
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1400 Session of
2015

INTRODUCED BY MCGINNIS, CALTAGIRONE, COX, EVERETT, GILLEN,
IRVIN, JOZWIAK, KAUFFMAN, KNOWLES, KORTZ, MALONEY, MCNEILL,
PETRI, RADER, TRUITT AND WARD, JULY 9, 2015

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JULY 9, 2015

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, in retirement for school
3 employees, further providing for Public School Employees'
4 Retirement Board; providing for pension standards of
5 practice; and further providing for management of fund and
6 accounts; and, in retirement for State employees and
7 officers, further providing for State Employees' Retirement
8 Board; providing for pension standards of practice; and
9 further providing for management of fund and accounts.

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

12 Section 1. Section 8501(a) of Title 24 of the Pennsylvania
13 Consolidated Statutes is 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; two Senators; two members of the House of
20 Representatives; the executive secretary of the Pennsylvania
21 School Boards Association, ex officio; [two] four to be

1 appointed by the Governor[, at least one of whom shall not be a
2 school employee or an officer or employee of the State]; [three]
3 one to be elected by the active professional members of the
4 system from among their number; one to be elected by annuitants
5 from among their number; one to be elected by the active
6 nonprofessional members of the system from among their number;
7 and one to be elected by members of Pennsylvania public school
8 boards from among their number. The appointments made by the
9 Governor shall be confirmed by the Senate and each election
10 shall be conducted in a manner approved by the board. The terms
11 of the appointed and nonlegislative elected members shall be
12 three years. The members from the Senate shall be appointed by
13 the President pro tempore of the Senate and shall consist of one
14 member from the majority and one member from the minority. The
15 members from the House of Representatives shall be appointed by
16 the Speaker of the House of Representatives and shall consist of
17 one member from the majority and one member from the minority.
18 The legislative members shall serve on the board for the
19 duration of their legislative terms and shall continue to serve
20 until 30 days after the convening of the next regular session of
21 the General Assembly after the expiration of their respective
22 legislative terms or until a successor is appointed for the new
23 term, whichever occurs first. The chairman of the board shall be
24 elected by the board members. Each ex officio member of the
25 board and each legislative member of the board may appoint a
26 duly authorized designee to act in his stead.

27 (a.1) Prerequisites.--

28 (1) Two board members appointed by the Governor must be
29 licensed with the Securities and Exchange Commission or the
30 Financial Industry Regulatory Authority.

1 (2) In addition to the requirements of paragraph (1),
2 two additional board members appointed by the Governor must
3 be licensed with the Securities and Exchange Commission and
4 the Financial Industry Regulatory Authority.

5 * * *

6 Section 2. Title 24 is amended by adding a section to read:
7 § 8510. Pension standards of practice.

8 (a) Investment advisors and counselors.--Each investment
9 advisor or counselor that holds a contract with the board under
10 section 8502(b) (relating to administrative duties of board)
11 shall:

12 (1) Carry professional insurance for errors and
13 omissions and annually provide proof of coverage to the
14 board.

15 (2) Verify compliance with applicable laws and
16 regulations administered by the Securities and Exchange
17 Commission and the Financial Industry Regulatory Authority.

18 (b) Grounds for discharge.--

19 (1) An investment advisor or counselor shall immediately
20 notify the board regarding any of the following:

21 (i) A pending lawsuit to which the advisor or
22 counselor is a party.

23 (ii) A violation of Federal or State law, regulation
24 or rule by the advisor or counselor.

25 (iii) An ongoing investigation of an alleged
26 violation of a Federal or State law, regulation or rule
27 by the advisor or counselor.

28 (2) If an investment advisor or counselor fails to
29 comply with paragraph (1), the board may terminate its
30 contract with the advisor or counselor.

1 (c) Political contributions.--

2 (1) It is unlawful for any investment advisor or
3 counselor or other investment professional, or any officer,
4 director, associate, partner, limited partner or individual
5 owner thereof, to make a contribution to a board member.

6 (2) It is unlawful for any board member to knowingly
7 accept or receive any contribution prohibited under paragraph
8 (1).

9 (d) Annual compliance report.--The board shall prepare and
10 distribute to each member of the General Assembly an annual
11 report which includes:

12 (1) Confirmation that all board members appointed by the
13 Governor are compliant with the requirements of section
14 8501(a.1) (relating to Public School Employees' Retirement
15 Board).

16 (2) Confirmation that the board members subject to
17 section 8501(a.1)(2) are compliant with the requirements
18 thereof.

19 (e) Public School Pension Education and Ethics Policy
20 Commission.--

21 (1) The Public School Pension Education and Ethics
22 Policy Commission is established and shall be composed of
23 five members as follows:

24 (i) One member appointed by the Governor.

25 (ii) Two members appointed by the President pro
26 tempore of the Senate.

27 (iii) Two members appointed by the Speaker of the
28 House of Representatives.

29 The individuals appointed as members of the commission shall
30 be of professional distinction from academic, regulatory or

1 institutional positions. No member of the commission may be a
2 member or beneficiary of the system nor serve, directly or
3 indirectly, as a financial fiduciary to any member or
4 beneficiary of the system.

5 (2) The duties of the Public School Pension Education
6 and Ethics Policy Commission are as follows:

7 (i) Review any existing education and ethics
8 policies applicable to board members.

9 (ii) Recommend updated or new education and ethics
10 policies applicable to board members.

11 (iii) Report its findings and recommendations to the
12 Governor and the General Assembly within 12 months of the
13 effective date of this section.

14 (3) A majority of appointed members shall constitute a
15 quorum for the purpose of conducting business. The members
16 shall select one of their number to chairperson and another
17 to be the vice chairperson.

18 (f) Definition.--As used in this section, "contribution"
19 shall have the same meaning as in section 1621 of the act of
20 June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania
21 Election Code.

22 Section 3. Section 8521(h) of Title 24 is amended and the
23 section is amended by adding subsections to read:

24 § 8521. Management of fund and accounts.

25 * * *

26 (h) Venture capital, private placement and alternative
27 investments.--The board in its prudent discretion may make any
28 venture capital investment, private placement investment or
29 other alternative investment of any kind, structure or manner
30 which meets the standard of prudence set forth in subsection (a)

1 [.], except that investments under this subsection shall be
2 limited to not more than 2% of the book value of the total
3 assets of the fund.

4 * * *

5 (k) Interest rate swaps.--The board may not enter into any
6 interest rate swap agreement.

7 (l) Cross referencing of investments.--The board shall cross
8 reference all investments among all investment advisors and
9 counselors for overlap to minimize risk.

10 Section 4. Section 5901(a) of Title 71 is amended and the
11 section is amended by adding a subsection to read:

12 § 5901. The State Employees' Retirement Board.

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

25 (a.1) Prerequisites.--

26 (1) Two board members appointed by the Governor must be
27 licensed with the Securities and Exchange Commission or the
28 Financial Industry Regulatory Authority.

29 (2) In addition to the requirements of paragraph (1),
30 two additional board members appointed by the Governor must

1 be licensed with the Securities and Exchange Commission and
2 the Financial Industry Regulatory Authority.

3 * * *

4 Section 5. Title 71 is amended by adding a section to read:
5 § 5909. Pension standards of practice.

6 (a) Investment advisors and counselors.--Each investment
7 advisor or counselor that holds a contract with the board under
8 section 5902(b) (relating to administrative duties of the board)
9 shall:

10 (1) Carry professional insurance for errors and
11 omissions and annually provide proof of coverage to the
12 board.

13 (2) Verify compliance with applicable laws and
14 regulations administered by the Securities and Exchange
15 Commission and the Financial Industry Regulatory Authority.

16 (b) Grounds for discharge.--

17 (1) An investment advisor or counselor shall immediately
18 notify the board regarding any of the following:

19 (i) A pending lawsuit to which the advisor or
20 counselor is a party.

21 (ii) A violation of Federal or State law, regulation
22 or rule by the advisor or counselor.

23 (iii) An ongoing investigation of an alleged
24 violation of a Federal or State law, regulation or rule
25 by the advisor or counselor.

26 (2) If an investment advisor or counselor fails to
27 comply with paragraph (1), the board may terminate its
28 contract with the advisor or counselor.

29 (c) Political contributions.--

30 (1) It is unlawful for any investment advisor or

1 counselor or other investment professional, or any officer,
2 director, associate, partner, limited partner or individual
3 owner thereof to make a contribution to a board member.

4 (2) It is unlawful for any board member to knowingly
5 accept or receive any contribution prohibited under paragraph
6 (1).

7 (d) Annual compliance report.--The board shall prepare and
8 distribute to each member of the General Assembly an annual
9 report which includes:

10 (1) Confirmation that all board members appointed by the
11 Governor are compliant with the requirements of section
12 5901(a.1) (relating to State Employees' Retirement Board).

13 (2) Confirmation that the board members subject to
14 section 5901(a.1)(2) are compliant with the requirements
15 thereof.

16 (e) State Employee Pension Education and Ethics Policy
17 Commission.--

18 (1) The State Employee Pension Education and Ethics
19 Policy Commission is established and shall be composed of
20 five members as follows:

21 (i) One member appointed by the Governor.

22 (ii) Two members appointed by the President pro
23 tempore of the Senate.

24 (iii) Two members appointed by the Speaker of the
25 House of Representatives.

26 The individuals appointed as members of the commission shall
27 be of professional distinction from academic, regulatory or
28 institutional positions. No member of the commission may be a
29 member or beneficiary of the system nor serve, directly or
30 indirectly, as a financial fiduciary to any member or

1 beneficiary of the system.

2 (2) The duties of the State Employee Pension Education
3 and Ethics Policy Commission are as follows:

4 (i) Review any existing education and ethics
5 policies applicable to board members.

6 (ii) Recommend updated or new education and ethics
7 policies applicable to board members.

8 (iii) Report its findings and recommendations to the
9 Governor and the General Assembly within 12 months of the
10 effective date of this section.

11 (3) A majority of appointed members shall constitute a
12 quorum for the purpose of conducting business. The members
13 shall select one of their number to be chairperson and
14 another to be the vice chairperson.

15 (f) Definition.--As used in this section, "contribution"
16 shall have the same meaning as in section 1621 of the act of
17 June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania
18 Election Code.

19 Section 6. Section 5931(h) of Title 71 is amended and the
20 section is amended by adding subsections to read:

21 § 5931. Management of fund and accounts.

22 * * *

23 (h) Venture capital, private placement and alternative
24 investments.--The board in its prudent discretion may make any
25 venture capital investment, private placement investment or
26 other alternative investment of any kind, structure or manner
27 which meets the standard of prudence set forth in subsection (a)
28 [.], except that investments under this subsection shall be
29 limited to not more than 2% of the book value of the total
30 assets of the fund.

1 * * *

2 (k) Interest rate swaps.--The board may not enter into any
3 interest rate swap agreement.

4 (l) Cross referencing of investments.--The board shall cross
5 reference all investments among all investment advisors and
6 counselors for overlap to minimize risk.

7 Section 7. This act shall take effect in 60 days.