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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1996 Session of  
2019

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INTRODUCED BY RYAN, BARRAR, BERNSTINE, EVERETT, GROVE, HELM,  
KEEFER, B. MILLER AND MOUL, OCTOBER 25, 2019

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REFERRED TO COMMITTEE ON STATE GOVERNMENT, OCTOBER 25, 2019

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AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, in administration  
3 relating to retirement for school employees, further  
4 providing for Public School Employees' Retirement Board and  
5 for administrative duties of board; and, in administration  
6 relating to retirement for State employees and officers,  
7 further providing for the State Employees' Retirement Board  
8 and for administrative duties of the board.

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

11 Section 1. Section 8501(a) and (f) of Title 24 of the  
12 Pennsylvania Consolidated Statutes, amended July 2, 2019  
13 (P.L.434, No.72), are amended and the section is amended by  
14 adding a subsection to read:

15 § 8501. Public School Employees' Retirement Board.

16 (a) Status and membership.--The board shall be an  
17 independent administrative board and shall consist of 15  
18 members: the Secretary of Education, ex officio; the State  
19 Treasurer, ex officio; the Secretary of Banking and Securities,  
20 ex officio; two Senators; two members of the House of  
21 Representatives; the executive secretary of the Pennsylvania

1 School Boards Association, ex officio; one to be appointed by  
2 the Governor; three to be elected by the active professional  
3 members of the system and active professional participants in  
4 the plan from among their number; one to be elected by  
5 annuitants and Class DC participants receiving distributions,  
6 from among their number; one to be elected by the active  
7 nonprofessional members of the system and active nonprofessional  
8 participants in the plan from among their number; and one to be  
9 elected by members of Pennsylvania public school boards from  
10 among their number. The appointments made by the Governor shall  
11 be confirmed by the Senate and each election shall be conducted  
12 in a manner approved by the board. The terms of the appointed  
13 and nonlegislative elected members shall be three years[.] ,  
14 each appointed member may serve not more than four three-year  
15 terms as an appointed member and each nonlegislative elected  
16 member may serve no more than four three-year terms as a  
17 nonlegislative elected member. The members from the Senate shall  
18 be appointed by the President pro tempore of the Senate and  
19 shall consist of one member from the majority and one member  
20 from the minority. The members from the House of Representatives  
21 shall be appointed by the Speaker of the House of  
22 Representatives and shall consist of one member from the  
23 majority and one member from the minority. The legislative  
24 members shall serve on the board for the duration of their  
25 legislative terms and shall continue to serve until 30 days  
26 after the convening of the next regular session of the General  
27 Assembly after the expiration of their respective legislative  
28 terms or until a successor is appointed for the new term,  
29 whichever occurs first. Each member of the Senate appointed to  
30 the board may serve no more than three four-year terms as a

1 Senate appointee and each member of the House of Representatives  
2 appointed to the board may serve no more than six two-year terms  
3 as a House of Representatives appointee. The chairman of the  
4 board shall be elected by the board members. Each ex officio  
5 member of the board and each legislative member of the board may  
6 appoint a duly authorized designee to act in his stead. In the  
7 event that a board member, who is designated as an active  
8 participant or as the participant in the plan who is receiving  
9 or is eligible to receive distributions, receives a total  
10 distribution of the board member's interest in the plan, that  
11 board member may continue to serve on the board for the  
12 remainder of his term.

13 \* \* \*

14 (f) Board training.--Each member of the board will be  
15 required to obtain [eight] 10 hours of mandatory training in  
16 investment strategies, actuarial cost analysis, asset  
17 allocation, risk assessment and retirement portfolio management  
18 on an annual basis.

19 (g) Committees.--

20 (1) The board shall establish an independent audit  
21 committee. In order to be appointed to the Audit/Compliance  
22 Committee as a voting member, a board member must first  
23 complete at least 16 hours of training in risk assessments,  
24 internal controls and auditing standards. In order to  
25 continue serving as a voting member of the Audit/Compliance  
26 Committee following initial appointment, a board member must  
27 complete at least eight hours of continuing education in risk  
28 assessments, internal controls and auditing standards each  
29 calendar year thereafter.

30 (2) The board shall establish an executive committee,

1 which shall consist of the board chair, the board vice chair,  
2 if one has been appointed, the chair of the Audit/Compliance  
3 Committee, the chair of the Bylaws/Policy Committee and the  
4 chair of the Budget/Finance Committee.

5 (3) The board shall establish an Asset Liability  
6 Contingency Operating Committee, which shall be charged with  
7 evaluating the risk associated with the system's assets and  
8 liabilities.

9 (4) The board may establish additional committees and  
10 delegate duties to committees consistent with the provisions  
11 of this part.

12 Section 2. Section 8502(o) of Title 24 is amended to read:

13 § 8502. Administrative duties of board.

14 \* \* \*

15 (o) Independent audits.--

16 (1) The board shall provide for annual audits of the  
17 system and the plan by an independent certified public  
18 accounting firm. The audits shall include the board's accrual  
19 and expenditure of directed commissions. The board may use  
20 the same independent certified public accounting firm for the  
21 audits of both the system and the plan.

22 (2) The following shall apply:

23 (i) Except as provided under subparagraph (ii), the  
24 board shall provide for an internal control audit of the  
25 system and the plan at least every five years.

26 (ii) If an annual financial report prepared under  
27 subsection (n) identifies a material weakness or  
28 significant deficiency or an internal control audit  
29 identifies a material weakness or significant deficiency,  
30 the board shall provide for an additional internal

1 control audit of the system and the plan for the year  
2 subsequent to the report or audit in which the weakness  
3 or deficiency was identified.

4 \* \* \*

5 Section 3. Section 5901(b) and (f) of Title 71 are amended  
6 and the section is amended by adding a subsection to read:  
7 § 5901. The State Employees' Retirement Board.

8 \* \* \*

9 (b) Appointments and terms.--The two members elected by the  
10 board and serving on the effective date of this title shall  
11 continue to serve until the expiration of their respective  
12 terms. The members of the Senate shall be appointed by the  
13 President pro tempore of the Senate and shall consist of a  
14 majority and a minority member. The members of the House of  
15 Representatives shall be appointed by the Speaker of the House  
16 of Representatives and shall consist of a majority and a  
17 minority member. The legislative members shall serve on the  
18 board for the duration of their legislative terms and shall  
19 continue to serve until 30 days after the convening of the next  
20 regular session of the General Assembly after the expiration of  
21 their respective legislative terms or until a successor is  
22 appointed for the new term, whichever occurs first. Each member  
23 of the Senate appointed to the board may serve no more than  
24 three four-year terms as a Senate appointee and each member of  
25 the House of Representatives appointed to the board may serve no  
26 more than six two-year terms as a House of Representatives  
27 appointee. Of the remaining four appointees, one shall be  
28 appointed for an initial term of two years, one for an initial  
29 term of three years, and two for an initial term of four years.  
30 Each appointed member may serve no more than three four-year

1 terms as an appointed member. A vacancy occurring during the  
2 term of an appointed member shall be filled for the unexpired  
3 term by the appointment and confirmation of a successor in the  
4 same manner as his predecessor.

5 \* \* \*

6 (f) Board training.--Each member of the board will be  
7 required to obtain [eight] 10 hours of mandatory training in  
8 investment strategies, actuarial cost analysis, asset  
9 allocation, risk assessment and retirement portfolio management  
10 on an annual basis.

11 (g) Committees.--

12 (1) The board shall establish an independent audit  
13 committee. In order to be appointed to the Audit Risk and  
14 Compliance Committee as a voting member, a board member must  
15 first complete at least 16 hours of training in risk  
16 assessments, internal controls and auditing standards. In  
17 order to continue serving as a voting member of the Audit  
18 Risk and Compliance Committee following initial appointment,  
19 the board member must complete at least eight hours of  
20 continuing education in risk assessments, internal controls  
21 and auditing standards each calendar year thereafter.

22 (2) The board shall establish an executive committee,  
23 which shall consist of the board chair, the board vice chair,  
24 if one has been appointed, the chair of the Audit Risk and  
25 Compliance Committee and the chair of the Finance and Member  
26 Services Committee.

27 (3) The board shall establish an Asset Liability  
28 Contingency Operating Committee, which shall be charged with  
29 evaluating the risk associated with the system's assets and  
30 liabilities.

1           (4) The board may establish additional committees and  
2           delegate duties to committees consistent with the provisions  
3           of this part.

4           Section 4. Section 5902(n) of Title 71 is amended to read:

5 § 5902. Administrative duties of the board.

6           \* \* \*

7           (n) Independent audits.--

8           (1) The board shall provide for annual audits of the  
9           system and the plan by independent certified public  
10           accountants. The audits shall include the board's accrual and  
11           expenditure of directed commissions. The board may use the  
12           same independent certified public accountant for the audits  
13           of both the system and the plan.

14           (2) The following shall apply:

15           (i) Except as provided under subparagraph (ii), the  
16           board shall provide for an internal control audit of the  
17           system and the plan at least every five years.

18           (ii) If an annual financial report prepared under  
19           this section identifies a material weakness or  
20           significant deficiency or an internal control audit  
21           identifies a material weakness or significant deficiency,  
22           the board shall provide for an additional internal  
23           control audit of the system and the plan for the year  
24           subsequent to the report or audit in which the weakness  
25           or deficiency was identified.

26           \* \* \*

27           Section 5. The following shall apply:

28           (1) The term limits established in 24 Pa.C.S. § 8501  
29           shall apply to board members appointed after the effective  
30           date of this section or, for nonlegislative elected board

1 members, to members elected after the effective date of this  
2 section.

3 (2) The term limits established in 71 Pa.C.S. § 5901  
4 shall apply to board members appointed after the effective  
5 date of this section.

6 (3) The amendment of 24 Pa.C.S. § 8501(f) and 71 Pa.C.S.  
7 § 5901(f) shall apply beginning January 1, 2020.

8 Section 6. This act shall take effect in 90 days.