity payable to the member.~~

~~(iii) A portion of the benefit may be payable as a lump sum, except that such lump sum payment shall not exceed an amount equal to the accumulated deductions standing to the credit of the member. The balance of the present value of the maximum single life annuity adjusted in accordance with section 8342(b) shall be paid in the form of an annuity with a guaranteed total payment, a single life annuity, or a joint and survivor annuity or any combination thereof but subject to the restrictions of subparagraphs (i) and (ii) of this paragraph.~~

~~\*\*\*~~

SECTION 1. SECTIONS 8301, 8302(A), 8501(A) AND (B), 8502(G), <—  
8521(H), (I) AND (J) OF TITLE 24 OF THE PENNSYLVANIA  
CONSOLIDATED STATUTES ARE AMENDED TO READ:

§ 8301. MANDATORY AND OPTIONAL MEMBERSHIP.

(A) MANDATORY MEMBERSHIP.--MEMBERSHIP IN THE SYSTEM SHALL BE  
MANDATORY AS OF THE EFFECTIVE DATE OF EMPLOYMENT FOR ALL SCHOOL  
EMPLOYEES EXCEPT THE FOLLOWING:

(1) ANY OFFICER OR EMPLOYEE OF THE DEPARTMENT OF  
EDUCATION, STATE-OWNED EDUCATIONAL INSTITUTIONS, COMMUNITY  
COLLEGES, AREA VOCATIONAL-TECHNICAL SCHOOLS, TECHNICAL  
INSTITUTES, OR THE PENNSYLVANIA STATE UNIVERSITY AND WHO IS A

MEMBER OF THE STATE EMPLOYEES' RETIREMENT SYSTEM OR A MEMBER OF ANOTHER RETIREMENT PROGRAM APPROVED BY THE EMPLOYER.

(2) ANY SCHOOL EMPLOYEE WHO IS EMPLOYED ON A PER DIEM OR HOURLY BASIS FOR LESS THAN 80 FULL-DAY SESSIONS OR 500 HOURS IN ANY FISCAL YEAR OR ANNUITANT WHO RETURNS TO SCHOOL SERVICE UNDER THE PROVISIONS OF SECTION 8346(B) (RELATING TO TERMINATION OF ANNUITIES).

(3) ANY OFFICER OR EMPLOYEE OF A GOVERNMENTAL ENTITY WHO SUBSEQUENT TO DECEMBER 22, 1965 AND PRIOR TO JULY 1, 1975 ADMINISTERS, SUPERVISES, OR TEACHES CLASSES FINANCED WHOLLY OR IN PART BY THE FEDERAL GOVERNMENT SO LONG AS HE CONTINUES IN SUCH SERVICE.

(4) ANY PART-TIME SCHOOL EMPLOYEE WHO HAS AN INDIVIDUAL RETIREMENT ACCOUNT PURSUANT TO THE FEDERAL ACT OF SEPTEMBER 2, 1974 (PUBLIC LAW 93-406, 88 STAT. 829), KNOWN AS THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.

(5) EMPLOYEES OF A CHARTER SCHOOL, AS DEFINED IN ARTICLE XVII-A OF THE ACT OF MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE PUBLIC SCHOOL CODE OF 1949.

(B) PROHIBITED MEMBERSHIP.--THE SCHOOL EMPLOYEES CATEGORIZED IN SUBSECTION (A)(1) AND (2) SHALL NOT HAVE THE RIGHT TO ELECT MEMBERSHIP IN THE SYSTEM.

(C) OPTIONAL MEMBERSHIP.--

(1) THE SCHOOL EMPLOYEES CATEGORIZED IN SUBSECTION (A)(3) AND, IF OTHERWISE ELIGIBLE, SUBSECTION (A)(4) SHALL HAVE THE RIGHT TO ELECT MEMBERSHIP IN THE SYSTEM. ONCE SUCH ELECTION IS EXERCISED, MEMBERSHIP SHALL COMMENCE FROM THE ORIGINAL DATE OF ELIGIBILITY AND SHALL CONTINUE UNTIL THE TERMINATION OF SUCH SERVICE.

(2) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN ARTICLE

XVII-A OF THE ACT OF MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS  
THE PUBLIC SCHOOL CODE OF 1949, EMPLOYEES OF A CHARTER SCHOOL  
SHALL ONLY BE ELIGIBLE FOR MEMBERSHIP IN THE SYSTEM IF THE  
CHARTER SCHOOL IN WHICH THEY ARE EMPLOYED AFFIRMATIVELY  
ELECTS TO HAVE ITS EMPLOYEES TO BE ELIGIBLE FOR MEMBERSHIP IN  
THE SYSTEM. SAID ELECTION SHALL BE IN WRITING ON A FORM  
PRESCRIBED BY THE BOARD AND FILED WITH THE SYSTEM. ONCE SUCH  
ELECTION IS EXERCISED, MEMBERSHIP FOR ELIGIBLE EMPLOYEES  
SHALL COMMENCE FROM THE ORIGINAL DATE OF THEIR ELIGIBILITY  
AND SHALL CONTINUE UNTIL THE TERMINATION OF SUCH SERVICE.

§ 8302. CREDITED SCHOOL SERVICE.

(A) COMPUTATION OF CREDITED SERVICE.--IN COMPUTING CREDITED  
SCHOOL SERVICE OF A MEMBER FOR THE DETERMINATION OF BENEFITS, A  
FULL-TIME SALARIED SCHOOL EMPLOYEE SHALL RECEIVE ONE YEAR OF  
CREDIT FOR EACH SCHOOL YEAR OR THE CORRESPONDING FRACTION  
THEREOF, IN ACCORDANCE WITH THE PROPORTION OF THE FULL SCHOOL  
YEAR FOR WHICH BOTH THE REQUIRED REGULAR MEMBER AND EMPLOYER  
CONTRIBUTIONS HAVE BEEN MADE, OR FOR WHICH SUCH CONTRIBUTIONS  
OTHERWISE REQUIRED FOR SUCH SERVICE WERE NOT MADE SOLELY BY  
REASON OF ANY PROVISION OF THIS PART RELATING TO THE LIMITATION  
UNDER IRC § 401(A)(17). A PER DIEM OR HOURLY SCHOOL EMPLOYEE  
SHALL RECEIVE ONE YEAR OF CREDITED SERVICE FOR EACH  
NONOVERLAPPING PERIOD OF 12 CONSECUTIVE MONTHS IN WHICH HE IS  
EMPLOYED AND FOR WHICH BOTH MEMBER AND EMPLOYER CONTRIBUTIONS  
ARE MADE, OR WOULD HAVE BEEN MADE BUT FOR SUCH LIMITATION UNDER  
THE IRC, FOR AT LEAST 180 FULL-DAY SESSIONS OR 1,100 HOURS OF  
EMPLOYMENT. IF SUCH MEMBER WAS EMPLOYED AND MEMBER OR EMPLOYER  
CONTRIBUTIONS WERE MADE FOR LESS THAN 180 FULL-DAY SESSIONS OR  
1,100 HOURS, HE SHALL BE CREDITED WITH A FRACTIONAL PORTION OF A  
YEAR DETERMINED BY THE RATIO OF THE NUMBER OF FULL-DAY SESSIONS

1 OR HOURS OF SERVICE ACTUALLY RENDERED TO 180 FULL-DAY SESSIONS  
2 OR 1,100 HOURS, AS THE CASE MAY BE. A PART-TIME SALARIED  
3 EMPLOYEE SHALL BE CREDITED WITH THE FRACTIONAL PORTION OF THE  
4 YEAR WHICH CORRESPONDS TO THE SERVICE ACTUALLY RENDERED IN  
5 RELATION TO THE SERVICE REQUIRED AS A COMPARABLE FULL-TIME  
6 SALARIED EMPLOYEE AND FOR WHICH BOTH MEMBER AND EMPLOYER  
7 CONTRIBUTIONS WERE MADE. IN NO CASE SHALL A MEMBER RECEIVE MORE  
8 THAN ONE YEAR OF CREDITED SERVICE FOR ANY 12 CONSECUTIVE MONTHS  
9 OR A MEMBER WHO HAS ELECTED MULTIPLE SERVICE RECEIVE AN  
10 AGGREGATE IN THE TWO SYSTEMS OF MORE THAN ONE YEAR OF CREDITED  
11 SERVICE FOR ANY 12 CONSECUTIVE MONTHS.

12 \* \* \*

13 § 8501. Public School Employees' Retirement Board.

14 (a) Status and membership.--The board shall be an  
15 independent administrative board and shall consist of 15  
16 members: the Secretary of Education, ex officio; the State  
17 Treasurer, ex officio; two Senators; two members of the House of  
18 Representatives; the executive secretary of the Pennsylvania  
19 School Boards Association, ex officio; two to be appointed by  
20 the Governor, at least one of whom shall not be a school  
21 employee or an officer or employee of the State; three to be  
22 elected by the active professional members of the system from  
23 among their number; one to be elected by annuitants from among  
24 their number; one to be elected by the active nonprofessional  
25 members of the system from among their number; and one to be  
26 elected by members of Pennsylvania public school boards from  
27 among their number. The appointments made by the Governor shall  
28 be confirmed by the Senate and each election shall be conducted  
29 in a manner approved by the board. The terms of the appointed  
30 and nonlegislative elected members shall be three years. The



1 members from the Senate shall be appointed by the President pro  
2 tempore of the Senate and shall consist of one member from the  
3 majority and one member from the minority. The members from the  
4 House of Representatives shall be appointed by the Speaker of  
5 the House of Representatives and shall consist of one member  
6 from the majority and one member from the minority. The  
7 legislative members shall serve on the board for the duration of  
8 [the terms for which they were elected] their legislative terms  
9 and shall continue to serve until 30 days after the convening of  
10 the next regular session of the General Assembly after the  
11 expiration of their respective legislative terms, or until a  
12 successor is appointed for the new term, whichever occurs first.  
13 The chairman of the board shall be elected by the board members.  
14 Each ex officio member of the board and each legislative member  
15 of the board may appoint a duly authorized designee to act in  
16 his stead.

17 (b) [Appointment and terms of initial members.--For the  
18 purposes of securing an orderly transition and staggered terms,  
19 the elected members of the board serving on the effective date  
20 of this part shall serve until the expiration of their  
21 respective terms. The board member initially elected by members  
22 of Pennsylvania public school boards shall serve until January  
23 1, 1976. The board member initially elected by the active  
24 nonprofessional members of the system shall serve until January  
25 1, 1977. One of the initial board members appointed by the  
26 Governor after the effective date of this part shall serve until  
27 January 1, 1976 and the second appointed board member shall  
28 serve until January 1, 1977.] Vacancies.--A vacancy occurring  
29 during the term of any member shall be filled for the unexpired  
30 term by a successor appointed or elected as the case may be in

1 the same manner as his predecessor.

2 \* \* \*

3 § 8502. ADMINISTRATIVE DUTIES OF BOARD.

<—

4 \* \* \*

5 (G) PERFORMANCE OF EMPLOYER DUTIES.--IN THE EVENT THE  
6 EMPLOYER FAILS TO COMPLY WITH THE PROCEDURES AS MANDATED IN  
7 SECTION 8506 (RELATING TO DUTIES OF EMPLOYERS), THE BOARD SHALL  
8 PERFORM SUCH DUTIES AND BILL THE EMPLOYER WHO SHALL PAY FOR THE  
9 COST OF SAME. IN THE EVENT THE EMPLOYER IS DELINQUENT IN THE  
10 PAYMENT OF:

11 (1) THE BOARD'S BILL FOR THE COST OF THE BOARD TO  
12 PERFORM THE DUTIES OF THE EMPLOYER MANDATED IN SECTION 8506;

13 (2) THE EMPLOYER CONTRIBUTIONS REQUIRED IN ACCORDANCE  
14 WITH SECTION 8327 (RELATING TO PAYMENTS BY EMPLOYERS)[,]; OR

15 (3) THE MEMBER CONTRIBUTIONS REQUIRED IN ACCORDANCE WITH  
16 SECTION 8506.

17 THEN THE BOARD SHALL NOTIFY THE SECRETARY OF EDUCATION AND THE  
18 STATE TREASURER OF SUCH DELINQUENCY AND CERTIFY THE ACTUAL OR  
19 ESTIMATED AMOUNT THEREOF. WITHIN 30 DAYS OF THE RECEIPT OF THE  
20 BOARD'S DELINQUENCY NOTICE, THE SECRETARY OF EDUCATION SHALL PAY  
21 TO THE BOARD THE AMOUNT SO CERTIFIED THAT REMAINS UNPAID AS OF  
22 THE DATE OF SECRETARY'S PAYMENT. ALL SUCH AMOUNTS PAID BY THE  
23 SECRETARY OF EDUCATION SHALL BE CREDITED BY THE BOARD TO THE  
24 APPROPRIATE ACCOUNT IN THE FUND. THE SECRETARY OF EDUCATION  
25 SHALL BE ENTITLED TO EXERCISE THE REMEDY SET FORTH IN SECTION  
26 8327(B) TO RECOVER ANY AMOUNTS PAID TO THE BOARD PURSUANT TO  
27 THIS SUBSECTION. IN THE EVENT THE SECRETARY OF EDUCATION  
28 EXERCISES THE REMEDY SET FORTH IN SECTION 8327(B) TO RECOVER ANY  
29 AMOUNTS PAID TO THE BOARD, AS A CONSEQUENCE OF A DELINQUENCY  
30 CAUSED BY A CHARTER SCHOOL, AND REDUCES THE AMOUNT OF FUNDS PAID

1 TO A CHARTERING SCHOOL DISTRICT, AS DEFINED IN ARTICLE XVII-A OF  
2 THE ACT OF MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE PUBLIC  
3 SCHOOL CODE OF 1949, THE CHARTERING SCHOOL DISTRICT SHALL REDUCE  
4 THE AMOUNT OF FUNDS PAID TO THE CHARTER SCHOOL BY ANY AMOUNT  
5 DEDUCTED BY THE SECRETARY OF EDUCATION THAT WOULD HAVE OTHERWISE  
6 BEEN PAID TO THE CHARTERING SCHOOL DISTRICT.

7 \* \* \*

8 § 8521. Management of fund and accounts.

9 \* \* \*

10 (h) Venture capital[.--Venture capital investments shall be  
11 limited to not more than 2% of the book value of the total  
12 assets of the fund as determined for financial statement  
13 purposes as of June 30 next preceding the date of investment. An  
14 investment shall be deemed a venture capital investment if it  
15 results in the acquisition of equity interests or a combination  
16 of debt and equity interests in a business which is expected to  
17 grow substantially in the future and in which the expected  
18 return on investment is to come predominantly from an increase  
19 in value of the equity interests and are not interests in or  
20 secured by real estate. A venture capital investment may be made  
21 only if, in the judgment of the board, the investment is  
22 reasonably likely to enhance the general welfare of this  
23 Commonwealth and its citizens and meets the standard of prudence  
24 set forth in subsection (a). In determining whether the  
25 investment meets the standard of prudence, the board may  
26 consider, together with the expected return on and the risk  
27 characteristics of the particular investment, the actual and  
28 expected future returns and the risk characteristics of the  
29 total venture capital investments held by the board at the time  
30 and the degree to which the proposed new investment would

1 promote further diversification within the venture capital asset  
2 class.], private placement and alternative investments.--The  
3 board in its prudent discretion may make any venture capital  
4 investment, private placement investment or other alternative  
5 investment of any kind, structure or manner which meets the  
6 standard of prudence set forth in subsection (a).

7 (i) Vehicles for authorized investments.--The board in its  
8 prudent discretion may make any investments which meet the  
9 standard of prudence set forth in subsection (a) by [becoming a  
10 limited partner in partnerships that will hold such investments,  
11 or by acquiring shares or units of participation or otherwise  
12 participating beneficially in bank collective trusts or in the  
13 separate accounts of any insurance company authorized to do  
14 business in this Commonwealth, or by acquiring stocks or shares  
15 or units of participation or otherwise participating  
16 beneficially in the fund of any corporation or trust organized  
17 or created and existing under the laws of the United States or  
18 of any state, district or territory thereof which fund is  
19 maintained for and consists of assets of employees' benefit  
20 trusts, including governmental plans as defined in IRC § 414(d)  
21 or which meet the requirements for qualification under IRC §  
22 401] acquiring any type of interest in a business organization  
23 existing under the laws of any jurisdiction, provided that, in  
24 any such case, the liability of the Public School Employees'  
25 Retirement Fund shall be limited to the amount of its  
26 investment.

27 (j) Legislative declaration concerning certain authorized  
28 investments.--The General Assembly finds and declares that  
29 authorized investments of the fund made by or on behalf of the  
30 board under this section whereby the board becomes a joint owner

1 or stockholder in any company, corporation [or], association or  
2 other lawful business organization are outside the scope of the  
3 original intent of and therefor do not violate the prohibition  
4 set forth in section 8 of Article VIII of the Constitution of  
5 Pennsylvania.

6 ~~Section 5. The definition of "vestee" in section 5102 of~~ <—  
7 ~~Title 71 is amended to read:~~

8 ~~§ 5102. Definitions.~~

9 ~~The following words and phrases as used in this part, unless~~  
10 ~~a different meaning is plainly required by the context, shall~~  
11 ~~have the following meanings:~~

12 ~~\* \* \*~~

13 ~~"Vestee." A member with [ten] five or more eligibility~~  
14 ~~points, or a member with Class G, Class H, Class I, Class J,~~  
15 ~~Class K, Class L, Class M or Class N service with [eight] five~~  
16 ~~or more eligibility points, who has terminated State service and~~  
17 ~~has elected to leave his total accumulated deductions in the~~  
18 ~~fund and to defer receipt of an annuity.~~

19 ~~Section 6. Sections 5308(b), 5309, 5704(b), 5705(a), 5901(a)~~  
20 ~~SECTION 2. SECTIONS 5901(A) and (b) and 5931(h), (i) and (j) of~~ <—  
21 ~~Title 71 are amended to read:~~

22 ~~§ 5308. Eligibility for annuities.~~ <—

23 ~~\* \* \*~~

24 ~~(b) Withdrawal annuity. Any vestee or any active member or~~  
25 ~~inactive member on leave without pay who terminates State~~  
26 ~~service having [ten] five or more eligibility points, or who has~~  
27 ~~Class G, Class H, Class I, Class J, Class K, Class L, Class M or~~  
28 ~~Class N service and terminates State service having [eight] five~~  
29 ~~or more eligibility points, upon compliance with section~~  
30 ~~5907(f), (g) or (h) shall be entitled to receive an annuity.~~

1       ~~\*\*\*~~

2   ~~§ 5309. Eligibility for vesting.~~

3       ~~Any member who terminates State service with [ten] five or~~  
4 ~~more eligibility points, or any member with Class G, Class H,~~  
5 ~~Class I, Class J, Class K, Class L, Class M or Class N service~~  
6 ~~with [eight] five or more eligibility points, shall be eligible~~  
7 ~~until attainment of superannuation age to vest his retirement~~  
8 ~~benefits.~~

9   ~~§ 5704. Disability annuities.~~

10       ~~\*\*\*~~

11       ~~(b) Benefit attributable to social security integration~~  
12 ~~credit. If the member has been found to be eligible for a~~  
13 ~~disability annuity and has social security integration credits~~  
14 ~~as provided in section 5305 (relating to social security~~  
15 ~~integration credits), he may elect to withdraw his social~~  
16 ~~security integration accumulated deductions or if he has [ten]~~  
17 ~~five or more eligibility points to his credit and does not~~  
18 ~~withdraw his social security integration accumulated deductions~~  
19 ~~he may execute an application to be filed with the board to~~  
20 ~~receive, in addition to his disability annuity, an annuity~~  
21 ~~calculated in accordance with section 5702(a)(2).~~

22       ~~\*\*\*~~

23   ~~§ 5705. Member's options.~~

24       ~~(a) General rule. Any special vestee who has attained~~  
25 ~~superannuation age, any vestee having [ten] five or more~~  
26 ~~eligibility points, any member with Class G, Class H, Class I,~~  
27 ~~Class J, Class K, Class L, Class M or Class N service having~~  
28 ~~[eight] five or more eligibility points or any other eligible~~  
29 ~~member upon termination of State service who has not withdrawn~~  
30 ~~his total accumulated deductions as provided in section 5701~~

1 ~~(relating to return of total accumulated deductions) may apply~~  
2 ~~for and elect to receive either a maximum single life annuity,~~  
3 ~~as calculated in accordance with the provisions of section 5702~~  
4 ~~(relating to maximum single life annuity), or a reduced annuity~~  
5 ~~certified by the actuary to be actuarially equivalent to the~~  
6 ~~maximum single life annuity and in accordance with one of the~~  
7 ~~following options; except that no member shall elect an annuity~~  
8 ~~payable to one or more survivor annuitants other than his spouse~~  
9 ~~or alternate payee of such a magnitude that the present value of~~  
10 ~~the annuity payable to him for life plus any lump sum payment he~~  
11 ~~may have elected to receive is less than 50% of the present~~  
12 ~~value of his maximum single life annuity:~~

13 ~~(1) Option 1. A life annuity to the member with a~~  
14 ~~guaranteed total payment equal to the present value of the~~  
15 ~~maximum single life annuity on the effective date of~~  
16 ~~retirement with the provision that, if, at his death, he has~~  
17 ~~received less than such present value, the unpaid balance~~  
18 ~~shall be payable to his beneficiary.~~

19 ~~(2) Option 2. A joint and survivor annuity payable~~  
20 ~~during the lifetime of the member with the full amount of~~  
21 ~~such annuity payable thereafter to his survivor annuitant, if~~  
22 ~~living at his death.~~

23 ~~(3) Option 3. A joint and fifty percent (50%) survivor~~  
24 ~~annuity payable during the lifetime of the member with one-~~  
25 ~~half of such annuity payable thereafter to his survivor~~  
26 ~~annuitant, if living at his death.~~

27 ~~(4) Option 4. Some other benefit which shall be~~  
28 ~~certified by the actuary to be actuarially equivalent to the~~  
29 ~~maximum single life annuity, subject to the following~~  
30 ~~restrictions:~~

~~(i) any annuity shall be payable without reduction during the lifetime of the member;~~

~~(ii) the sum of all annuities payable to the designated survivor annuitants shall not be greater than one and one half times the annuity payable to the member; and~~

~~(iii) a portion of the benefit may be payable as a lump sum, except that such lump sum payment shall not exceed an amount equal to the total accumulated deductions standing to the credit of the member. The balance of the present value of the maximum single life annuity adjusted in accordance with section 5702(b) shall be paid in the form of an annuity with a guaranteed total payment, a single life annuity, or a joint and survivor annuity or any combination thereof but subject to the restrictions of subparagraphs (i) and (ii) under this option.~~

~~\*\*\*~~

§ 5901. The State Employees' Retirement Board.

(a) Status and membership.--The board shall be an independent administrative board and consist of 11 members: the State Treasurer, ex officio, two Senators [or former Senators], two members [or former members] of the House of Representatives and six members appointed by the Governor, one of whom shall be an annuitant of the system, for terms of four years, subject to confirmation by the Senate. At least five board members shall be active members of the system, and at least two shall have ten or more years of credited State service. The chairman of the board shall be designated by the Governor from among the members of the board. Each member of the board who is a member of the



1 General Assembly may appoint a duly authorized designee to act  
2 in his stead.

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

26 \* \* \*

27 § 5931. Management of fund and accounts.

28 \* \* \*

29 (h) Venture capital[.--Venture capital investments shall be  
30 limited to not more than 2% of the book value of the total

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

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

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

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

24 Section 7 3. Any and all investments of the Public School <—  
25 Employees' Retirement Board and of the State Employees'  
26 Retirement Board, respectively, which on the effective date of  
27 this section are owned or held through a vehicle as described in  
28 24 Pa.C.S. § 8521(i) or 71 Pa.C.S. § 5931(i), as applicable,  
29 shall be deemed to have been lawfully made through such vehicle  
30 at inception.

1       ~~Section 8. The amendment of sections 8102, 8307(b), 8308 and~~ <—  
2       ~~8345(a) of Title 24 shall take effect on July 1, 2001, and shall~~  
3       ~~apply to all members of the Public School Employees' Retirement~~  
4       ~~System who are active or who are inactive but who have not~~  
5       ~~terminated service, on or after the effective date of this act.~~  
6       ~~The amendment of sections 5102, 5308(b), 5309, 5704(b) and~~  
7       ~~5705(a) of Title 71 shall take effect on July 1, 2001, and shall~~  
8       ~~apply to all members of the State Employees' Retirement System~~  
9       ~~who are active or inactive on leave without pay, on or after the~~  
10      ~~effective date of this act.~~

11       SECTION 4. ALL ACTS AND PARTS OF ACTS ARE REPEALED INSOFAR <—  
12      AS THEY ARE INCONSISTENT WITH THIS ACT.

13       Section 9 5. This act shall take effect immediately. <—