
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1960 Session of
2019

INTRODUCED BY TOBASH, EVERETT, SCHMITT, KEEFER, B. MILLER, RYAN,
OWLETT, GREINER, MILLARD, PICKETT, ZIMMERMAN, MOUL, BERNSTINE
AND GLEIM, OCTOBER 25, 2019

REFERRED TO COMMITTEE ON STATE GOVERNMENT, OCTOBER 25, 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 the
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, 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

1 board; in administration, funds, accounts and general
2 provisions, further providing for administrative duties of
3 the board and for duties of the board to report to the Public
4 School Employees' Retirement Board, providing for duties of
5 the board to report to the Pension Investment Office, 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 * * *

15 "Investment office." The Commonwealth Pension Investment
16 Office established under 64 Pa.C.S. Ch. 81 (relating
17 to Commonwealth Pension Investment Office).

18 * * *

19 Section 2. Section 8330(b) of Title 24 is amended to read:
20 § 8330. Appropriations by the Commonwealth.

21 * * *

22 (b) Appropriation and payment.--The General Assembly shall
23 make an appropriation sufficient to provide for the separate
24 obligations of the Commonwealth to the fund and the trust as
25 certified by the board. Such amount shall be paid in accordance
26 with section 8535.1 (relating to payments to school entities by
27 Commonwealth commencing with the 2019-2020 school year) by the
28 State Treasurer through the Department of Revenue into the fund
29 or the trust within 30 days of receipt of the requisition
30 presented each quarter by the board in accordance with
31 Subchapter B.1 (relating to Public School Employees'
32 Contribution Fund).

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

SUBCHAPTER B.1

PUBLIC SCHOOL EMPLOYEES' CONTRIBUTION FUND

Sec.

8331. Definitions.

8332. Establishment and use of contribution fund.

8333. Certification of amounts payable from contribution fund.

8334. Payments from contribution fund.

§ 8331. Definitions.

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

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

§ 8332. Establishment and use of contribution fund.

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

(b) Use of contribution fund.--Money in the contribution fund, including interest, income, dividends and other earnings on money deposited into the contribution fund shall be used for the payment of the Commonwealth's share of contributions under sections 8326 (relating to contributions by the Commonwealth) and 8535.1 (relating to payments to school entities by Commonwealth commencing with the 2019-2020 school year) and the unfunded actuarial accrued liability under section 8328 (relating to actuarial cost method) due each fiscal year.

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

1 § 8333. Certification of amounts payable from contribution
2 fund.

3 (a) Certification.--

4 (1) (Reserved).

5 (2) Within 10 days after the board certifies the amount
6 determined to be due from the Commonwealth to the State
7 Treasurer in accordance with sections 8330 and 8502(k) and
8 (l), the State Treasurer shall certify 100% of the amount
9 determined to be due from the Commonwealth as certified under
10 section 8502(l) to be transferred to the contribution fund by
11 the Department of Revenue.

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

18 § 8334. Payments from contribution fund.

19 (a) Appropriation.--

20 (1) Money transferred by the Department of Revenue into
21 the contribution fund under section 8333(b) (relating to
22 certification of amounts payable from contribution fund) is
23 appropriated to the department for the payment of the
24 Commonwealth's share of required contributions under sections
25 8326 (relating to contributions by the Commonwealth) and
26 8535.1 (relating to payments to school entities by
27 Commonwealth commencing with the 2019-2020 school year) as
28 certified by the board under section 8502(k) and (l)
29 (relating to administrative duties of board).

30 (2) Any money remaining in the contribution fund,

1 including earned interest, at the end of a calendar quarter
2 is appropriated to the board as an additional contribution to
3 the Public School Employees' Retirement Fund in excess of the
4 actuarially required contribution for the quarter. Money
5 appropriated under this paragraph shall be transferred to the
6 board within 30 days of the end of the calendar quarter.

7 (b) Treatment of transfers.--Amounts transferred to the
8 Public School Employees' Retirement Fund under subsection (a) (2)
9 must be in addition to employer contributions required under
10 sections 8326, 8327 (relating to payments by employers) and
11 8535.1 and may not be used to replace any portion of the
12 employer contributions certified by the board under section 8328
13 (relating to actuarial cost method). The board shall accept the
14 transferred money and apply the money to offset the current
15 unfunded actuarial accrued liability of the Public School
16 Employees' Retirement Fund. Amounts received by the board under
17 this subchapter shall be recognized over a specific period of
18 time as determined by the board in consultation with the board's
19 actuary.

20 (c) Commonwealth contributions.--The Commonwealth shall make
21 the full amount of the required contributions into the
22 contribution fund under sections 8326 and 8535.1 as certified by
23 the board under sections 8502(k) and (l) and 8330 (relating to
24 appropriations by Commonwealth) without regard to whether
25 sufficient amounts have been transferred to the contribution
26 fund or appropriated from the contribution fund to the
27 department under this subchapter.

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

30 § 8411. Powers and duties of board.

1 The board, in addition to its powers and duties set forth in
2 Chapter 85 (relating to administration and miscellaneous
3 provisions), shall have the following powers and duties to
4 establish the plan and trust and to administer the provisions of
5 this part:

6 * * *

7 (15) The board may contract any services and duties in
8 lieu of staff except final adjudications and as prohibited by
9 law. Any duties or responsibilities of the board not required
10 by law to be performed by the board may be delegated to a
11 third-party provider or the investment office subject to
12 appeal to the board.

13 * * *

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

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

19 § 8501. Public School Employees' Retirement Board.

20 * * *

21 (b.1) Trustees of investment office.--An individual who is a
22 trustee of the investment office may not be appointed as member
23 of the board or named as a designee unless the individual first
24 resigns as a trustee of the investment office.

25 * * *

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

1 § 8502. Administrative duties of board.

2 (a) Employees.--

3 * * *

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

15 (b) Professional personnel.--

16 (1) The board shall contract for the services of a chief
17 medical examiner, an actuary, investment advisors,
18 counselors, an investment coordinator, and such other
19 professional personnel as it deems advisable. The board's
20 authority to contract for the services of investment advisors
21 and counselors includes the authority to enter into
22 agreements with the investment office to provide services.

23 * * *

24 (c) Expenses.--

25 (1) The board shall, through the Governor, submit to the
26 General Assembly annually a budget covering the
27 administrative expenses of the system and a separate budget
28 covering the administrative expenses of the plan. The
29 separate budgets shall include those expenses necessary to
30 establish the plan and trust. The budgets prepared under this

1 subsection shall not include the expenses of the investment
2 office budgeted under 64 Pa.C.S. § 8104(o) (relating to
3 Commonwealth Pension Investment Office).

4 * * *

5 (d) Meetings.--The board shall hold at least [~~six~~] four
6 regular meetings annually and such other meetings as it may deem
7 necessary.

8 * * *

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

14 * * *

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

23 * * *

24 (o) Independent audits.--The board shall provide for annual
25 audits of the system and the plan by an independent certified
26 public accounting firm. The audits shall include the board's
27 accrual and expenditure of directed commissions. The board may
28 use the same independent certified public accounting firm for
29 the audits of [~~both~~] the system [~~and the plan.~~], the plan and
30 the investment office. The board's audits under this subsection

1 shall include the portion of the fund managed and invested by
2 the investment office. In preparing audits of the fund managed
3 and investment by the investment office, the board may accept
4 and rely on the certifications by the independent auditors
5 retained by the investment office under 64 Pa.C.S. § 8105(a)(4)
6 (relating to powers and duties) of audits performed under 64
7 Pa.C.S. § 8105 (e)(24).

8 * * *

9 (s) Appointment of trustees to investment office.--The board
10 shall appoint trustees as authorized under 64 Pa.C.S. Ch. 81
11 (relating to Commonwealth Pension Investment Office) and may
12 take actions required and authorized relating to the
13 establishment of the investment office and the management and
14 investment of the fund under this part and 64 Pa.C.S. Ch. 81.

15 Section 5.1. Section 8502.2(b) of Title 24 is amended to
16 read:

17 § 8502.2. Health insurance.

18 * * *

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

24 * * *

25 Section 6. Section 8504 of Title 24 is amended by adding
26 subsections to read:

27 § 8504. Duties of board to report to State Employees'
28 Retirement Board.

29 * * *

30 (d) Duty to cooperate.--The board must cooperate with the

1 State Employees' Retirement Board in effectuating all
2 requirements and obligations of the board under 64 Pa.C.S. Ch.
3 81 (relating to Commonwealth Pension Investment Office).

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

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

13 (2) If the board initiates and approves a proposed joint
14 resolution of the board and the State Employees' Retirement
15 Board to remove a trustee of the investment office under 64
16 Pa.C.S. § 8104(d), the board shall transmit a certified copy
17 of the proposed joint resolution to the secretary of the
18 State Employees' Retirement Board for consideration and
19 action by the State Employees' Retirement Board.

20 (3) If the secretary of the board receives a certified
21 copy of a proposed joint resolution to remove a trustee of
22 the investment office under 64 Pa.C.S. § 8104(d) which was
23 initiated by the State Employees' Retirement Board or a
24 resolution approved by the trustees of the investment office
25 to remove a trustee of the office, the board shall
26 expeditiously consider and act on the proposed joint
27 resolution or the resolution of the trustees of the
28 investment office, and the board's secretary shall notify the
29 secretary of the State Employees' Retirement Board and the
30 chief executive officer of the investment office of the

1 board's action.

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

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

7 § 8504.1. Duties of the board to report to the investment
8 office.

9 (a) Projection of contributions and disbursements.--

10 Periodically, but not less than annually, the board shall report
11 to the investment office the expected future annual
12 contributions to the fund by members and employers, benefit
13 payments from the fund and other disbursements from the fund,
14 including, but not limited to, the administrative expenses,
15 projected for a period of not less than 10 years.

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

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

26 Section 8. Section 8521(a), (d), (e), (f) and (g) of Title
27 24 are amended and the section is amended by adding a subsection
28 to read:

29 § 8521. Management of fund and accounts.

30 (a) Control and management of fund.--The members of the

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

28 (a.1) Investment through investment office required.--
29 Notwithstanding any other provision of law, the trustees shall
30 invest all moneys in the fund exclusively through the investment

1 office.

2 * * *

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

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

15 (2) All payments from the fund being made as a result of
16 the management and investment of the fund by the investment
17 office under 64 Pa.C.S. Ch. 81 shall be made by the State
18 Treasurer in accordance with requisitions signed by the chief
19 executive officer of the investment office or designee as
20 authorized by resolution of the trustees of the investment
21 office.

22 (e) Fiduciary status of board.--The members of the board,
23 employees of the board, and agents thereof shall stand in a
24 fiduciary relationship to the members of the system regarding
25 the investments and disbursements of any of the moneys of the
26 fund, to the extent the administration of benefits under this
27 part and the management and investment of the fund have been
28 retained by the board and have not been granted to the
29 investment office, and shall not profit either directly or
30 indirectly with respect thereto. The board may, when possible

1 and consistent with its fiduciary duties imposed by this
2 subsection or other law, including its obligation to invest and
3 manage the fund for the exclusive benefit of the members of the
4 system, consider whether an investment in any project or
5 business enhances and promotes the general welfare of this
6 Commonwealth and its citizens, including, but not limited to,
7 investments that increase and enhance the employment of
8 Commonwealth residents, encourage the construction and retention
9 of adequate housing and stimulate further investment and
10 economic activity in this Commonwealth. The board shall, through
11 the Governor, submit to the General Assembly annually, at the
12 same time the board submits its budget covering administrative
13 expenses, a report identifying the nature and amount of all
14 existing investments made pursuant to this subsection.

15 (f) Name for transacting business.--By the name of "The
16 Public School Employees' Retirement System" or "The Public
17 School Employes' Retirement System" all of the business of the
18 system shall be transacted, its fund invested by the board, all
19 requisitions for money drawn and payments made, and all of its
20 cash and securities and other property shall be held, except to
21 the extent that business transactions, fund investments,
22 requisitions for money drawn and payments made and cash,
23 securities and property are held by the name of "The
24 Commonwealth Pension Investment Office" under 64 Pa.C.S. §
25 8105(d) (relating to powers and duties), and except that, any
26 other law to the contrary notwithstanding, the board may
27 establish a nominee registration procedure for the purpose of
28 registering securities in order to facilitate the purchase,
29 sale, or other disposition of securities pursuant to the
30 provisions of this part.

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

23 * * *

24 Section 9. Section 8522(a), 8524 and 8526 of Title 24 are
25 amended to read:

26 § 8522. Public School Employees' Retirement Fund.

27 (a) General rule.--The fund shall consist of all moneys in
28 the several separate funds in the State Treasury set apart to be
29 used under the direction of the board for the benefit of members
30 of the system, without regard to whether any portion of the fund

1 is invested and managed by the board or the investment office,
2 severally or jointly as co-trustees; and the Treasury Department
3 shall credit to the fund all moneys received from the Department
4 of Revenue arising from the contributions relating to or on
5 behalf of the members of the system required under the
6 provisions of Chapter 83 (relating to membership, contributions
7 and benefits) and all earnings from investments or moneys of
8 said fund. There shall be established and maintained by the
9 board the several ledger accounts specified in sections 8523
10 (relating to members' savings account), 8524 (relating to State
11 accumulation account), 8525 (relating to annuity reserve
12 account) and 8526 (relating to health insurance account). The
13 board may also establish additional ledger accounts to account
14 for earnings generated by the investment office.

15 * * *

16 § 8524. State accumulation account.

17 The State accumulation account shall be the ledger account to
18 which shall be credited all contributions of the Commonwealth
19 and other employers as well as the earnings of the fund,
20 including earnings generated by the investment office, except
21 the premium assistance contributions and earnings thereon in the
22 health insurance account. Valuation interest shall be allowed on
23 the total amount of such account less any earnings of the fund
24 credited during the year. The reserves necessary for the payment
25 of annuities and death benefits resulting from membership in the
26 system as approved by the board and as provided in Chapter 83
27 (relating to membership, contributions and benefits) shall be
28 transferred from the State accumulation account to the annuity
29 reserve account. At the end of each year the required interest
30 shall be transferred from the State accumulation account to the

1 credit of the members' savings account and the annuity reserve
2 account. The administrative expenses of the board shall be
3 charged to the State accumulation account. Employer defined
4 contributions, mandatory pickup contributions and a
5 participant's voluntary contributions, together with any income
6 or interest earned thereon, may be temporarily placed into the
7 State accumulation account pending allocation or distribution to
8 the participant's individual investment account.

9 § 8526. Health insurance account.

10 The health insurance account shall be the ledger account to
11 which shall be credited the contributions from the Commonwealth
12 and other employers as determined in accordance with section
13 8328(f) (relating to actuarial cost method) for the payment of
14 health insurance premium assistance for participating eligible
15 annuitants as provided in section 8509 (relating to health
16 insurance premium assistance program). All earnings derived from
17 investment of the assets of the health insurance account shall
18 be credited to this account. The board is authorized to
19 separately invest the amounts in the health insurance account in
20 a prudent manner intended to maximize the safety of the capital
21 contained in the health insurance account. The direct
22 administrative expenses of the board related to the
23 administration of the health insurance program, as provided in
24 section 8509, shall be charged to this account. The board may
25 elect to invest moneys of the program with the investment
26 office.

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

29 § 8527. Northern Ireland-related investments.

30 * * *

1 (d) Duties transferred.--After the transfer of the assets
2 and investments of the fund to the investment office, the duties
3 and responsibilities of the board under this section shall be
4 transferred to the trustees of the investment office.

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

7 § 8534. Fraud and adjustment of errors.

8 * * *

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

24 § 8535.1. Payments to school entities by Commonwealth
25 commencing with the 2019-2020 school year.

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

1 * * *

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

11 * * *

12 Section 12. Section 8542 of Title 24, added July 2, 2019
13 (P.L.434, No.72), is amended by adding a subsection to read:
14 § 8542. Establishment.

15 * * *

16 (e) Delegation to investment office.--The board shall
17 delegate the board's responsibilities and obligations to
18 establish and administer the program to the investment office,
19 which shall independently comply with the provisions of this
20 subchapter.

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

23 § 8901. Administration.

24 The board may sponsor a group health insurance program to be
25 funded by and for eligible persons. The board may administer the
26 program itself or through any legal entity authorized by law to
27 do so. The program may also be administered in whole or in part
28 on a fully insured or self-funded basis at the board's sole
29 discretion. In addition to the powers granted by other
30 provisions of this part, the board shall have the powers

1 necessary or convenient to carry out this part, including, but
2 not limited to, the power to:

3 * * *

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

6 Section 14. Sections 8902(a) and (b)(2) and 8903(a) of Title
7 24 are amended to read:

8 § 8902. Public School Retirees' Health Insurance Fund.

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

19 (b) Reserve account.--

20 * * *

21 (2) The moneys in the reserve account may be invested by
22 the board separate from other moneys of the fund. All
23 earnings derived from investment of the assets of the reserve
24 account shall be credited to the reserve account. The board
25 may elect to invest moneys of the reserve account with the
26 investment office.

27 * * *

28 § 8903. Management of fund.

29 (a) Control and management of fund.--The members of the
30 board shall be the trustees of the fund. Regardless of any other

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

22 * * *

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

25 CHAPTER 81

26 COMMONWEALTH PENSION INVESTMENT OFFICE

27 Sec.

28 8101. Scope of chapter.

29 8102. Legislative intent.

30 8103. Definitions.

- 1 8104. Commonwealth Pension Investment Office.
- 2 8105. Powers and duties.
- 3 8106. Relationship to SERB and PSERB.
- 4 8107. Agreements with other client boards.
- 5 8108. Penalty for fraud.
- 6 8109. Applicability of other statutes.
- 7 8110. Publication and access to meetings and records.
- 8 8111. Integration management team.
- 9 8112. Application and construction.

10 § 8101. Scope of chapter.

11 This chapter relates to the Commonwealth Pension Investment
12 Office.

13 § 8102. Legislative intent.

14 The General Assembly recognizes the following public policy
15 purposes and declares that the following objectives of the
16 Commonwealth are to be served by this chapter:

17 (1) The primary objective of this chapter to which all
18 other objectives and purposes are secondary is to establish a
19 highly professional and expert investment office to serve in
20 a fiduciary capacity the investment needs of SERS and PSERS.

21 (2) The establishment of the Commonwealth Pension
22 Investment Office to prudently and expertly invest funds of
23 the public retirement systems is consistent with the
24 Commonwealth's commitment to ensure a secure retirement for
25 public school employees and State public servants throughout
26 this Commonwealth.

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

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

6 (5) Establishment of a Commonwealth Pension Investment
7 Office will strengthen fiduciary investment management and
8 modernize oversight to enhance accountability and
9 transparency.

10 § 8103. Definitions.

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

14 "Actuary." A consultant to the investment office who shall
15 be:

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

17 (2) an individual who has demonstrated to the
18 satisfaction of the Insurance Commissioner of Pennsylvania
19 that the individual has the educational background necessary
20 for the practice of actuarial science and has had at least
21 seven years of actuarial experience; or

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

24 "Client board." SERB, PSERB and any public pension board in
25 this Commonwealth that enters into an agreement with the
26 investment office to entrust pension assets and money to the
27 investment office for investment.

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

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

4 (1) A bank, insurance company pension, hedge fund, Real
5 Estate Investment Trust, investment advisor, endowment and
6 mutual fund.

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

9 "Investment office." The Commonwealth Pension Investment
10 Office.

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

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

13 "Retirement funds." The State Employees' Retirement Fund and
14 the Public School Employees' Retirement Fund.

15 "Senior investment professional." An individual performing
16 investment functions as determined by the investment office
17 trustees based on the level of responsibility, experience and
18 education required for the position.

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

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

21 § 8104. Commonwealth Pension Investment Office.

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

25 (b) Membership.--

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

1 (i) Three trustees appointed by PSERB.
2 (ii) Three trustees appointed by SERB.
3 (iii) Three trustees appointed by a majority of the
4 trustees appointed under subparagraphs (i) and (ii).

5 (2) Two trustees appointed by SERB, two trustees
6 appointed by PSERB and two trustees appointed by the trustees
7 appointed by SERB and PSERB, must have at least five years of
8 institutional investment experience.

9 (c) Pool of candidates.--SERB and PSERB shall jointly
10 contract with a third-party consultant to establish and maintain
11 a pool of candidates for trustees of the investment office. The
12 pool of candidates shall consist of individuals who meet the
13 requirements under subsection (g).

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

18 (1) Misconduct in office, including a violation of the
19 restrictions under subsections (i), (j) and (k), willful
20 neglect of duty or conduct evidencing unfitness for office or
21 incompetence.

22 (2) Conviction of an offense graded as a felony, an
23 infamous crime or offense under the laws of this Commonwealth
24 or an equivalent offense under Federal law or the law of
25 another jurisdiction.

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

27 (e) Initial appointments.--

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

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

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

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

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

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

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

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

16 (3) The terms of the three initial investment office
17 trustees appointed by the six trustees appointed by SERB and
18 PSERB shall, as designated by the six trustees appointed by
19 SERB and PSERB at the time of appointment, expire:

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

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

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

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

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

30 (2) An appointment to fill a vacancy shall be for the

1 remainder of the unexpired or holdover term and shall be made
2 by the appointing authority of the trustee being replaced.

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

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

10 (1) An earned Ph.D. in economics or finance from a
11 nationally or internationally accredited doctorate-granting
12 institution.

13 (2) At least 12 years of professional experience in the
14 financial management of public pensions or at least 12 years
15 of professional experience as a certified public accountant
16 or chartered management global accountant with financial
17 management or pension expertise.

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

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

23 (5) The Chartered Financial Analyst credential of the
24 CFA Institute with at least 10 years of institutional
25 investing experience.

26 (6) The Chartered Alternative Investment Analyst
27 credential of the Chartered Alternative Investment Analyst
28 Association with at least 10 years of institutional investing
29 experience.

30 (7) The Certified Financial Risk Manager credential of

1 the Global Association of Risk Professionals with at least 10
2 years of institutional investing experience.

3 (8) A Professional Risk Manager Designation of the
4 Professional Risk Managers' International Association with at
5 least ten years of institutional investing experience.

6 (9) Twenty years of institutional investing or risk
7 management experience with:

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

11 (ii) money management firms with assets in excess of
12 \$2,000,000,000; and

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

15 (10) Twenty years of teaching experience in economics or
16 finance, 10 of which must have occurred at a nationally or
17 internationally accredited doctorate-granting university,
18 master-granting college or university or a baccalaureate
19 college.

20 (11) The Certified Public Accountant credential or
21 Certified Internal Auditor credential from the Institute of
22 Internal Auditors with at least 10 years of experience with
23 entities under paragraph (9) or federally chartered banking
24 entities.

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

30 (1) Highly sophisticated risk management and related

1 decision-making experience.

2 (2) Highly sophisticated investment decision-making
3 experience.

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

7 (4) Significant executive leadership relevant to the
8 business of the investment office, including experience
9 developing vision and strategy, achieving operational
10 effectiveness and fostering an ethical and performance-based
11 culture.

12 (i) Restrictions.--An individual shall not be eligible to be
13 appointed or to serve as a trustee of the investment office or
14 to be employed or continued to be employed as a senior
15 investment professional of the investment office if any of the
16 following apply to the individual:

17 (1) The individual has been indicted or charged with,
18 convicted of, pleaded guilty or nolo contendere to or
19 forfeited bail concerning:

20 (i) a felony; or

21 (ii) a misdemeanor involving fraud, theft or
22 dishonesty under the laws of any jurisdiction in the
23 United States.

24 (2) The individual has been dismissed from other
25 employment for gross misconduct or has intentionally made a
26 false statement concerning a material fact in connection with
27 the application to be employed by or to serve as a trustee of
28 the investment office.

29 (3) The individual has had a judgment entered against
30 the individual by a court of competent jurisdiction in a

1 civil matter involving a breach of fiduciary duties.

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

12 (5) The individual is a member of SERB or PSERB, an
13 elected public official or a candidate for an elected public
14 office. A trustee or employee of the investment office who is
15 appointed or elected a member of a client board, or who
16 assumes a position, employment or office that makes the
17 individual an ex officio member of a client board shall
18 immediately resign as trustee or employee of the investment
19 office.

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

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

24 (8) The individual currently holds or has held office in
25 a political party or political committee in the past five
26 years.

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

29 (10) The individual has been an employee of or an
30 investment manager or investment consultant for the

1 investment office, PSERS or SERS, in the past five years.

2 (11) The individual holds any other Commonwealth board
3 position.

4 (12) The individual has an actual or perceived conflict
5 of interest.

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

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

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

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

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

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

30 (4) avoid impropriety and the appearance of impropriety

1 and observe standards and conduct that promote public
2 confidence;

3 (5) not accept employment with or be retained by any
4 person or nongovernmental entity doing business with the
5 investment office or a client board for a period of two years
6 following their termination of employment as a senior
7 investment professional with the investment office or as a
8 trustee of the investment office;

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

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

16 (8) not engage in:

17 (i) insider trading, which is the buying or selling
18 of a security, in breach of a fiduciary duty or other
19 relationship of trust and confidence, on the basis of
20 material, nonpublic information about the security as
21 prohibited by judicial opinions interpreting section
22 10(b) of the Securities Exchange Act of 1934 and
23 Securities and Exchange Commission Rule 10b-5;

24 (ii) front running, which is the trading of a
25 security with knowledge that an investment office
26 decision or trading order to buy or sell a security is
27 pending; and

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

30 The investment office shall adopt policies and procedures

1 providing a fair and reasonable process for resolving
2 complaints of violations of this subsection, which shall
3 provide that a trustee or employee who is a subject of a
4 complaint is provided full and fair opportunity to be
5 heard throughout the process.

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

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

25 (m) Abandonment.--A trustee of the investment office shall
26 be deemed to have abandoned office upon failure to attend any
27 regular or special meeting of the investment office without
28 excuse approved by resolution of the investment office for two
29 consecutive meetings.

30 (n) Fiduciary relationship.--The trustees of the investment

1 office, employees of the investment office and agents of the
2 investment office shall be co-trustees with the client boards of
3 the respective retirement funds or other client funds to the
4 extent assigned to the investment office or agreed on under this
5 chapter and shall stand in a fiduciary relationship to the
6 client boards and the members and beneficiaries of the systems
7 and plans that the investment office administers under section
8 8105(b).

9 (o) Administrative and investment expenses.--

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

11 (i) annually prepare and approve a budget, which
12 shall include expenses necessary for the administration
13 of the investment office;

14 (ii) the following apply:

15 (A) Allocate the administrative expenses of the
16 investment office to client funds that are not the
17 retirement funds, as the office determines
18 appropriate.

19 (B) sixty percent of the administrative expenses
20 remaining after allocation under clause (A) shall be
21 allocated to the Public School Employees' Retirement
22 Fund and 40% shall be allocated to the State
23 Employees' Retirement Fund;

24 (iii) allocate the investment expenses related to
25 the investment and management of the client funds to each
26 of the client funds as they determine is just and proper
27 based on the amount of each client fund in each
28 investment and the expenses related to each investment;

29 (iv) administrative expenses approved by the
30 trustees shall be paid from the investment earnings of

1 the client funds;

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

12 (vi) at least 30 days before the approval of the
13 budget, provide a proposed budget and the lists under
14 subparagraph (v) to SERB and PSERB for review and
15 comment;

16 (vii) consider comments received from SERB and PSERB
17 and make amendments to the budget as a result of the
18 comments;

19 (viii) approve a budget covering the administrative
20 expenses of the investment office; and

21 (ix) by November 1 of the calendar year preceding
22 that for which the budget is being prepared, provide a
23 copy of the final approved budget and the list of
24 proposed and actual expenditures of directed commissions
25 to SERB and PSERB.

26 (2) Notwithstanding any other provision of law, the
27 investment office's budget and approved expenditures shall be
28 regarded as final and not subject to review, modification,
29 alteration, revision, reduction, approval or disapproval by
30 the Governor or the Secretary of the Budget and shall not be

1 subject to section 610 or 615 of the act of April 9, 1929
2 (P.L.177, No.175), known as The Administrative Code of 1929.

3 (p) Liability.--A trustee shall not be personally liable
4 for:

5 (1) obligations of the investment office; and
6 (2) actions within the scope of the investment office
7 made in good faith.

8 (q) Compensation and expenses.--

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

20 (2) In addition to the salary under paragraph (1) and
21 subject to an aggregate per annum limitation and any other
22 rules and regulations as the investment office shall
23 determine, a trustee of the investment office shall be
24 entitled to necessary expenses, including travel expenses,
25 incurred in the discharge of duties.

26 (3) Trustees of the investment office are not eligible
27 for membership in SERS or participation in the State
28 Employees' Defined Contribution Plan and may not receive
29 service credit or eligibility points or make contributions
30 based on service or compensation as a trustee of the

1 investment office. This paragraph shall not prevent a trustee
2 who concurrently is employed in another position as a State
3 employee as defined in 71 Pa.C.S. § 5102 (relating to
4 definitions) from making contributions or earning service
5 credit or eligibility points in SERS or the State Employees'
6 Defined Contribution Plan as otherwise provided for under the
7 71 Pa.C.S. (relating to State government) based only on the
8 position as a State employee.

9 (4) Trustees of the investment office are not eligible
10 for enrollment or coverage in medical or health insurance
11 provided by the Commonwealth or the investment office as a
12 result of service as a trustee of the investment office.

13 (r) Chair.--The chair of the investment office shall be
14 elected by the trustees of the investment office from the
15 membership of the investment office.

16 (s) Appointments.--Appointments to the investment office
17 shall be made and a majority of the appointed trustees of the
18 investment office shall take the oath of office within one year
19 of the effective date of this subsection. Transfer of the
20 retirement funds, except money retained by SERB and PSERB and
21 held by the State Treasurer under 71 Pa.C.S. § 5931(g) (relating
22 to management of fund and accounts) and 24 Pa.C.S. § 8521(g)
23 (relating to management of fund and accounts) to the investment
24 office shall take place, and the management and investment by
25 the investment office of the portions of the retirement funds
26 transferred to the investment office shall begin the second July
27 1 following a majority of the appointed trustees of the
28 investment office taking the oath of office. Notwithstanding
29 section 8105(a)(4) (relating to powers and duties), the trustees
30 of the investment office shall select a single chief investment

1 officer by the July 1 following a majority of the appointed
2 trustees of the investment office taking the oath of office.
3 § 8105. Powers and duties.

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

8 (1) The investment office shall employ individuals as
9 necessary to carry out the powers and duties of the
10 investment office. Investment office employees shall:

11 (i) be considered State employees for purposes of 71
12 Pa.C.S. Pt. XXV (relating to retirement for State
13 employees and officers);

14 (ii) serve at the pleasure of the investment office;
15 and

16 (iii) retain status in the classified service.

17 (2) The investment office shall establish a system of
18 classification and compensation of the employees of the
19 investment office. The investment office shall have the sole
20 authority to establish the number, classification and
21 compensation of investment office employees who are not
22 covered by a collective bargaining agreement, including the
23 discretion to:

24 (i) revise or establish new standards for the hiring
25 and qualifications for employment and may take into
26 consideration the location of the work and the conditions
27 under which the service is rendered;

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

30 (iii) establish different standards for different

1 kinds, grades and classes of similar work or service;

2 (iv) revise or establish new bureaus, divisions,
3 departments and offices;

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

6 (vi) revise or establish new rules and policies
7 providing for travel, lodging and other expenses for
8 which employees hired under this paragraph may be
9 reimbursed.

10 (3) Within 180 days of a majority of the appointed
11 trustees of the investment office taking the oath of office,
12 the investment office shall transmit to the Legislative
13 Reference Bureau for publication in the Pennsylvania Bulletin
14 and shall post of the investment office's publicly accessible
15 Internet website the classification system for all employees
16 of the investment office.

17 (4) The investment office shall have the sole authority
18 to establish the number of employees, including, without
19 limitation, the selection and retention of a chief executive
20 officer, one or more chief investment officers, senior
21 investment professionals, other investment professionals,
22 legal counsel and other employees necessary to carry out the
23 investment office's powers and duties who shall serve at the
24 pleasure of the investment office. Except as otherwise
25 determined by the investment office, the positions of chief
26 executive officer, chief investment officer, investment
27 professionals, legal counsel and all other employees of the
28 investment office shall be placed under the unclassified
29 service provisions of the former act of August 5, 1941
30 (P.L.752, No.286), known as the Civil Service Act. An

1 employee transferred from SERS or PSERS to the investment
2 office under this chapter shall retain any civil service
3 employment status assigned to the employee.

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

13 (6) The investment office, acting either on its own
14 behalf or, in its sole discretion, through the Department of
15 General Services, may negotiate any lease and rent or
16 purchase any property to maintain an office or offices for
17 the conduct of one or more functions of the investment
18 office.

19 (7) Notwithstanding the act of April 9, 1929 (P.L.177,
20 No.175), known as The Administrative Code of 1929, and 62
21 Pa.C.S. Pt. I, the investment office acting on the investment
22 office's behalf or, in the investment office's sole
23 discretion through the Department of General Services which
24 shall serve as the purchasing agent, may purchase or contract
25 for the purchase of any equipment or materials necessary to
26 carry out and conduct the powers and duties of the investment
27 office.

28 (8) The investment office is not subject to the
29 provisions of The Administrative Code of 1929 relating to the
30 number, classification and compensation of investment office

1 employees.

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

3 (1) The following shall apply:

4 (i) Subject to subparagraph (ii) and notwithstanding
5 any other provision of law governing the investments of
6 client funds, the investment office shall have exclusive
7 control and management of the client funds and full power
8 to invest the client funds to the extent of the duties,
9 rights, powers and authority:

10 (A) assigned to the investment office; and

11 (B) which are not reserved or retained by the
12 client boards.

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

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

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

27 (ii) the proceeds of the investments under
28 subparagraph (i), including any directed commissions
29 which have accrued to the benefit of the client funds as
30 a consequence of the investments; and

1 (iii) money in the client funds.

2 (c) Investment powers.--The investment office shall have the
3 authority to invest the retirement funds and any other client
4 fund and be subject to the restrictions and conditions on
5 investment of each retirement fund and any other client fund
6 that is identical to the authority granted by law to SERB and
7 PSERB and the board of any other client fund to invest the
8 respective retirement funds and client fund. The investment
9 office authority shall include:

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

13 (2) Administering assets of each client fund solely for
14 the purpose of ensuring the fulfillment of the purpose of
15 each client fund at a reasonable cost.

16 (3) Acquiring interest in a business organization
17 existing under the laws of any jurisdiction. The liability of
18 the investment office acquired under this paragraph shall be
19 limited to the amount of its investment.

20 (4) Holding, purchasing, selling, lending, assigning,
21 transferring or disposing of:

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

24 (ii) proceeds of investments under subparagraph (i),
25 including any directed commissions which have accrued to
26 the benefit of the client funds as a consequence of the
27 investments; and

28 (iii) money in client funds.

29 (5) Investing, reinvesting, assigning, reassigning,
30 selling, transferring and managing client funds and

1 portfolios of client boards.

2 (6) Exercising any shareholder or other voting rights
3 arising from an investment.

4 (7) Performing necessary due diligence to source new
5 investment opportunities and monitor existing investments,
6 which may include on-site meetings with current or potential
7 investment managers and investment funds, on-site inspection
8 of physical assets or on-site investor meetings necessary for
9 the proper investment of client funds.

10 (8) Soliciting proxies in connection with contests for
11 corporate control of corporations in which client funds have
12 been invested.

13 (9) Negotiating with, selecting and retaining:

14 (i) investment managers and service providers;

15 (ii) portfolio systems services;

16 (iii) consultants;

17 (iv) investment information resources; and

18 (v) any other sources of expertise, research or
19 services necessary to conduct investment activities,
20 protect client funds or otherwise support the management
21 and investment of client funds.

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

25 (11) Delegating to the chief investment officer and
26 appropriate employees of the investment office all applicable
27 powers and duties relating to investment and administrative
28 functions necessary to prudently manage and invest client
29 funds.

30 (12) Prudently expending money from investment income to

1 support the investment of and accounting for the assets of
2 SERS and PSERS and to support other purposes necessary to the
3 activities of the investment office, including the payment of
4 professional development dues for the employees of the
5 investment office.

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

8 (14) Exercising any other right or action or fulfilling
9 any obligations necessary to accomplish the investment
10 office's mission or comply with the laws of this
11 Commonwealth.

12 (15) Combining assets of all or a portion of the client
13 funds in a single investment or investment vehicle if the
14 investment office accounts for amounts contributed and
15 allocates the returns, costs and expenses on a pro rata
16 basis.

17 (d) Name for transacting business.--

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

21 (2) Notwithstanding any law to the contrary, the
22 investment office may establish a nominee registration
23 procedure for the purpose of registering securities in order
24 to facilitate the purchase, sale or other disposition of
25 securities pursuant to the provisions of this chapter. This
26 paragraph only applies to the assets of the client funds
27 subject to the investment and management of the investment
28 office under this chapter.

29 (3) As applicable, the investment office may use the
30 names for transacting business under 24 Pa.C.S. Pt. IV

1 (relating to relating to retirement for school employees) or
2 71 Pa.C.S. Pt. XXV and the respective nominee registration
3 procedures established by SERB and PSERB for the management
4 and investment of the respective retirement funds.

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

6 (1) exercise administrative oversight over all functions
7 and operations;

8 (2) oversee the investment process and the investments
9 made by investment office employees and develop investment
10 policies, processes and standards for the delegation of
11 authority for the investment office employees to make
12 investments;

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

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

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

17 (6) provide reports directly to each client board at
18 least monthly, including monthly investment reports
19 containing information and data, in a form established by the
20 client board, to be used by the client boards to prepare
21 monthly financial statements for the respective client funds;

22 (7) invest and reinvest client funds consistent and in
23 accordance with the asset allocations established by the
24 client boards;

25 (8) account for all principal, interest, other income
26 and dividends and for expenses related to investment of
27 client funds;

28 (9) provide to SERB annually, at times and in a format
29 established by SERB, the investment reporting information and
30 data on a calendar year basis required by SERB for the

1 preparation of SERB comprehensive annual financial reports,
2 annual audits and report required under 71 Pa.C.S. § 5931(e)
3 (relating to management of fund and accounts) which shall be
4 submitted to the General Assembly through the Governor;

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

12 (11) provide to other client boards reports necessary
13 for the performance of the client boards' duties at the time
14 and in a format established in the agreements between the
15 investment office and the client boards for the management
16 and investment of the client boards' retirement and pension
17 systems and plans assets;

18 (12) set policies for investing and operational
19 activities pertaining to the management and investment of the
20 client funds;

21 (13) monitor overall and asset class performance;

22 (14) hire and supervise employees;

23 (15) set the investment office's budget, complement and
24 compensation;

25 (16) review and conduct general oversight of business
26 planning, financial position and results, risk management,
27 compliance, internal controls and information systems, human
28 resources, communications and stakeholder relations;

29 (17) provide all necessary support associated with
30 prudent investment management, including, but not limited to,

1 legal, accounting, compliance, auditing, risk monitoring and
2 reporting services;

3 (18) formulate and adopt policies, procedures and bylaws
4 necessary and appropriate to carry out investment office
5 functions and enable the consolidation of the SERB investment
6 functions and the PSERB investment functions and continue the
7 operations of both;

8 (19) collect the principal and interest or other income
9 and dividends of investments when due and payable and pay the
10 principal and interest or other income and dividends, when
11 collected, into the appropriate fund as directed by the
12 client boards;

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

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

24 (22) at the request of a client board, provide
25 information pertaining to the respective client fund as the
26 client board may require and maintain and preserved records
27 as the client board may direct for the expeditious discharge
28 of the client board's duties;

29 (23) invest and manage the client funds in a manner as
30 to provide for the benefit payment and administrative budget

1 obligations of the client boards, transfer to the restricted
2 account in the respective retirement funds established under
3 section 8106(h) (relating to relationship to SERB and PSERB)
4 sufficient funds to make all transfers to the accounts
5 established under 71 Pa.C.S. § 5931(g) and 24 Pa.C.S. §
6 8521(g) when requested by the SERB or the PSERB and make
7 transfers when requested;

8 (24) provide for annual audits of the investment office,
9 including the investment office's accrual and expenditure of
10 directed commissions, and the portions of the client funds
11 the investment office manages and invests by independently
12 certified public accountants. The trustees may use the same
13 independently certified public accountant for the audits of
14 all client funds; and

15 (25) act expeditiously on any joint resolution approved
16 by SERB and PSERB to remove a trustee of the investment
17 office and inform the Governor, the General Assembly, SERB
18 and PSERB of the approval or disapproval of the joint
19 resolution.

20 § 8106. Relationship to SERB and PSERB.

21 (a) Coordination.--The powers, duties and authority granted
22 to the investment office are subject to the restrictions,
23 limitations, directions and powers regarding investment and
24 administration of the retirement funds retained by SERB and
25 PSERB.

26 (b) No authority over benefits.--Nothing under this chapter
27 shall be deemed to grant the investment office any authority or
28 power to administer, calculate or determine the eligibility for
29 or amount of benefits, set contribution rates, assess employer,
30 employee or Commonwealth contributions or establish membership

1 or participation or any other benefit and contribution related
2 terms and conditions under 24 Pa.C.S. Pt. IV (relating to
3 retirement for school employees) or 71 Pa.C.S. Pt. XXV (relating
4 to retirement for State employees and officers) or other law
5 establishing a benefit, plan or program administered by SERB or
6 PSERB.

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

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

22 (1) set the strategic asset allocation, actuarial
23 assumptions, including assumed investment returns and rates
24 of inflation, whether economic or demographic and risk policy
25 of the funds;

26 (2) set liquidity requirements and require the
27 investment office to maintain assets in cash or other liquid
28 investments and to transfer cash to SERB and PSERB as
29 requested;

30 (3) monitor progress against long-term-fund-level

1 performance targets; and

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

6 (e) Additional investment agreements with SERB and PSERB.--
7 The investment office may enter into agreements with SERB and
8 PSERB for the management or investment of other assets or
9 programs of which SERB or PSERB are trustees that are not part
10 of the retirement funds.

11 (f) Agreements for administrative services.--The investment
12 office may enter into agreements with SERB, PSERB or other
13 agencies and departments of the Commonwealth to receive
14 administrative support and services, including human resources,
15 information technology, purchasing or accounting or auditing
16 services.

17 (g) Contracting authority.--The investment office shall be
18 the sole contracting authority to retain external investment
19 management and consulting services on behalf of the retirement
20 funds, other than the portion of the retirement funds retained
21 by SERB and PSERB in cash or short-term investments for the
22 collection of contributions, payment of benefits and operations
23 of SERS and PSERS, except for consultants SERB and PSERB retain
24 to provide expert advice to SERB and PSERB in exercising SERB's
25 and PSERB's decision-making authority under this chapter and in
26 exercising SERB's and PSERB's decision-making authority and
27 investment authority for the management or investment of other
28 assets or programs of which SERB or PSERB are trustees that are
29 not part of the retirement funds.

30 (h) Client board management accounts.--

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

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

18 (i) any of the banks or trust companies shall
19 furnish adequate security for the deposit, and the sum
20 deposited in any one bank or trust company shall not
21 exceed 25% of the paid-up capital and surplus of the bank
22 or trust company; and

23 (ii) the State Treasurer may also invest the money
24 in the accounts as provided by law for the investments in
25 the sinking funds of the Commonwealth.

26 (3) Money deposited into the restricted accounts,
27 including interest and earnings, shall be used to transfer to
28 the accounts and funds held by the State Treasurer under 71
29 Pa.C.S. § 5931(g) and 24 Pa.C.S. § 8521(g) for the payment of
30 benefits and administrative expenses of SERS and PSERS. The

1 investment office also may use the respective restricted
2 accounts of each retirement fund to fund investments and
3 deposit proceeds of investments credited to that retirement
4 fund.

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

8 (5) The State Treasurer shall transfer funds to the
9 account or funds held by the State Treasurer under 71 Pa.C.S.
10 § 5931(g) for SERB and shall transfer to the account or funds
11 held by the State Treasurer under 24 Pa.C.S. § 8521(g) for
12 PSERB from SERB's and PSERB's designated restricted accounts
13 established under this subsection for the payment of SERB's
14 and PSERB's respective obligations as deemed necessary by
15 SERB and PSERB.

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

22 (7) Funds transferred to the restricted accounts and the
23 accounts or funds held by the State Treasurer under 71
24 Pa.C.S. § 5931(g) and 24 Pa.C.S. § 8521(g) shall be
25 reconciled on a regular basis with SERS and PSERS based on
26 actual cash needs.

27 (8) The investment office and State Treasurer may
28 establish similar accounts or fund transfer arrangements for
29 client boards other than SERB and PSERB as provided in
30 agreements between the investment office and the client

1 boards for the management and investment of the assets of the
2 retirement or pension systems or plans of which they are
3 trustees.

4 § 8107. Agreements with other client boards.

5 The investment office may enter into agreements with the
6 pension boards of other public pension plans or systems in this
7 Commonwealth for the management or investment of other assets or
8 programs of retirement or pension systems or plans of which
9 those boards are trustees.

10 § 8108. Penalty for fraud.

11 A person who knowingly makes a false statement or falsifies
12 or permits to be falsified a record of the investment office, a
13 client board or a client fund in an attempt to defraud the
14 investment office, a client board or a client fund commits a
15 misdemeanor of the second degree.

16 § 8109. Applicability of other statutes.

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

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

21 (2) The act of February 14, 2008 (P.L.6, No.3), known as
22 the Right-to-Know Law, subject to the provisions in section
23 8110 (relating to publication and access to meetings and
24 records).

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

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

30 (1) An independent agency for the purposes of the act of

1 October 15, 1980 (P.L.950, No.164), known as the Commonwealth
2 Attorneys Act.

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

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

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

8 (3) A State-affiliated entity under 62 Pa.C.S. Pt. I
9 (relating to the Commonwealth Procurement Code) for contracts
10 made effective under 62 Pa.C.S. § 543(a) (relating to
11 effective contracts) after the effective date of this
12 section.

13 (4) An independent administrative board under the act of
14 April 9, 1929 (P.L.177, No.175), known as The Administrative
15 Code of 1929. Notwithstanding the status of the investment
16 office as an independent administrative board under The
17 Administrative Code of 1929, except as expressly provided
18 under this chapter, the investment office shall not be
19 subject to the following provisions of The Administrative
20 Code of 1929:

21 (i) Section 212, with respect to the Executive
22 Board's authority to approve bureaus or divisions as may
23 be required for the proper conduct of the work of the
24 investment office;

25 (ii) Section 214, with respect to the Governor's
26 authority to approve the number of all employees and to
27 approve the compensation of employees not covered by a
28 collective bargaining agreement, and with respect to the
29 authority of the Executive Board to fix the standard
30 compensation for any kind, grade or class of service or

1 employment not covered by a collective bargaining
2 agreement. The Governor's power and authority to appoint
3 and fix the compensation of a comptroller and all
4 accountants, auditors, clerks, stenographers, bookkeepers
5 and other assistants and employees as may be required for
6 the proper conduct of the work of the comptroller shall
7 not be affected by this subparagraph.

8 (iii) Section 220, with respect to the Governor's
9 authority to assign rooms to be used as the investment
10 office's office, unless the investment office elects to
11 use rooms in buildings owned by the Commonwealth, or to
12 approve the investment office's decision to establish and
13 maintain branch offices for the conduct of one or more
14 functions of the investment office.

15 (iv) Section 610.

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

25 (vi) Section 709, with respect to the Governor's and
26 Executive Board's authority to approve personnel
27 complement level, the authority to standardize the wages
28 or fix, approve or disapprove the compensation for each
29 investment professional and other officers and employees
30 of the investment office who are not covered by a

1 collective bargaining agreement and the authority to
2 approve or disapprove the establishment of bureaus and
3 divisions and the establishment of branch offices.

4 (c) Corporate power.--For the purposes of this chapter, the
5 investment office shall possess the power and privileges of a
6 corporation.

7 § 8110. Publication and access to meetings and records.

8 (a) Records.--

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

20 (2) Any record, material or data received, prepared,
21 used or retained by the investment office or its employees,
22 investment professionals or agents relating to an investment
23 shall not constitute a public record subject to public access
24 under the Right-to-Know Law, if, in the reasonable judgment
25 of the investment office, the access would:

26 (i) in the case of an alternative investment or
27 alternative investment vehicle, involve the release of
28 sensitive investment or financial information relating to
29 the alternative investment or alternative investment
30 vehicle which the fund or trust was able to obtain only

1 upon agreeing to maintain confidentiality of the
2 information;

3 (ii) cause substantial competitive harm to the
4 person from whom sensitive investment or financial
5 information relating to the investment was received; or

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

10 (3) The sensitive investment or financial information
11 excluded from access under paragraph (2)(i), to the extent
12 not otherwise excluded from access, shall constitute a public
13 record subject to public access under the Right-to-Know Law
14 once:

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

17 (ii) The later of the following occurs:

18 (A) the access no longer causes substantial
19 competitive harm to the person from whom the
20 information was received; or

21 (B) the entity in which the investment was made
22 is liquidated,
23 whichever is later.

24 (iii) The later of the following occurs:

25 (A) the access no longer has a substantial
26 detrimental impact on the value of an investment of
27 the fund or trust and would not cause a breach of the
28 standard of care or fiduciary duty under this
29 chapter; or

30 (B) the entity in which the investment was made

1 is liquidated.

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

8 (5) Notwithstanding the provisions of this subsection,
9 the following information regarding an alternative investment
10 vehicle shall be subject to public access under the Right-to-
11 Know Law:

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

14 (ii) The identity of the manager of the alternative
15 investment vehicle.

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

18 (iv) The dollar amount of cash contributions made by
19 the system or plan to the alternative investment vehicle
20 since inception.

21 (v) The dollar amount of cash distributions received
22 by the system or plan from the alternative investment
23 vehicle since inception.

24 (vi) The net internal rate of return of the
25 alternative investment vehicle since inception, provided
26 that the system or plan shall not be required to disclose
27 the net internal rate of return under circumstances in
28 which, because of the limited number of portfolio assets
29 remaining in the alternative investment vehicle, the
30 disclosure could reveal the values of specifically

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

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

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

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

28 (i) The existence, date, amount and any other
29 information pertaining to the voluntary contributions,
30 including rollover contributions and trustee-to-trustee

1 transfers, of the participant.

2 (ii) The investment option selections of the
3 participant.

4 (iii) The balance of the participant's individual
5 investment account, including the amount distributed to
6 the participant, and any investment gains or losses or
7 rates of return.

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

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

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

13 (i) Designate any record, material or data received,
14 prepared, used or retained by the investment office or
15 its employees or agents relating to the contributions,
16 account value or benefits payable to or on account of a
17 participant as a public record subject to public access
18 under the Right-to-Know Law.

19 (ii) Mean that the release or publicizing of a
20 record, material or data that would not constitute a
21 public record under this subsection is a violation of the
22 investment office's fiduciary duties.

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

25 (i) the record, material or data was created,
26 generated or stored before the effective date of this
27 section;

28 (ii) the record, material or data was previously
29 released or made public; or

30 (iii) a request for the record, material or data was

1 made or is pending final response under the former act of
2 June 21, 1957 (P.L. 390, No. 212), referred to as the
3 Right-to-Know Law, or the Right-to-Know Law.

4 (b) Audio and video recording.--Public sessions of the
5 investment office shall be audio and video recorded and made
6 available on the investment office's publicly accessible
7 Internet website.

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

11 (1) Travel or other expenses incurred by trustees and
12 staff and paid for by an external investment manager, fund or
13 consultant.

14 (2) Investment manager fees, costs and expenses, for
15 traditional investments.

16 (3) All records related to investment performance for
17 SERS and PSERS.

18 (4) Total fund performance and performance of certain
19 asset classes relative to benchmarks.

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

21 (d) Protection of rights.--

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

25 (2) Records, contracts, agreements, documents, fees,
26 costs, returns, information and other matters related to
27 investments made under contracts, agreements or investments
28 entered into by SERB and PSERB, including any amendments to
29 those contracts, agreements or investments, are subject to
30 such disclosure, publication and access as determined by SERB

1 and PSERB under the law, rules, regulations, terms and
2 conditions that would be in effect had this chapter not been
3 enacted.

4 § 8111. Integration management team.

5 (a) Establishment.--A transitional integration management
6 team is established to:

7 (1) initiate and oversee the creation of and transition
8 to the newly established investment office prior to a
9 majority of the appointed trustees of the investment office
10 taking the oath of office; and

11 (2) to provide advice to and the preliminary
12 administrative support for the investment office prior to the
13 investment office employing its own administrative staff.

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

18 (c) Meetings.--The integration management team shall meet
19 regularly to outline action steps necessary to establish the
20 investment office and its administrative and investment
21 professional staff in a manner and on a timeline consistent with
22 the statutory requirement for creation of the investment office.

23 (d) Staff.--

24 (1) The integration management team may utilize the
25 staff or employees of SERS and PSERS and may contract through
26 SERS and PSERS with consultants and advisors to assist it to
27 perform its duties.

28 (2) The chief counsels of SERB and PSERB shall provide
29 legal services to the integration management team as
30 requested.

1 (e) Transition.--SERB and PSERB shall work cooperatively to
2 transition to the creation of the investment office and enter
3 into agreements specifying the rights and obligations SERB and
4 PSERB have to each other in carrying out SERB's and the PSERB's
5 respective responsibilities under this chapter and to further
6 the intent of this section.

7 (f) Allocation of costs.--Sixty percent of the costs of the
8 integration management team, other than costs related to SERS
9 and PSERS employees, shall be allocated to the Public School
10 Employees' Retirement Fund and 40% of the costs of the
11 integration management team, other than costs related to SERS
12 and PSERS employees, shall be allocated to the State Employees'
13 Retirement Fund.

14 (g) Performance of duties.--

15 (1) Performance of duties and work for the integration
16 management team shall be part of the job responsibilities and
17 duties of the SERB and PSERB secretaries and other SERS and
18 PSERS employees assigned to those tasks.

19 (2) Until such time as the investment office has
20 employed its own administrative officers and established its
21 own administrative procedures, either the SERB secretary or
22 PSERB secretary may administer the oath of office to
23 appointed trustees of the investment office.

24 (h) Monthly reports.--The integration management team shall
25 provide monthly progress reports to SERB and PSERB, the
26 Governor, the majority and minority leaders of the Senate, the
27 majority and minority chairpersons of the Appropriations
28 committee of the Senate, the majority and minority leaders of
29 the House of Representatives and the majority and minority
30 chairpersons of the Appropriations Committee of the House of

1 Representatives.

2 (i) Dissolution.--The integration management team shall
3 dissolve the earlier of two years after a majority of the
4 appointed trustees of the investment office taking the oath of
5 office or when the investment office provides notice to SERB and
6 PSERB.

7 § 8112. Application and construction.

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

20 (b) Construction and administration.--This title shall be
21 construed and administered in such a manner that the State
22 Employees' Retirement System, the State Employees' Defined
23 Contribution Plan, the Public School Employees' Retirement
24 System and the School Employees' Defined Contribution Plan shall
25 satisfy the requirements necessary to qualify as a qualified
26 pension plan under section 401(a) of the Internal Revenue Code
27 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)) and other
28 applicable provisions of the Internal Revenue Code of 1986. The
29 rules, regulations and procedures adopted and promulgated by the
30 trustees of the investment office under section 8105(e)(18)

1 (relating to powers and duties) may include those necessary to
2 accomplish the purpose of this section.

3 (c) References to Internal Revenue Code of 1986.--References
4 in this chapter to provisions of the Internal Revenue Code of
5 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), including for
6 this purpose administrative regulations promulgated under the
7 Internal Revenue Code of 1986 are intended to include laws and
8 regulations in effect on the effective date of this section and
9 as may be amended or supplemented or supplanted by successor
10 provisions after the effective date of this section.

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

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

25 § 5102. Definitions.

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

29 * * *

30 "Investment office." The Commonwealth Pension Investment

1 Office, established under 64 Pa.C.S. Ch. 81 (relating to
2 Commonwealth Pension Investment Office).

3 * * *

4 Section 17. Title 71 is amended by adding a section to read:
5 § 5105. Certification by Secretary of the Budget.

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

16 (b) Information to standing committees.--Within 30 days of
17 receiving a final determination under subsection (a), the
18 Secretary of the Budget shall provide a copy of the
19 determination to the chair and minority chair of the
20 Appropriations Committee of the Senate and the chair and
21 minority chair of the Appropriations Committee of the House of
22 Representatives with the following information:

23 (1) If the Federal Government determines the funding
24 mechanism in Chapter 56 does not negatively impact the
25 Commonwealth's ability to receive the normal and customary
26 Federal reimbursement for the Federal share of the State
27 employee pension costs, the certification of the Federal
28 response, which must indicate the fiscal year in which the
29 dedicated funding mechanism will commence.

30 (2) If the Federal Government does not approve the

1 dedicated funding mechanism or indicates approval may result
2 in lower Federal reimbursement of State employee pension
3 costs, notification that the dedicated funding mechanism
4 cannot be implemented.

5 (c) Publication.--If the Secretary of the Budget certifies
6 the determination under subsection (b)(1), the Secretary of the
7 Budget shall transmit to the Legislative Reference Bureau for
8 publication in the Pennsylvania Bulletin the certification,
9 which must indicate the fiscal year in which the dedicated
10 funding mechanism will commence.

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

14 § 5301. Mandatory and optional membership in the system and
15 participation in the plan.

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

19 * * *

20 (17) State employees, other than any Class A-5 exempt
21 employees and State employees listed in paragraph (18),
22 performing service as Class A-5 exempt employees, whose first
23 period of State service starts on or after January 1, 2019,
24 provided that a State employee listed in this paragraph who
25 is not listed in paragraphs (1) through (16) or paragraph
26 (18) shall be mandatory members unless the employee elected
27 to be solely a participant in the plan under section 5306.4
28 (relating to election to become a Class A-6 member or solely
29 a participant in the plan).

30 (18) State employees who are trustees of the investment

1 office.

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

12 * * *

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

20 (c.1) Prohibited participation in the plan.--The State
21 employees listed in subsection (a) (11), (12), (13), (14) [and
22 (15)], (15) and (18) or who first become a member of the system
23 before January 1, 2019, or who could have elected membership in
24 the system but did not do so in the required time period shall
25 not be eligible to be active participants in the plan unless an
26 election is made under section 5306.5. Class A-5 exempt
27 employees shall not be eligible to participate in the plan for
28 service performed as a Class A-5 exempt employee. State
29 employees who are not mandatory participants in the plan under
30 subsection (a.1) or eligible for optional participation in the

1 plan under subsection (b.1) shall not be eligible to participate
2 in the plan unless an election is made under section 5306.5. The
3 State employees listed in subsection (a)(18) shall not be
4 eligible for participation in the plan for service,
5 notwithstanding any other election or membership in any other
6 class of service or election or participation in the plan.

7 (d) Return to service.--

8 * * *

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

23 * * *

24 Section 19. (Reserved).

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

26 CHAPTER 56

27 STATE EMPLOYEES' CONTRIBUTION FUND

28 Sec.

29 5601. Definitions.

30 5602. Establishment and use of contribution fund.

1 5603. Certification of amounts payable from contribution fund.

2 5604. Payments from contribution fund.

3 § 5601. Definitions.

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

7 "Contribution fund." The State Employees' Contribution Fund
8 established under section 5602 (relating to establishment and
9 use of contribution fund).

10 § 5602. Establishment and use of contribution fund.

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

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

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

24 § 5603. Certification of amounts payable from contribution
25 fund.

26 (a) Certification.--

27 (1) (Reserved).

28 (2) Within 10 days after the board certifies the amount
29 determined to be due from the Commonwealth to the State
30 Treasurer in accordance with section 5902(k) and (l), the

1 State Treasurer shall certify 100% of the amount determined
2 to be due from the Commonwealth as certified under section
3 5902(1) to be transferred to the contribution fund by the
4 Department of Revenue.

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

11 § 5604. Payments from contribution fund.

12 (a) Appropriation.--

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

22 (2) Any money remaining in the contribution fund,
23 including earned interest, at the end of a calendar quarter
24 is appropriated to the board as an additional contribution to
25 the State Employees' Retirement Fund in excess of the
26 actuarially required contribution for the quarter. Money
27 appropriated under this paragraph shall be transferred to the
28 board within 30 days of the end of the calendar quarter.

29 (b) Treatment of transfers.--Amounts transferred to the
30 State Employees' Retirement Fund under subsection (a) (2) must be

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

11 (c) Commonwealth contributions.--The Commonwealth shall make
12 the full amount of the required contributions into the
13 contribution fund under section 5507 as certified by the board
14 under section 5902(k) and (l) without regard to whether
15 sufficient amounts have been transferred to the contribution
16 fund or appropriated from the contribution fund to the
17 department under this chapter.

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

20 § 5706. Termination of annuities.

21 (a) General rule.--

22 * * *

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

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

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

30 (A) as a member of an independent board or

1 commission or as a member of a departmental
2 administrative or advisory board or commission when
3 such members of independent or departmental boards or
4 commissions are compensated on a per diem basis for
5 not more than 150 days per calendar year; or

6 (B) as a member of an independent board or
7 commission requiring appointment by the Governor,
8 with advice and consent of the Senate, where the
9 annual salary payable to the member does not exceed
10 \$35,000 and where the member has been an annuitant
11 for at least six months immediately preceding the
12 appointment[.]; or

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

15 * * *

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

18 § 5810. Termination of distributions.

19 (a) Return to State service.--

20 * * *

21 (3) This subsection shall not apply to a participant
22 receiving distributions or an inactive participant who
23 returns to State service as a trustee of the investment
24 office and is over normal retirement age or who has been an
25 annuitant for more than one year and may render service to
26 the Commonwealth.

27 * * *

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

30 § 5812. Powers and duties of board.

1 The board, in addition to its powers and duties set forth in
2 Chapter 59 (relating to administration, funds, accounts, general
3 provisions), shall have the following powers and duties to
4 establish the plan and trust and administer the provisions of
5 this chapter and part:

6 * * *

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

13 * * *

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

17 (20) Notwithstanding any other provision of law, the
18 trustees of the investment office shall invest all moneys of
19 the fund exclusively through the investment office.

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

22 § 5901. The State Employees' Retirement Board.

23 * * *

24 (b.1) Trustees of investment office.--An individual who is a
25 trustee of the investment office may not be appointed as member
26 of the board unless the individual first resigns as a trustee of
27 the investment office.

28 * * *

29 (f) Board training.--Each member of the board will be
30 required to obtain eight hours of mandatory training in asset

1 allocation and investment strategies, investment risk, risk
2 management, actuarial cost analysis, setting return assumptions
3 and retirement portfolio management on an annual basis.

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

8 § 5902. Administrative duties of the board.

9 (a) Employees.--

10 * * *

11 (3) The secretary may designate officers and employees
12 of the board to work on the integration management team
13 established under 64 Pa.C.S. § 8111 (relating to integration
14 management team) to assist in the performance of the team's
15 duties. Work completed by designated employees shall be
16 considered a part of the designated employees' duties as
17 officers and employees of the board.

18 (a.1) Secretary.--The secretary shall act as chief
19 administrative officer for the board with respect to both the
20 system and the plan. In addition to other powers and duties
21 conferred upon and delegated to the secretary by the board, the
22 secretary shall:

23 * * *

24 (7) Serve on the integration management team established
25 under 64 Pa.C.S. § 8111 and perform all tasks and duties
26 necessary to establish the investment office.

27 (b) Professional personnel.--

28 (1) The board shall contract for the services of a chief
29 medical examiner, an actuary, investment advisors and
30 counselors, and such other professional personnel as it deems

1 advisable. The board's authority to contract for the services
2 of investment advisors and counselors includes the authority
3 to enter into agreements with the investment office to
4 provide the services. The board may contract for legal
5 services.

6 * * *

7 (c) Expenses.--

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

17 * * *

18 (d) Meetings.--The board shall hold at least [~~six~~] four
19 regular meetings annually and such other meetings as it may deem
20 necessary.

21 (e) Records.--

22 * * *

23 (4.1) Notwithstanding the provisions of this subsection,
24 the following information regarding an alternative investment
25 vehicle shall be subject to public access under the Right-to-
26 Know Law:

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

29 (ii) The identity of the manager of the alternative
30 investment vehicle.

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

3 (iv) The dollar amount of cash contributions made by
4 the system or plan to the alternative investment vehicle
5 since inception.

6 (v) The dollar amount of cash distributions received
7 by the system or plan from the alternative investment
8 vehicle since inception.

9 (vi) The net internal rate of return of the
10 alternative investment vehicle since inception.
11 Disclosure under this subparagraph shall not include the
12 net internal rate of return under circumstances in which,
13 because of the limited number of portfolio assets
14 remaining in the alternative investment vehicle,
15 disclosure could reveal the values of specifically
16 identifiable remaining portfolio assets to the detriment
17 of the alternative investment.

18 (vii) The aggregate value of the remaining portfolio
19 assets attributable to the system's or plan's investment
20 in the alternative investment vehicle. Disclosure under
21 this subparagraph shall not include the value under
22 circumstances in which, because of the limited number of
23 portfolio assets remaining in the alternative investment
24 vehicle, disclosure could reveal the values of
25 specifically identifiable remaining portfolio assets to
26 the detriment of the alternative investment.

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

30 * * *

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

5 * * *

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

11 * * *

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

25 * * *

26 (r) Appointment of trustees to investment office.--The board
27 shall appoint trustees as authorized under 64 Pa.C.S. Ch. 81 and
28 may take actions required and authorized relating to the
29 establishment of the investment office and the management and
30 investment of the fund under this part and 64 Pa.C.S. Ch. 81.

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

3 § 5904. Duties of the board to report to the Public School
4 Employees' Retirement Board.

5 * * *

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

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

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

23 (3) If the secretary of the board receives a certified
24 copy of a proposed joint resolution to remove a trustee of
25 the investment office under 64 Pa.C.S. § 8104(d) which was
26 initiated by the Public School Employees' Retirement Board or
27 a resolution approved by the trustees of the investment
28 office to remove a trustee of the office, the board shall
29 expeditiously consider and act on the proposed joint
30 resolution or the resolution of the trustees of the

1 investment office and the board's secretary shall notify the
2 secretary of the Public School Employees' Retirement Board
3 and the chief executive officer of the investment office of
4 the board's action.

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

9 Section 27. Title 71 is amended by adding a section to read:

10 § 5904.1. Duties of the board to report to the investment
11 office.

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

19 (b) Expected fund transfers.--Periodically, but not less
20 than annually, the board shall report to the investment office
21 the expected amounts to be transferred on a monthly basis from
22 the restricted account for the board established under 64
23 Pa.C.S. § 8106(h) (relating to relationship to SERB and PSERB)
24 to the account or funds held by the State Treasurer under
25 section 5931(g) (relating to management of fund and accounts).

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

29 (d) Removal of investment office trustee.--If the board
30 takes action either to approve or disapprove a resolution by the

1 trustees of the investment office or a proposed joint resolution
2 with the Public School Employees' Retirement Board to remove a
3 trustee of the investment office, it shall transmit notice of
4 the action to the investment office without regard to whether
5 the board or the Public School Employees' Retirement Board
6 initiated the proposed joint resolution.

7 Section 28. Sections 5931(a), (d), (e), (f) and (g) and
8 5932(a) of Title 71 are amended to read:

9 § 5931. Management of fund and accounts.

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

1 securities and investments in which any of the moneys in the
2 fund shall have been invested as well as of the proceeds of said
3 investments, including any directed commissions which have
4 accrued to the benefit of the fund as a consequence of the
5 investments, and of any moneys belonging to said fund, subject
6 in every case to meeting the standard of prudence set forth in
7 this subsection.

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 being made after the effective date of
14 this paragraph as a disbursement for benefits, administrative
15 expenses of the board or are related to investments by the
16 board or expenses in the performance of the board's duties
17 related to the management and investment of the fund shall be
18 made by the State Treasurer in accordance with requisitions
19 signed by the secretary of the board, or the secretary's
20 designee, and 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 State Employees' Retirement System" or "The State Employees'
23 Retirement System" all of the business of the system shall be
24 transacted, its fund invested by the board, all requisitions for
25 money drawn and payments made, and all of its cash and
26 securities and other property shall be held, except to the
27 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, sale
5 or other disposition of securities pursuant to the provisions of
6 this law.

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 that shall not be transferred to the investment office
13 under the authority to manage and invest the fund granted to it
14 by 64 Pa.C.S. Ch. 81, on deposit in any bank or banks in this
15 Commonwealth organized under the laws thereof or under the laws
16 of the United States or with any trust company or companies
17 incorporated by any law of this Commonwealth, provided any of
18 such banks or trust companies shall furnish adequate security
19 for said deposit, and provided that the sum so deposited in any
20 one bank or trust company shall not exceed 25% of the paid-up
21 capital and surplus of said bank or trust company. Any amount in
22 excess of the needs of the board shall be transferred to the
23 restricted account for the board established under 64 Pa.C.S. §
24 8106(h) (relating to relationship to SERB and PSERB).

25 * * *

26 § 5932. State Employees' Retirement Fund.

27 (a) General rule.--The fund shall consist of all balances in
28 the several separate accounts set apart to be used under the
29 direction of the board for the benefit of members of the system
30 without regard to whether any portion of the fund is invested

1 and managed by the board or the investment office, severally or
2 jointly as co-trustees; and the Treasury Department shall credit
3 to the fund all moneys received from the Department of Revenue
4 arising from the contributions relating to or on behalf of
5 members of the system required under the provisions of Chapter
6 55 (relating to contributions), and any income earned by the
7 investments or moneys of said fund. There shall be established
8 and maintained by the board the several ledger accounts
9 specified in sections 5933 (relating to members' savings
10 account), 5934 (relating to State accumulation account), 5935
11 (relating to annuity reserve account), 5936 (relating to State
12 Police benefit account), 5937 (relating to enforcement officers'
13 benefit account), 5938 (relating to supplemental annuity
14 account) and 5939 (relating to interest reserve account).

15 * * *

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

18 § 5940. Northern Ireland-related investments.

19 * * *

20 (d) Duties transferred.--After the transfer of the assets
21 and investments of the fund to the investment office, the duties
22 and responsibilities of the board under this section shall be
23 transferred to the trustees of the investment office.

24 Section 30. Sections 5941 and 5954(b) of Title 71 are
25 amended to read:

26 § 5941. Benefits completion plan.

27 (a) Establishment of plan.--Notwithstanding any other law to
28 the contrary, the board shall establish and serve as trustee of
29 a retirement benefit plan within the meaning of, in conformity
30 with and then only to the extent and so long as permitted by IRC

1 § 415(m) for the purpose of providing such retirement benefits
2 as would otherwise have been payable under this part to
3 annuitants of the system on or after July 2, 2001, but for the
4 application of the limitations on benefits of IRC § 415. The
5 board may, in its sole discretion and within the limits of IRC §
6 415(m) and this section, determine all terms and provisions of
7 the plan, including, but not limited to, the cost of and
8 procedures for funding the plan as provided in this section. The
9 Commonwealth and other employers whose employees are members of
10 the system shall make contributions to the plan on behalf of all
11 members in such amounts as shall be certified by the board.

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

16 § 5954. Fraud and adjustment of errors.

17 * * *

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

1 or payments from the plan, the board shall take action as
2 provided for in the plan document.

3 Section 31. The following apply to contributions and
4 benefits:

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

8 (i) A member of the Public School Employees'
9 Retirement System.

10 (ii) A participant in the Public School Employees'
11 Defined Contribution Plan.

12 (iii) A member of the State Employees' Retirement
13 System.

14 (iv) A participant in the State Employees' Defined
15 Contribution Plan.

16 (v) A beneficiary, survivor annuitant or alternate
17 payee of an individual under subparagraph (i), (ii),
18 (iii) or (iv).

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

23 Section 32. The following apply:

24 (1) This section applies to an amendment or addition
25 made by this act to a provision of 24 Pa.C.S. Pt. IV, 64
26 Pa.C.S. or 71 Pa.C.S. Pt. XXV in relation to the management
27 and investment of any of the following:

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

29 (ii) The State Employees' Retirement Fund.

30 (iii) Any of the following of which the Public

1 School Employees' Retirement Board or the State

2 Employees' Retirement Board is a trustee:

3 (A) A retirement or pension system or plan, fund
4 or trust.

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

6 (2) A provision under paragraph (1) shall not create a
7 contractual right, either express or implied, in the manner,
8 method, board or office which manages or invests money
9 referred to in paragraph (1)(i), (ii) or (iii) in any of the
10 following:

11 (i) A member of the Public School Employees'
12 Retirement System.

13 (ii) A participant in the Public School Employees'
14 Defined Contribution Plan.

15 (iii) A member of the State Employees' Retirement
16 System.

17 (iv) A participant in the State Employees' Defined
18 Contribution Plan.

19 (v) A person claiming an interest in the account of
20 an individual under subparagraph (i), (ii), (iii), (iii)
21 or (iv).

22 Section 33. This act shall be construed and administered in
23 a manner that the Public School Employees' Retirement System,
24 the School Employees' Defined Contribution Plan, the State
25 Employees' Retirement System and the State Employees' Defined
26 Contribution Plan will satisfy the requirements necessary to
27 qualify as a qualified pension plan under the Internal Revenue
28 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38
29 U.S.C. Ch. 43 (relating to employment and reemployment rights of
30 members of the uniformed services). Policies, procedures and

1 bylaws under the addition of 64 Pa.C.S. § 8105(e)(18) may
2 include those necessary to accomplish the purpose of this
3 section.

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

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

16 Section 36. Public officials shall be held harmless, as
17 follows:

18 (1) Notwithstanding any other provision of law,
19 fiduciary requirement, investment standard of practice or
20 other requirement to the contrary, the members of the Public
21 School Employees' Retirement Board, the employees and
22 officials of the Public School Employees' Retirement System
23 and their investment advisors, counselors and consultants
24 retained under 24 Pa.C.S. § 8502(b) shall not be held liable
25 or in breach or violation, either as individuals or in their
26 official capacity or as a governmental or corporate entity,
27 for the transfer of all or a portion of the Public School
28 Employees' Retirement Fund and other assets or programs which
29 are not part of the Public School Employees' Retirement Fund
30 to the Commonwealth Pension Investment Office for management

1 and investment.

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

16 Section 37. The following apply to transfer:

17 (1) The following are subjects of transfer:

18 (i) Money.

19 (ii) Agreements, partnerships and leases.

20 (iii) Investments in the State Employees' Retirement
21 Fund in excess of money reserved by the State Employees'
22 Retirement Board in the State Employees' Retirement Fund.

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

25 (A) 24 Pa.C.S. § 8521(g); and

26 (B) 71 Pa.C.S. § 5931(g).

27 (v) Disbursement of benefit payments and other
28 disbursements. This paragraph includes administrative
29 expenses of:

30 (A) the Public School Employees' Retirement

1 System; and

2 (B) the State Employees' Retirement System.

3 (vi) Except as necessary under section 38,
4 allocations, appropriations, equipment, supplies,
5 records, contracts, rights and obligations.

6 (2) Subjects of transfer under paragraph (1) shall be
7 transferred to the Commonwealth Pension Investment Office on
8 the second July 1 after trustees of the Commonwealth Pension
9 Investment Office sufficient to constitute a quorum take the
10 oath of office.

11 (3) The Public School Employees' Retirement Board and
12 the State Employees' Retirement Board may enter into
13 agreements with the Commonwealth Pension Investment Office
14 and with managers, general partners and other counterparties
15 of investments to be transferred to effectuate the transfer.

16 (4) If the Public School Employees' Retirement Board is
17 retaining records of the Public School Employees' Retirement
18 Fund which will be needed by the Commonwealth Pension
19 Investment Office as co-trustee, the Public School Employees'
20 Retirement Board shall make and transfer the necessary
21 copies.

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

27 Section 38. The following apply to personnel retention:

28 (1) The Public School Employees' Retirement Board shall
29 identify the personnel it will retain to perform
30 administrative functions retained under this act. This

1 paragraph includes collection of member and employer
2 contributions, payment of benefits and investment-related
3 functions retained under this act.

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

9 Section 39. This act shall take effect immediately.