

AMENDMENTS TO SENATE BILL NO. 1071

Sponsor:

Printer's No. 1913

1 Amend Bill, page 2, lines 17 through 37, by striking out all
2 of said lines and inserting

3 Amending Titles 24 (Education), 51 (Military Affairs) and 71
4 (State Government) of the Pennsylvania Consolidated Statutes,
5 extensively revising pension provisions as follows:

6 In Title 24:
7 for retirement for school employees, in the areas of
8 preliminary provisions, of membership, contributions and
9 benefits, of school employees' defined contribution plan
10 and of administration and miscellaneous provisions; and
11 for health insurance for retired school employees, in
12 the area of preliminary provisions.

13 In Title 51:
14 for employment preferences and pensions, in the area
15 of military leave of absence.

16 In Title 71:
17 for boards and offices, in the area of Independent
18 Fiscal Office; and
19 for retirement for State employees and officers, in
20 the areas of preliminary provisions, of membership,
21 credited service, classes of service and eligibility for
22 benefits, of contributions, of benefits, of State
23 employees' defined contribution plan and of
24 administration, funds, accounts, general provisions.

25 Providing, as to the revisions:
26 for construction and administration, for
27 applicability, for liability, for member statements and
28 for suspension of provisions of the Public Employee
29 Retirement Study Commission Act.

30 Amend Bill, pages 731 through 1084, lines 1 through 30, page
31 1085, lines 1 through 29, by striking out all of said lines on
32 said pages and inserting

33 ARTICLE I

34 Section 101. The definitions of "alternate payee," "basic
35 contribution rate," "beneficiary," "class of service

1 multiplier," "compensation," "creditable nonschool service,"
2 "credited service," "date of termination of service,"
3 "distribution," "domestic relations order," "final average
4 salary," "inactive member," "intervening military service,"
5 "irrevocable beneficiary," "leave for service with a collective
6 bargaining organization," "reemployed from USERRA leave,"
7 "required beginning date," "salary deductions," "shared-risk
8 contribution rate," "standard single life annuity,"
9 "superannuation or normal retirement age," "valuation interest"
10 and "vestee" in section 8102 of Title 24 of the Pennsylvania
11 Consolidated Statutes are amended and the section is amended by
12 adding definitions to read:

13 § 8102. Definitions.

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

17 * * *

18 "Accumulated employer defined contributions." The total of
19 the employer defined contributions paid into the trust on
20 account of a participant's school service, together with any
21 investment earnings and losses and adjustments for fees, costs
22 and expenses credited or charged thereon and reduced by any
23 distributions.

24 "Accumulated mandatory participant contributions." The total
25 of the mandatory pickup participant contributions paid into the
26 trust on account of a participant's school service, together
27 with any investment earnings and losses and adjustments for
28 fees, costs and expenses credited or charged thereon and reduced
29 by any distributions.

30 "Accumulated total defined contributions." The total of the
31 accumulated mandatory participant contributions, accumulated
32 employer defined contributions and accumulated voluntary
33 contributions standing to the credit of a participant in an
34 individual investment account in the trust.

35 "Accumulated voluntary contributions." The total of
36 voluntary contributions paid into the trust by a participant and
37 any amounts rolled over by a participant or transferred by a
38 direct trustee-to-trustee transfer into the trust, together with
39 any investment earnings and losses and adjustments for fees,
40 costs and expenses credited or charged thereon and reduced by
41 any distributions.

42 * * *

43 "Active participant." A school employee for whom mandatory
44 pickup participant contributions are being made to the trust or
45 for whom contributions otherwise required are not being made
46 solely by reason of any provision of this part relating to the
47 limitations under section 401(a)(17) or 415 of the Internal
48 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
49 or 415).

50 * * *

51 "Alternate payee." Any spouse, former spouse, child or

1 dependent of a member or participant who is recognized by a
2 domestic relations order as having a right to receive all or a
3 portion of the moneys payable to that member or participant
4 under this part.

5 * * *

6 "Basic contribution rate." For Class T-A, T-B and T-C
7 service, the rate of 6 1/4%. For Class T-D service, the rate of
8 7 1/2%. For all active members on the effective date of this
9 provision who are currently paying 5 1/4% and elect Class T-D
10 service, the rate of 6 1/2%. For Class T-E service, the rate of
11 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
12 service, the rate of 5.5%. For Class T-H service, the rate of
13 4.5%.

14 "Beneficiary." [The] In the case of the system, the person
15 or persons last designated in writing to the board by a member
16 to receive his accumulated deductions or a lump sum benefit upon
17 the death of such member. In the case of the plan, the person or
18 persons last designated in writing to the board by a participant
19 to receive the participant's vested accumulated total defined
20 contributions or a lump sum benefit upon the death of the
21 participant.

22 * * *

23 "Class of service multiplier."

24	Class of service	Multiplier
25	T-A	.714
26	T-B	.625
27	T-C	1.000
28	T-D	1.000
29	T-E	1.000
30	T-F	1.000
31	<u>T-G</u>	<u>1.000</u>
32	<u>T-H</u>	<u>1.000</u>

33 * * *

34 "Compensation." Pickup contributions and mandatory pickup
35 participant contributions plus any remuneration received as a
36 school employee excluding reimbursements for expenses incidental
37 to employment and excluding any bonus, severance payments, any
38 other remuneration or other emolument received by a school
39 employee during his school service which is not based on the
40 standard salary schedule under which he is rendering service,
41 payments for unused sick leave or vacation leave, bonuses or
42 other compensation for attending school seminars and
43 conventions, payments under health and welfare plans based on
44 hours of employment or any other payment or emolument which may
45 be provided for in a collective bargaining agreement which may
46 be determined by the Public School Employees' Retirement Board
47 to be for the purpose of enhancing compensation as a factor in
48 the determination of final average salary, and excluding
49 payments for military leave and any other payments made by an
50 employer while on USERRA leave, leave of absence granted under
51 51 Pa.C.S. § 4102 (relating to leaves of absence for certain

1 government employees), military leave of absence granted under
2 51 Pa.C.S. § 7302 (relating to granting military leaves of
3 absence), leave granted under section 1178 of the act of March
4 10, 1949 (P.L.30, No.14), known as the Public School Code of
5 1949, or other types of military leave, including other types of
6 leave payments, stipends, differential wage payments as defined
7 in IRC § 414(u)(12) and any other payments, provided, however,
8 that the limitation under section 401(a)(17) of the Internal
9 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
10 taken into account for the purpose of member contributions,
11 including regular or joint coverage member contributions,
12 regardless of class of service, shall apply to each member who
13 first became a member of the Public School Employees' Retirement
14 System on or after July 1, 1996, and who by reason of such fact
15 is a noneligible member subject to the application of the
16 provisions of section 8325.1 (relating to annual compensation
17 limit under IRC § 401(a)(17)), and shall apply to each
18 participant pertaining to the participant's participation in the
19 plan.

20 * * *

21 "Creditable nonschool service." Service other than service
22 as a school employee for which an active member may obtain
23 credit in the system.

24 "Credited service." School or creditable nonschool service
25 for which the required contributions have been made to the fund,
26 or for which the contributions otherwise required for such
27 service were not made solely by reason of any provision of this
28 part relating to the limitations under section 401(a)(17) or 415
29 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
30 U.S.C. § 401(a)(17) or 415), or for which salary deductions to
31 the system or lump sum payments have been agreed upon in
32 writing.

33 "Date of termination of service." The latest of the
34 following dates:

35 (1) The last [date] day of service for which pickup
36 contributions are made for an active member or[,] for which
37 the contributions otherwise required for service were not
38 made solely by reason of any provision of this part relating
39 to the limitations under section 401(a)(17) or 415 of the
40 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
41 401(a)(17) or 415); or

42 (2) in the case of an inactive member or an inactive
43 participant, the effective date of his resignation or the
44 date his employment is formally discontinued by his employer
45 or two years following the last day of service for which
46 contributions were made, whichever is earliest.

47 (3) Mandatory pickup participant contributions are made
48 for an active participant.

49 * * *

50 "Distribution." Payment of all or any portion of a person's
51 interest in either the Public School Employees' Retirement Fund

1 or the School Employees' Defined Contribution Trust, or both,
2 which is payable under this part.

3 "Domestic relations order." Any judgment, decree or order,
4 including approval of a property settlement agreement, entered
5 on or after the effective date of this definition by a court of
6 competent jurisdiction pursuant to a domestic relations law
7 which relates to the marital property rights of the spouse or
8 former spouse of a member or participant, including the right to
9 receive all or a portion of the moneys payable to that member or
10 participant under this part in furtherance of the equitable
11 distribution of marital assets. The term includes orders of
12 support as that term is defined by 23 Pa.C.S. § 4302 (relating
13 to definitions) and orders for the enforcement of arrearages as
14 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
15 arrearages).

16 * * *

17 "Employer defined contributions." Contributions equal to
18 2.0% of an active participant's compensation that are made by an
19 employer to the trust, to be credited in the active
20 participant's individual investment account.

21 "Final average salary." [The] As follows:

22 (1) For purposes of calculating annuities and benefits
23 from the system attributable to a class of service other than
24 Class T-G and Class T-H, the highest average compensation
25 received as an active member during any three nonoverlapping
26 periods of 12 consecutive months with the compensation for
27 part-time service being annualized on the basis of the
28 fractional portion of the school year for which credit is
29 received; except, if the employee was not a member for three
30 such periods, the total compensation received as an active
31 member annualized in the case of part-time service divided by
32 the number of such periods of membership; in the case of a
33 member with multiple service credit, the final average salary
34 shall be determined by reference to compensation received by
35 him as a school employee or a State employee or both; and, in
36 the case of a noneligible member, subject to the application
37 of the provisions of section 8325.1 (relating to annual
38 compensation limit under IRC § 401(a)(17)). Final average
39 salary shall be determined by including in compensation,
40 payments deemed to have been made to a member reemployed from
41 USERRA leave to the extent member contributions have been
42 made as provided in section 8302(d)(2) (relating to credited
43 school service) and payments made to a member on leave of
44 absence under 51 Pa.C.S. § 4102 (relating to leaves of
45 absence for certain government employees) as provided in
46 section 8302(d)(6).

47 (2) For purposes of calculating annuities and benefits
48 from the system attributable to Class T-G and Class T-H
49 service, the following shall apply:

50 (i) The highest average compensation received as an
51 active member during any five nonoverlapping periods of

1 12 consecutive months, with the compensation for part-
2 time service being annualized on the basis of the
3 fractional portion of the school year for which credit is
4 received shall be used or the calculation shall be made
5 in accordance with the following:

6 (A) If the employee was not a member for five
7 periods, the total compensation received as an active
8 member annualized in the case of part-time service
9 divided by the number of periods of membership.

10 (B) In the case of a member with multiple
11 service credit, the final average salary shall be
12 determined by reference to compensation received by
13 the member as a school employee or a State employee
14 or both.

15 (C) In the case of a noneligible member, subject
16 to the application of the provisions of section
17 8325.1.

18 (ii) Final average salary shall be determined by
19 including in compensation, payments deemed to have been
20 made to a member reemployed from USERRA leave to the
21 extent member contributions have been made as provided in
22 section 8302(d) (2) and payments made to a member on leave
23 of absence under 51 Pa.C.S. § 4102 as provided in section
24 8302(d) (6).

25 * * *

26 "Inactive member." A member for whom no pickup contributions
27 are being made to the fund, except in the case of an active
28 member for whom such contributions otherwise required for
29 current school service are not being made solely by reason of
30 any provision of this part relating to the limitations under
31 section 401(a) (17) or 415 of the Internal Revenue Code of 1986
32 (Public Law 99-514, 26 U.S.C. § 401(a) (17) or 415) or because
33 the member is on USERRA leave, who has accumulated deductions
34 standing to his credit in the fund and for whom contributions
35 have been made within the last two school years or a multiple
36 service member who is active in the State Employees' Retirement
37 System.

38 "Inactive participant." A participant for whom no mandatory
39 pickup participant contributions are being made to the trust,
40 except in the case of an active participant for whom the
41 contributions otherwise required for current school service are
42 not being made solely by reason of any provision of this part
43 relating to limitations under section 401(a) (17) or 415 of the
44 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
45 401(a) (17) or 415), but who has vested accumulated total defined
46 contributions standing to the participant's credit in the trust
47 and who has not filed an application for a distribution.

48 "Individual investment account." The account in the trust to
49 which are credited the amounts of the contributions made by a
50 participant and the participant's employer in accordance with
51 the provisions of this part, together with all investment

1 earnings after deduction for fees, costs and expenses,
2 investment losses and charges for distributions.

3 "Intervening military service." Active military service of a
4 member who was a school employee and an active member of the
5 system immediately preceding his induction into the armed
6 services or forces of the United States in order to meet a draft
7 obligation excluding any voluntary extension of such
8 obligational service and who becomes a school employee and an
9 active member of the system within 90 days of the expiration of
10 such service.

11 * * *

12 "Irrevocable beneficiary." The person or persons permanently
13 designated by a member or participant in writing to the board
14 pursuant to an approved domestic relations order to receive all
15 or a portion of the accumulated deductions, vested accumulated
16 total defined contributions or lump sum benefit payable upon the
17 death of such member or participant.

18 "Irrevocable successor payee." The person permanently
19 designated in writing by a participant receiving distributions
20 to the board under an approved domestic relations order to
21 receive one or more distributions from the plan upon the death
22 of such participant.

23 * * *

24 "Leave for service with a collective bargaining
25 organization." Paid leave granted to an active member or active
26 participant by an employer for purposes of working full time for
27 or serving full time as an officer of a Statewide employee
28 organization or a local collective bargaining representative
29 under the act of July 23, 1970 (P.L.563, No.195), known as the
30 Public Employe Relations Act: Provided, That greater than one-
31 half of the members of the employee organization are active
32 members of the system or active participants of the plan; that
33 the employer shall fully compensate the member or participant,
34 including, but not limited to, salary, wages, pension and
35 retirement contributions and benefits, employer defined
36 contributions, other benefits and seniority, as if he were in
37 full-time active service; and that the employee organization
38 shall fully reimburse the employer for such salary, wages,
39 pension and retirement contributions and benefits, employer
40 defined contributions and other benefits and seniority.

41 "Mandatory pickup participant contributions." Contributions
42 equal to a percentage of compensation that are made by the
43 employer for active participants for current school service that
44 are picked up by the employer and credited in the plan as
45 follows:

46 (1) For Class T-G and Class T-H members, 3.0%.

47 (2) For Class DC participants, 7.5%.

48 * * *

49 "Participant." An active participant, inactive participant
50 or participant receiving distributions.

51 "Participant receiving distributions." A participant in the

1 plan who has commenced receiving distributions from the
2 participant's individual investment account, but who has not
3 received a total distribution of the vested interest in the
4 individual investment account.

5 * * *

6 "Plan." The School Employees' Defined Contribution Plan as
7 established by the provisions of this part and the board.

8 "Plan document." The documents created by the board under
9 section 8402 (relating to plan document) that contain the terms
10 and provisions of the plan and trust as established by the board
11 regarding the establishment, administration and investment of
12 the plan and trust.

13 * * *

14 "Reemployed from USERRA leave." Resumption of active
15 membership or active participation as a school employee after a
16 period of USERRA leave, if the resumption of active membership
17 or active participation was within the time period and under
18 conditions and circumstances such that the school employee was
19 entitled to reemployment rights under 38 U.S.C. Ch. 43 (relating
20 to employment and reemployment rights of members of the
21 uniformed services).

22 * * *

23 "Required beginning date." The [beginning] latest date by
24 which distributions of a member's interest must commence under
25 section 401(a) (9) of the Internal Revenue Code of 1986 (Public
26 Law 99-514, 26 U.S.C. § 401(a) (9)).

27 * * *

28 "Salary deductions." The amounts certified by the board,
29 deducted from the compensation of an active member or active
30 participant or the State service compensation of a multiple
31 service member who is an active member of the State Employees'
32 Retirement System and paid into the fund or trust.

33 * * *

34 "Shared-risk contribution rate." The additional contribution
35 rate that is added to the basic contribution rate for Class T-E
36 [and T-F], Class T-F, Class T-G and Class T-H members, as
37 provided for in section 8321(b) (relating to regular member
38 contributions for current service).

39 "Standard single life annuity." For Class T-A, T-B and T-C
40 credited service of a member, an annuity equal to 2% of the
41 final average salary, multiplied by the total number of years
42 and fractional part of a year of credited service of a member.
43 For Class T-D credited service of a member, an annuity equal to
44 2.5% of the final average salary, multiplied by the total number
45 of years and fractional part of a year of credited service. For
46 Class T-E credited service of a member, an annuity equal to 2%
47 of the final average salary, multiplied by the total number of
48 years and fractional part of a year of credited service of a
49 member. For Class T-F credited service of a member, an annuity
50 equal to 2.5% of the final average salary, multiplied by the
51 total number of years and fractional part of a year of credited

1 service of a member. For Class T-G credited service of a member,
2 an annuity equal to 1.25% of the final average salary,
3 multiplied by the total number of years and fractional part of a
4 year of credited service of a member. For Class T-H credited
5 service of a member, an annuity equal to 1.0% of the final
6 average salary, multiplied by the total number of years and
7 fractional parts of a year of credited service of a member.

8 "State Employees' Defined Contribution Plan." The defined
9 contribution plan for State employees established by 71 Pa.C.S.
10 Pt. XXV (relating to retirement for State employees and
11 officers).

12 * * *

13 "Successor payee." The person or persons last designated in
14 writing to the board by a participant receiving distributions to
15 receive one or more distributions upon the death of the
16 participant.

17 * * *

18 "Superannuation or normal retirement age."

19 Class of service	Age
20 T-A	62 or any age upon accrual of 21 35 eligibility points
22 T-B	62
23 T-C and T-D	62 or age 60 provided the 24 member has at least 30 25 eligibility points or any 26 age upon accrual of 35 27 eligibility points
28 T-E and T-F	65 with accrual of at least 29 three eligibility points 30 or a combination of age 31 and eligibility points 32 totaling 92, provided the 33 member has accrued at 34 least 35 eligibility 35 points
36 <u>T-G and T-H</u>	<u>67 with accrual of at least 3</u> 37 <u>eligibility points</u>

38 * * *

39 "Trust." The School Employees' Defined Contribution Trust
40 established under Chapter 84 (relating to School Employees'
41 Defined Contribution Plan).

42 * * *

43 "Valuation interest." Interest at 5 1/2% per annum,
44 compounded annually and applied to all accounts of the fund
45 other than the members' savings account.

46 "Vestee." A member with five or more eligibility points in a
47 class of service other than Class T-E or Class T-F who has
48 terminated school service, has left his accumulated deductions
49 in the fund and is deferring filing of an application for
50 receipt of an annuity. For Class T-E and Class T-F members, a
51 member with ten or more eligibility points who has terminated

1 school service, has left his accumulated deductions in the fund
2 and is deferring filing of an application for receipt of an
3 annuity.

4 "Voluntary contributions." Contributions made by a
5 participant to the trust and credited to the participant's
6 individual investment account in excess of the mandatory pickup
7 participant contributions, either by after-tax salary deductions
8 paid through the employer or by an eligible rollover or direct
9 trustee-to-trustee transfers.

10 Section 102. Section 8103 of Title 24 is amended by adding
11 subsections to read:

12 § 8103. Construction of part.

13 * * *

14 (f) Exclusive source of rights and benefits.--Regardless of
15 any other provision of law, pension and benefit rights of school
16 employees shall be determined solely by this part or any
17 amendment thereto, or the plan document established by the
18 board, and no collective bargaining agreement nor any
19 arbitration award between the employer and the employer's
20 employees or the employee's collective bargaining
21 representatives shall be construed to do any of the following:

22 (1) Change any of the provisions of this part.

23 (2) Require the board to administer pension or
24 retirement benefits not set forth in this part or not
25 established by the board in the plan document.

26 (3) Require the board to modify, amend or change any of
27 the terms and provisions of the plan document.

28 (4) Otherwise require action by any other government
29 body pertaining to pension or retirement benefits or rights
30 of school employees.

31 (g) References to certain Federal statutes.--References in
32 this part to the IRC or the Uniformed Services Employment and
33 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
34 3149), including administrative regulations promulgated under
35 the IRC or the Uniformed Services Employment and Reemployment
36 Rights Act of 1994, are intended to include laws and regulations
37 in effect on the effective date of this section and amended,
38 supplemented or supplanted on and after the effective date of
39 this section.

40 (h) Construction.--This part may not be construed to mean
41 any of the following:

42 (1) That the limitations on benefits or other
43 requirements under IRC § 401(a) or other applicable
44 provisions of the IRC that are applicable to participants in
45 the plan do not apply to the participants or to the members
46 of the system and the benefits payable under this part.

47 (2) That an interpretation or application of a provision
48 of this part or benefits available to members of the Public
49 School Employees' Retirement System was not in accordance
50 with the provisions of this part or other applicable law,
51 including the IRC and the Uniformed Services Employment and

1 Reemployment Rights Act of 1994 before the effective date of
2 this section.

3 (3) That the release or publicizing of a record,
4 material or data that would not constitute a public record
5 under section 8502(e)(2) (relating to administrative duties
6 of board) is a violation of the fiduciary duties of the
7 board.

8 Section 103. Title 24 is amended by adding a section to
9 read:

10 § 8103.2. Reference to Public School Employees' Retirement
11 System.

12 (a) General rule.--As of the effective date of this section,
13 unless the context clearly indicates otherwise, a reference to
14 the Public School Employees' Retirement System in a statutory
15 provision, other than this part and 71 Pa.C.S. Pt. XXV (relating
16 to retirement for State employees and officers), shall include a
17 reference to the plan, and a reference to the Public School
18 Employees' Retirement Fund shall include a reference to the
19 trust.

20 (b) Certain agreements.--The agreement of an employer to
21 make contributions to the fund or to enroll employees as members
22 in the system shall be deemed to be an agreement to make
23 contributions to the trust or to enroll employees in the plan.

24 Section 104. Section 8301 of Title 24 is amended to read:

25 § 8301. Mandatory and optional membership in the system and
26 participation in the plan.

27 (a) Mandatory membership.--Membership in the system shall be
28 mandatory as of the effective date of employment for all school
29 employees except the following:

30 (1) Any officer or employee of the Department of
31 Education, State-owned educational institutions, community
32 colleges, area vocational-technical schools, technical
33 institutes, or [the] The Pennsylvania State University and
34 who is a member of the State Employees' Retirement System or
35 a member of another retirement program approved by the
36 employer.

37 (2) Any school employee who is not a member of the
38 system and who is employed on a per diem or hourly basis for
39 less than 80 full-day sessions or 500 hours in any fiscal
40 year or annuitant who returns to school service under the
41 provisions of section 8346(b) (relating to termination of
42 annuities).

43 (3) Any officer or employee of a governmental entity who
44 subsequent to December 22, 1965 and prior to July 1, 1975
45 administers, supervises, or teaches classes financed wholly
46 or in part by the Federal Government so long as he continues
47 in such service.

48 (4) Any part-time school employee who has an individual
49 retirement account pursuant to the Federal act of September
50 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
51 Employee Retirement Income Security Act of 1974.

1 (b) Prohibited membership.--The school employees categorized
2 in subsection (a) (1) and (2) shall not have the right to elect
3 membership in the system and shall not be eligible to
4 participate in the plan.

5 (c) Optional membership.--The school employees categorized
6 in subsection (a) (3) and, if otherwise eligible, subsection (a)
7 (4) shall have the right to elect membership in the system. Once
8 such election is exercised, membership shall commence from the
9 original date of eligibility and shall continue until the
10 termination of such service.

11 (d) Mandatory participation in the plan.--A school employee
12 who is a mandatory member of either Class T-G or Class T-H shall
13 also be a mandatory participant in the plan as of the effective
14 date of membership in the system.

15 Section 105. Section 8302(a), (c) and (d) of Title 24 are
16 amended and the section is amended by adding a subsection to
17 read:

18 § 8302. Credited school service.

19 (a) Computation of credited service.--In computing credited
20 school service of a member for the determination of benefits, a
21 full-time salaried school employee shall receive one year of
22 credit for each school year or the corresponding fraction
23 thereof, in accordance with the proportion of the full school
24 year for which the required regular member contributions have
25 been made to the fund, or for which such contributions otherwise
26 required for such service were not made to the fund solely by
27 reason of any provision of this part relating to the limitations
28 under IRC § 401(a) (17) or 415. A per diem or hourly school
29 employee shall receive one year of credited service for each
30 nonoverlapping period of 12 consecutive months in which he is
31 employed and for which contributions are made to the fund, or
32 would have been made to the fund but for such limitations under
33 the IRC, for at least 180 full-day sessions or 1,100 hours of
34 employment. If such member was employed and contributions were
35 made to the fund for less than 180 full-day sessions or 1,100
36 hours, he shall be credited with a fractional portion of a year
37 determined by the ratio of the number of full-day sessions or
38 hours of service actually rendered to 180 full-day sessions or
39 1,100 hours, as the case may be. A part-time salaried employee
40 shall be credited with the fractional portion of the year which
41 corresponds to the service actually rendered and for which
42 contributions are or would have been made to the fund except for
43 the limitations under the IRC in relation to the service
44 required as a comparable full-time salaried employee. In no case
45 shall a member receive more than one year of credited service
46 for any 12 consecutive months or a member who has elected
47 multiple service receive an aggregate in the two systems of more
48 than one year of credited service for any 12 consecutive months.

49 * * *

50 (c) Cancellation of credited service.--All credited service
51 in the system shall be cancelled if a member withdraws his

1 accumulated deductions[.], except that a partial or total
2 distribution of accumulated total defined contributions to a
3 participant who is also a member may not cancel service credited
4 in the system.

5 (d) Credit for military service.--A school employee who has
6 performed USERRA leave may receive credit in the system as
7 follows:

8 (1) For purposes of determining whether a member is
9 eligible to receive credited service in the system for a
10 period of active military service, other than active duty
11 service to meet periodic training requirements, rendered
12 after August 5, 1991, and that began before the effective
13 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
14 (relating to military leave of absence) shall apply to all
15 individuals who were active members of the system when the
16 period of military service began, notwithstanding if the
17 member is not defined as an employee under 51 Pa.C.S. § 7301
18 (relating to definitions). School employees may not receive
19 service credit or exercise the options under 51 Pa.C.S. §
20 7306(a), (b) and (c) (relating to retirement rights) for
21 military leaves that begin on or after the effective date of
22 this subsection, except otherwise provided under this
23 subsection.

24 (2) A school employee who has performed USERRA leave may
25 receive credit as provided by this paragraph.

26 (i) A school employee who is reemployed from USERRA
27 leave as an active member of the system shall be treated
28 as not having incurred a break in school service by
29 reason of the USERRA leave and shall be granted
30 eligibility points as if the school employee had not been
31 on the USERRA leave. If a school employee who is
32 reemployed from USERRA leave as an active member of the
33 system subsequently makes regular member contributions,
34 shared-risk member contributions and any other member
35 contributions in the amounts and in the time periods
36 required by 38 U.S.C. Ch. 43 (relating to employment and
37 reemployment rights of members of the uniformed services)
38 and IRC § 414(u) as if the school employee had continued
39 in his school office or employment and performed school
40 service and been compensated during the period of USERRA
41 leave, then the school employee shall be granted school
42 service credit for the period of USERRA leave. The
43 employee shall have his benefits, rights and obligations
44 determined under this part as if he was an active member
45 who performed creditable school service during the USERRA
46 leave in the job position that he would have held had he
47 not been on USERRA leave and received the compensation on
48 which the member contributions to receive school service
49 credit for the USERRA leave were determined.

50 (ii) For purposes of determining whether a school
51 employee has made the required employee contributions for

1 school service credit for USERRA leave, if an employee
2 who is reemployed from USERRA leave as an active member
3 of the system terminates school service or dies in school
4 service before the expiration of the allowed payment
5 period, school service credit for the USERRA leave shall
6 be granted as if the required member contributions were
7 paid the day before termination or death. The amount of
8 the required member contributions shall be treated as an
9 incomplete payment subject to the provisions of section
10 8325 (relating to incomplete payments). Upon a subsequent
11 return to school service or to State service as a
12 multiple service member, the required member
13 contributions treated as incomplete payments shall be
14 treated as member contributions that were either
15 withdrawn in a lump sum at termination or paid as a lump
16 sum under section 8345(a)(4) (relating to member's
17 options). For this purpose, the exclusion of Class T-E
18 and Class T-F members from electing a form of payment
19 under section 8345(a)(4)(iii) shall be ignored.

20 (iii) A school employee who is reemployed from
21 USERRA leave as an active member of the system and who
22 does not make the required member contributions or makes
23 only part of the required member contributions within the
24 allowed payment period shall not be:

25 (A) Granted credited service for the period of
26 USERRA leave for which the required member
27 contributions were not timely made.

28 (B) Eligible to subsequently make contributions.

29 (C) Granted either school service credit or
30 nonschool service credit for the period of USERRA
31 leave for which the required member contributions
32 were not timely made.

33 (3) A school employee who is a member of the system and
34 performs USERRA leave from which the employee could have been
35 reemployed from USERRA leave had the school employee returned
36 to school service in the time frames required by 38 U.S.C.
37 Ch. 43 for reemployment rights, but did not do so, shall be
38 able to receive creditable nonschool service as
39 nonintervening military service for the period of USERRA
40 leave if the employee later returns to school service and is
41 otherwise eligible to purchase the service as nonintervening
42 military service.

43 (4) [A school employee] An active or inactive member
44 who, on or after the effective date of this subsection, is
45 granted a leave of absence under section 1178 of the Public
46 School Code, a leave of absence under 51 Pa.C.S. § 4102
47 (relating to leaves of absence for certain government
48 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
49 is not USERRA leave shall be able to receive creditable
50 nonschool service as nonintervening military service should
51 the employee return to school service as an active member of

1 the system and is otherwise eligible to purchase the service
2 as nonintervening military service.

3 (5) If a member dies while performing USERRA leave, the
4 beneficiaries or survivor annuitants of the deceased member
5 shall be entitled to any additional benefits, including
6 eligibility points, other than benefit accruals relating to
7 the period of qualified military service, provided under this
8 part as if the member resumed and then terminated employment
9 on account of death.

10 (6) A school employee who is on a leave of absence from
11 his duties as a school employee and for which 51 Pa.C.S. §
12 4102 provides that he is not to suffer a loss of pay, time or
13 efficiency shall not be an active member, receive service
14 credit or make member contributions for the leave of absence
15 except as provided for in this part. Notwithstanding this
16 paragraph, any pay the member receives under section 1178 of
17 the Public School Code or 51 Pa.C.S. § 4102 shall be included
18 in the determination of final average salary and other
19 calculations in the system utilizing compensation as if the
20 payments were compensation under this part.

21 (e) Military service by a participant.--A participant who
22 has performed USERRA leave shall be treated and may make
23 contributions as follows:

24 (1) A participant who is reemployed from USERRA leave
25 may not be treated as having incurred a break in school
26 service by reason of the USERRA leave and shall be granted
27 eligibility points as if the participant had not been on
28 USERRA leave. If a participant who is reemployed from USERRA
29 leave subsequently makes mandatory pickup participant
30 contributions in the amounts and in the time periods required
31 by 38 U.S.C. Ch. 43 (relating to employment and reemployment
32 rights of members of the uniformed services) and IRC § 414(u)
33 as if the participant had continued in the participant's
34 school employment and performed school service and been
35 compensated during the period of USERRA leave, then the
36 participant's employer shall make the corresponding employer
37 defined contributions. The employee shall have contributions,
38 benefits, rights and obligations determined under this part
39 as if the employee was an active participant who performed
40 school service during the USERRA leave in the job position
41 that the employee would have held had the employee not been
42 on USERRA leave and received the compensation on which the
43 mandatory pickup participant contributions to receive school
44 service credit for the USERRA leave were determined,
45 including the right to make voluntary contributions on such
46 compensation as permitted by law.

47 (2) A participant who is reemployed from USERRA leave
48 and does not make the mandatory pickup participant
49 contributions or makes only part of the mandatory pickup
50 participant contributions within the allowed payment period
51 may not be eligible to make mandatory pickup participant

1 contributions and voluntary contributions at a later date for
2 the period of USERRA leave for which the mandatory pickup
3 participant contributions were not timely made.

4 (3) A participant who performs USERRA leave from which
5 the employee could have been reemployed from USERRA leave had
6 the school employee returned to school service in the time
7 frames required by 38 U.S.C. Ch. 43 for reemployment rights,
8 but did not do so, may not be eligible to make mandatory
9 pickup participant contributions or voluntary contributions
10 for the period of USERRA leave should the employee later
11 return to school service and be a participant in the plan.

12 (4) An active participant or inactive participant who,
13 on or after the effective date of this subsection, is granted
14 a leave of absence under 51 Pa.C.S. § 4102 (relating to
15 leaves of absence for certain government employees) or a
16 military leave under 51 Pa.C.S. Ch. 73 (relating to military
17 leave of absence) that is not USERRA leave may not be
18 eligible to make mandatory pickup participant contributions
19 or voluntary contributions during or for the leave of absence
20 or military leave, and may not have employer defined
21 contributions made during such leave, without regard to
22 whether or not the participant received salary, wages,
23 stipends, differential wage payments or other payments from
24 the participant's employer during the leave, notwithstanding
25 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
26 Pa.C.S. Ch. 73.

27 (5) If a participant dies while performing USERRA leave,
28 then the beneficiaries or successor payees of the deceased
29 participant are entitled to any additional benefits, other
30 than benefit accruals relating to the period of qualified
31 military service, provided under this part had the
32 participant resumed and then terminated employment on account
33 of death.

34 Section 106. Section 8303(c) and (d) of Title 24 are amended
35 to read:

36 § 8303. Eligibility points for retention and reinstatement of
37 service credits.

38 * * *

39 (c) Purchase of previous creditable service.--Every active
40 member of the system or a multiple service member who is an
41 active member of the State Employees' Retirement System on or
42 after the effective date of this part may purchase credit and
43 receive eligibility points:

44 (1) as a member of Class T-C, Class T-E [or], Class T-F,
45 Class T-G or Class T-H for previous creditable school service
46 or creditable nonschool service; or

47 (2) as a member of Class T-D for previous creditable
48 school service, provided the member elects to become a Class
49 T-D member pursuant to section 8305.1 (relating to election
50 to become a Class T-D member);

51 upon written agreement by the member and the board as to the

1 manner of payment of the amount due for credit for such service;
2 except, that any purchase for reinstatement of service credit
3 shall be for all service previously credited.

4 (d) Purchase of previous noncreditable service.--Class T-C
5 and Class T-D members who are active members on the effective
6 date of this subsection shall have three years from the
7 effective date of this subsection to file a written application
8 with the board to purchase any previous noncreditable school
9 service. Class T-C and Class T-D members who are not active
10 members on the effective date of this subsection but who become
11 active members after the effective date of this subsection and
12 Class T-E [and class T-F], Class T-F, Class T-G and Class T-H
13 members shall have 365 days from entry into the system to file a
14 written application with the board to purchase any previous
15 noncreditable school service.

16 Section 107. Section 8305(c)(1) and (d) of Title 24 are
17 amended and the section is amended by adding subsections to
18 read:

19 § 8305. Classes of service.

20 * * *

21 (c) Class T-D membership.--

22 (1) A person who becomes a school employee and an active
23 member, or a person who becomes a multiple service member who
24 is a State employee and a member of the State Employees'
25 Retirement System, on or after the effective date of this
26 subsection and before July 2011 shall be classified as a
27 Class T-D member upon payment of regular member
28 contributions. Any prior school service credited as Class T-C
29 service shall be credited as Class T-D service, subject to
30 the limitations contained in paragraph (4).

31 * * *

32 (d) Class T-E membership.--Notwithstanding any other
33 provision, a person who first becomes a school employee and an
34 active member, or a person who first becomes a multiple service
35 member who is a State employee and a member of the State
36 Employees' Retirement System, on or after the effective date of
37 this subsection and before July 1, 2018, shall be classified as
38 a Class T-E member upon payment of regular member contributions
39 and the shared-risk contributions.

40 * * *

41 (f) Class T-G membership.--A person who first becomes a
42 school employee and an active member on or after July 1, 2018,
43 shall be classified as a Class T-G member upon payment of
44 regular member contributions and the shared-risk contributions.

45 (g) Class T-H membership or Class DC participant.--A person
46 who first becomes a school employee and an active member on or
47 after July 1, 2018, and who is eligible to become a Class T-G
48 member shall have the right to elect to become one of the
49 following:

50 (1) a Class T-H member, provided the person elects to
51 become a Class T-H member pursuant to section 8305.3

1 (relating to election to become a Class T-H member), upon
2 written election filed with the board and payment of regular
3 member contributions and the shared-risk contributions; or
4 (2) a Class DC participant, provided the person elects
5 to become a Class DC participant pursuant to section 8305.4
6 (relating to election to become a Class DC participant), upon
7 written election filed with the board and payment of
8 mandatory pickup participant contributions.

9 Section 107.1. Title 24 is amended by adding sections to
10 read:

11 § 8305.3. Election to become a Class T-H member.

12 (a) General rule.--A person who first becomes a school
13 employee and an active member on or after the effective date of
14 this subsection and who is eligible to become a Class T-G member
15 may elect to become a member of Class T-H.

16 (b) Time for making election.--A member must elect to become
17 a Class T-H member by filing a written election with the board
18 within 90 days of notification by the board that such member is
19 eligible for such election. A school employee who is eligible to
20 elect to become a Class T-H member who begins USERRA leave
21 during the election period without having elected Class T-H
22 membership may make the election within 90 days after being
23 reemployed from USERRA leave.

24 (c) Effect of election.--An election to become a Class T-H
25 member shall be irrevocable and shall commence from the original
26 date of eligibility. A member who elects Class T-H membership
27 shall receive Class T-H service credit on any and all future
28 service, regardless of whether the member terminates service or
29 has a break in service.

30 (d) Effect of failure to make election.--If a member fails
31 to timely file an election to become a Class T-H member, and
32 does not elect to become a Class DC participant under section
33 8305.4 (relating to election to become a Class DC participant),
34 then the member shall be enrolled as a member of Class T-G, and
35 the member shall never be able to elect Class T-H service,
36 regardless of whether the member terminates service or has a
37 break in service.

38 § 8305.4. Election to become a Class DC participant.

39 (a) General rule.--A person who first becomes a school
40 employee and an active member on or after the effective date of
41 this subsection and who is eligible to become a Class T-G member
42 may elect to become a participant of Class DC.

43 (b) Time for making election.--A member must elect to become
44 a Class DC participant by filing a written election with the
45 board within 90 days of notification by the board that such
46 member is eligible for such election. A school employee who is
47 eligible to elect to become a Class DC participant who begins
48 USERRA leave during the election period without having elected
49 to become a Class DC participant may make the election within 90
50 days after being reemployed from USERRA leave.

51 (c) Effect of election.--An election to become a Class DC

1 participant shall be irrevocable and shall commence from the
2 original date of eligibility. A member who elects to become a
3 Class DC participant shall remain a Class DC participant on any
4 and all future service, regardless of whether the participant
5 terminates service or has a break in service.

6 (d) Effect of failure to make election.--If a member fails
7 to timely file an election to become a Class DC participant, and
8 does not elect to become a member of Class T-H under section
9 8305.3 (relating to election to become a Class T-H member), then
10 the member shall be enrolled as a member of Class T-G, and the
11 member shall never be able to elect to become a Class DC
12 participant, regardless of whether the member terminates service
13 or has a break in service.

14 Section 108. Sections 8306, 8307, 8308, 8310, 8321,
15 8322.1(a), 8323(a), (c) and (d) (1), 8324, 8325.1(a), 8326(a) and
16 (c), 8327, 8328(a), (b), (c), (e) (1) and (g) and 8330 of Title
17 24 are amended to read:

18 § 8306. Eligibility points.

19 (a) General rule.--An active member of the system shall
20 accrue one eligibility point for each year of credited service
21 as a member of the [school or State retirement system] system or
22 if a multiple service member, as a member of the State
23 Employees' Retirement System. A member shall accrue an
24 additional two-thirds of an eligibility point for each year of
25 Class D-3 credited service under the State Employees' Retirement
26 System. In the case of a fractional part of a year of credited
27 service, a member shall accrue the corresponding fractional
28 portion of an eligibility point.

29 (a.1) USERRA leave.--A member or participant who is
30 reemployed from USERRA leave or who dies while performing USERRA
31 leave shall be granted the eligibility points that he would have
32 accrued had he continued in his school office or employment
33 instead of performing USERRA leave. If a school employee who is
34 reemployed from USERRA leave makes the member or mandatory
35 pickup participant contributions to be granted school service
36 credit for the USERRA leave, no additional eligibility points
37 may be granted.

38 (b) Transitional rule.--For the purposes of the transition:

39 (1) In determining whether a member, other than a
40 disability annuitant who returns to school service after June
41 30, 2001, upon termination of the disability annuity, who is
42 not a school employee or a State employee on June 30, 2001,
43 and July 1, 2001, and who has previous school service, has
44 the five eligibility points required by the definition of
45 "vestee" in sections 8102 (relating to definitions), 8307
46 (relating to eligibility for annuities), 8308 (relating to
47 eligibility for vesting) and 8345 (relating to member's
48 options), only eligibility points earned by performing
49 credited school service, USERRA leave or credited State
50 service as an active member of the State Employees'
51 Retirement System after June 30, 2001, shall be counted until

1 such member earns one eligibility point by performing
2 credited school service or, if a multiple service member,
3 credited State service after June 30, 2001, at which time all
4 eligibility points as determined under subsection (a) shall
5 be counted.

6 (2) A member subject to paragraph (1) shall be
7 considered to have satisfied any requirement for five
8 eligibility points contained in this part if the member has
9 at least ten eligibility points determined under subsection

10 (a).

11 § 8307. Eligibility for annuities.

12 (a) Superannuation annuity.--An active or an inactive member
13 who attains superannuation age shall be entitled to receive a
14 superannuation annuity upon termination of service and filing of
15 a proper application. All members must begin receiving a
16 superannuation annuity by the member's required beginning date.

17 (b) Withdrawal annuity.--

18 (1) A vestee in Class T-C or Class T-D with five or more
19 eligibility points or an active or inactive Class T-C or
20 Class T-D member who terminates school service having five or
21 more eligibility points shall, upon filing a proper
22 application, be entitled to receive an early annuity.

23 (2) A vestee in Class T-E or Class T-F with ten or more
24 eligibility points or an active or inactive Class T-E or
25 Class T-F member who terminates school service having ten or
26 more eligibility points shall, upon filing a proper
27 application, be entitled to receive an early annuity.

28 (3) A vestee in Class T-G or Class T-H with five or more
29 eligibility points or an active or inactive Class T-G or
30 Class T-H member who terminates school service having five or
31 more eligibility points shall, upon filing a proper
32 application, be entitled to receive an early annuity,
33 provided the member has attained the age of 62.

34 (c) Disability annuity.--An active or inactive member who
35 has credit for at least five years of service shall, upon filing
36 of a proper application, be entitled to a disability annuity if
37 he becomes mentally or physically incapable of continuing to
38 perform the duties for which he is employed and qualifies for an
39 annuity in accordance with the provisions of section 8505(c)(1)
40 (relating to duties of board regarding applications and
41 elections of members and participants).

42 § 8308. Eligibility for vesting.

43 Any Class T-C [or], Class T-D, Class T-G or Class T-H member
44 who terminates school service, or if a multiple service member
45 and an active member of the State Employees' Retirement System
46 who terminates State service, with five or more eligibility
47 points shall be entitled to vest his retirement benefits until
48 the member's required beginning date. Any Class T-E or Class T-F
49 member who terminates school service, or if a multiple service
50 member and an active member of the State Employees' Retirement
51 System who terminates State service, with ten or more

1 eligibility points shall be entitled to vest his retirement
2 benefits until his required beginning date.

3 § 8310. Eligibility for refunds.

4 Upon termination of service any active member, regardless of
5 eligibility for benefits, may elect to receive his accumulated
6 deductions by his required beginning date in lieu of any benefit
7 from the system to which he is entitled.

8 § 8321. Regular member contributions for current service.

9 (a) General.--Regular member contributions shall be made to
10 the fund on behalf of each active member for current service
11 except for any period of current service in which the making of
12 such contributions has ceased solely by reason of any provision
13 of this part relating to the limitations under IRC § 401(a)(17)
14 or 415.

15 (b) Class T-E [and], Class T-F, Class T-G and Class T-H
16 shared-risk contributions.--

17 (1) Commencing with the annual actuarial valuation
18 performed under section 8502(j) (relating to administrative
19 duties of board), for the period ending June 30, 2014, and
20 every three years thereafter, the board shall compare the
21 actual investment rate of return, net of fees, to the annual
22 interest rate adopted by the board for the calculation of the
23 normal contribution rate, based on the market value of
24 assets, for the prior ten-year period. If the actual
25 investment rate of return, net of fees, is less than the
26 annual interest rate adopted by the board by an amount of 1%
27 or more, the shared-risk contribution rate of Class T-E [and
28 T-F], Class T-F, Class T-G and Class T-H members will
29 increase by .5%. If the actual investment rate of return, net
30 of fees, is equal to or exceeds the annual interest rate
31 adopted by the board by less than 1%, the shared-risk
32 contributions rate of Class T-E [and T-F], Class T-F, Class
33 T-G and Class T-H members will decrease by .5%[. Class T-E
34 and T-F members will contribute at the total member
35 contribution rate in effect when they are hired. The],
36 provided the total member contribution rate on the date of
37 the actuarial valuation is above the member's basic
38 contribution rate. If the actual investment rate of return,
39 net of fees, is more than the annual interest rate adopted by
40 the board by an amount of 1% or more, the shared-risk
41 contribution rate of Class T-E, Class T-F, Class T-G and
42 Class T-H members will decrease by .5%. If the actual
43 investment rate of return, net of fees, is equal to or below
44 the annual interest rate adopted by the board by less than
45 1%, the shared-risk contribution rate of Class T-E, Class T-
46 F, Class T-G and Class T-H members will increase by .5%,
47 provided the total member contribution rate on the date of
48 the actuarial valuation is below the member's basic
49 contribution rate.

50 (2) Notwithstanding paragraph (1), the total member
51 contribution rate for Class T-E members shall not be less

1 than [7.5%] 5.5%, nor more than 9.5%. The total member
2 contribution rate for Class T-F members shall not be less
3 than [10.3%] 8.3%, nor more than 12.3%. The total member
4 contribution rate for Class T-G members shall not be less
5 than 3.5% nor more than 7.5%. The total member contribution
6 rate for Class T-H members shall not be less than 2.5% nor
7 more than 6.5%. Notwithstanding this subsection, if the
8 system's actuarial funded status is 100% or more as of the
9 date used for the comparison required under this subsection,
10 as determined in the current annual actuarial valuation, the
11 shared-risk contribution rate shall [be] not be greater than
12 zero. In the event that the annual interest rate adopted by
13 the board for the calculation of the normal contribution rate
14 is changed during the period used to determine the shared-
15 risk contribution rate, the board, with the advice of the
16 actuary, shall determine the applicable rate during the
17 entire period, expressed as an annual rate. The following
18 provisions apply:

19 [(1)] (i) Until the system has a ten-year period of
20 investment rate of return experience following the
21 effective date of this subsection, the look-back period
22 shall begin not earlier than the effective date of this
23 subsection.

24 [(2)] (ii) For any fiscal year in which the employer
25 contribution rate is lower than the final contribution
26 rate under section 8328(h) (relating to actuarial cost
27 method), the total member contribution rate for Class T-E
28 [and T-F], Class T-F, Class T-G and Class T-H members
29 shall be prospectively reset to the basic contribution
30 rate.

31 [(3)] (iii) There shall be no increase in the member
32 contribution rate if there has not been an equivalent
33 increase to the employer contribution rate over the
34 previous three-year period.

35 § 8322.1. Pickup contributions.

36 (a) Treatment for purposes of IRC § 414(h).--All
37 contributions to the fund required to be made under sections
38 8321 (relating to regular member contributions for current
39 service), 8322 (relating to joint coverage member contributions)
40 and 8305 (relating to classes of service), with respect to
41 current school service rendered by an active member on or after
42 January 1, 1983, shall be picked up by the employer and shall be
43 treated as the employer's contribution for purposes of IRC §
44 414(h).

45 * * *

46 § 8323. Member contributions for creditable school service.

47 (a) Previous school service, sabbatical leave and full
48 coverage.--The contributions to be paid by an active member or
49 an eligible State employee for credit in the system for
50 reinstatement of all previously credited school service, school
51 service not previously credited, sabbatical leave as if he had

1 been in full-time daily attendance, or full-coverage membership
2 shall be sufficient to provide an amount equal to the
3 accumulated deductions which would have been standing to the
4 credit of the member for such service had regular member
5 contributions been made with full coverage at the rate of
6 contribution necessary to be credited as Class T-C service,
7 Class T-D service if the member is a Class T-D member, Class T-E
8 service if the member is a Class T-E member [or], Class T-F
9 service if the member is a Class T-F member, Class T-G service
10 if the member is a Class T-G member or Class T-H service if the
11 member is a Class T-H member and had such contributions been
12 credited with statutory interest during the period the
13 contributions would have been made and during all periods of
14 subsequent school and State service up to the date of purchase.

15 * * *

16 (c) Approved leave of absence other than sabbatical leave
17 and activated military service leave.--The contributions to be
18 paid by an active member for credit for an approved leave of
19 absence, other than sabbatical leave and activated military
20 service leave, shall be sufficient to transfer his membership to
21 Class T-C or to Class T-D if the member is a Class T-D member,
22 to Class T-E if the member is a Class T-E member [or], to Class
23 T-F if the member is a Class T-F member, to Class T-G service if
24 the member is a Class T-G member or to Class T-H service if the
25 member is a Class T-H member and further to provide an annuity
26 as a Class T-C member or Class T-D member if the member is a
27 Class T-D member, to Class T-E if the member is a Class T-E
28 member [or], to Class T-F if the member is a Class T-F member,
29 to Class T-G service if the member is a Class T-G member or to
30 Class T-H service if the member is a Class T-H member for such
31 additional credited service. Such amount shall be the sum of the
32 amount required in accordance with the provisions of subsection
33 (b) and an amount determined as the sum of the member's basic
34 contribution rate and the normal contribution rate as provided
35 in section 8328 (relating to actuarial cost method) during such
36 period multiplied by the compensation which was received or
37 which would have been received during such period and with
38 statutory interest during all periods of subsequent school and
39 State service up to the date of purchase.

40 * * *

41 (d) Certification and payment of contributions.--

42 (1) In all cases other than for the purchase of credit
43 for sabbatical leave and activated military service leave
44 beginning before the effective date of paragraph (2), the
45 amount payable shall be certified by the board in accordance
46 with methods approved by the actuary and may be paid in a
47 lump sum within 90 days or in the case of an active member or
48 an eligible State employee who is an active member of the
49 State Employees' Retirement System it may be amortized with
50 statutory interest through salary deductions to the system in
51 amounts agreed upon by the member and the board. The salary

1 deduction amortization plans agreed to by members and the
2 board may include a deferral of payment amounts and statutory
3 interest until the termination of school service or State
4 service as the board in its sole discretion decides to allow.
5 The board may limit salary deduction amortization plans to
6 such terms as the board in its sole discretion determines. In
7 the case of an eligible State employee who is an active
8 member of the State Employees' Retirement System, the agreed
9 upon salary deductions shall be remitted to the State
10 Employees' Retirement Board, which shall certify and transfer
11 to the board the amounts paid.

12 * * *

13 § 8324. Contributions for purchase of credit for creditable
14 nonschool service and noncreditable school service.

15 (a) Source of contributions.--The total contributions to
16 purchase credit as a member of Class T-C, Class T-E [or], Class
17 T-F, Class T-G or Class T-H for creditable nonschool service of
18 an active member or an eligible State employee shall be paid
19 either by the member, the member's previous employer, the
20 Commonwealth, or a combination thereof, as provided by law.

21 (b) Nonintervening military service.--The amount due for the
22 purchase of credit for military service other than intervening
23 military service shall be determined by applying the member's
24 basic contribution rate plus the normal contribution rate as
25 provided in section 8328 (relating to actuarial cost method) at
26 the time of entry of the member into school service subsequent
27 to such military service to one-third of his total compensation
28 received during the first three years of such subsequent
29 credited school service and multiplying the product by the
30 number of years and fractional part of a year of creditable
31 nonintervening military service being purchased together with
32 statutory interest during all periods of subsequent school and
33 State service to date of purchase. Upon certification of the
34 amount due, payment may be made in a lump sum within 90 days or
35 in the case of an active member or an eligible State employee
36 who is an active member of the State Employees' Retirement
37 System it may be amortized with statutory interest through
38 salary deductions to the system in amounts agreed upon by the
39 member and the board. The salary deduction amortization plans
40 agreed to by members and the board may include a deferral of
41 payment amounts and statutory interest until the termination of
42 school service or State service as the board in its sole
43 discretion decides to allow. The board may limit salary
44 deduction amortization plans to such terms as the board in its
45 sole discretion determines. In the case of an eligible State
46 employee who is an active member of the State Employees'
47 Retirement System, the agreed upon salary deductions shall be
48 remitted to the State Employees' Retirement Board, which shall
49 certify and transfer to the board the amounts paid. Application
50 may be filed for all such military service credit upon
51 completion of three years of subsequent credited school service

1 and shall be credited as Class T-C service. In the event that a
2 Class T-E member makes a purchase of credit for such military
3 service, then such service shall be credited as Class T-E
4 service. In the event that a Class T-F member makes a purchase
5 of credit for such military service, then such service shall be
6 credited as Class T-F service. In the event that a Class T-G
7 member makes a purchase of credit for such military service,
8 then such service shall be credited as Class T-G service. In the
9 event that a Class T-H member makes a purchase of credit for
10 such military service, then such service shall be credited as
11 Class T-H service.

12 (c) Intervening military service.--Contributions on account
13 of credit for intervening military service shall be determined
14 by the member's basic contribution rate and compensation at the
15 time of entry of the member into active military service,
16 together with statutory interest during all periods of
17 subsequent school and State service to date of purchase. Upon
18 application for such credit the amount due shall be certified in
19 the case of each member by the board, in accordance with methods
20 approved by the actuary, and contributions may be made by one of
21 the following methods:

22 (1) Regular monthly payments during active military
23 service.

24 (2) A lump sum payment within 90 days of certification
25 of the amount due.

26 (3) Salary deductions to the system in amounts agreed
27 upon by the member and the board. The salary deduction
28 amortization plans agreed to by the members and the board may
29 include a deferral of payment amounts and statutory interest
30 until the termination of school service or State service as
31 the board in its sole discretion decides to allow. The board
32 may limit salary deduction amortization plans to such terms
33 as the board in its sole discretion determines. In the case
34 of an eligible State employee who is an active member of the
35 State Employees' Retirement System, the agreed upon salary
36 deductions shall be remitted to the State Employees'
37 Retirement Board, which shall certify and transfer to the
38 board the amounts paid.

39 (d) Other creditable nonschool service and noncreditable
40 school service.--

41 (1) Contributions on account of Class T-C credit for
42 creditable nonschool service other than military service
43 shall be determined by applying the member's basic
44 contribution rate plus the normal contribution rate as
45 provided in section 8328 at the time of the member's entry
46 into school service subsequent to such creditable nonschool
47 service to his total compensation received during the first
48 year of subsequent credited school service and multiplying
49 the product by the number of years and fractional part of a
50 year of creditable nonschool service being purchased together
51 with statutory interest during all periods of subsequent

1 school or State service to the date of purchase, except that
2 in the case of purchase of credit for creditable nonschool
3 service as set forth in section 8304(b)(5) (relating to
4 creditable nonschool service) the member shall pay only the
5 employee's share unless otherwise provided by law. Upon
6 certification of the amount due, payment may be made in a
7 lump sum within 90 days or in the case of an active member or
8 an eligible State employee who is an active member of the
9 State Employees' Retirement System it may be amortized with
10 statutory interest through salary deductions to the system in
11 amounts agreed upon by the member and the board. The salary
12 deduction amortization plans agreed to by the members and the
13 board may include a deferral of payment amounts and statutory
14 interest until the termination of school service or State
15 service as the board in its sole discretion decides to allow.
16 The board may limit salary deduction amortization plans to
17 such terms as the board in its sole discretion determines. In
18 the case of an eligible State employee who is an active
19 member of the State Employees' Retirement System, the agreed
20 upon salary deductions shall be remitted to the State
21 Employees' Retirement Board, which shall certify and transfer
22 to the board the amounts paid.

23 (2) Contributions on account of Class T-E [or], Class T-
24 F, Class T-G or Class T-H credit for creditable nonschool
25 service other than military service shall be the present
26 value of the full actuarial cost of the increase in the
27 projected superannuation annuity caused by the additional
28 service credited on account of the purchase. Upon
29 certification of the amount due, payment may be made in a
30 lump sum within 90 days or, in the case of an active member
31 or an eligible State employee who is an active member of the
32 State Employees' Retirement System, it may be amortized with
33 statutory interest through salary deductions to the system in
34 amounts agreed upon by the member and the board. The salary
35 deduction amortization plans agreed to by the members and the
36 board may include a deferral of payment amounts and statutory
37 interest until the termination of school service or State
38 service as the board in its sole discretion decides to allow.
39 The board may limit salary deduction amortization plans to
40 the terms as the board in its sole discretion determines. In
41 the case of an eligible State employee who is an active
42 member of the State Employees' Retirement System, the agreed
43 upon salary deductions shall be remitted to the State
44 Employees' Retirement Board, which shall certify and transfer
45 to the board the amounts paid.

46 (3) Contributions on account of Class T-E [or], Class T-
47 F, Class T-G or Class T-H credit for noncreditable school
48 service other than military service shall be the present
49 value of the full actuarial cost of the increase in the
50 projected superannuation annuity caused by the additional
51 service credited on account of the purchase. Upon

1 certification of the amount due, payment may be made in a
2 lump sum within 90 days or, in the case of an active member
3 or an eligible State employee who is an active member of the
4 State Employees' Retirement System, it may be amortized with
5 statutory interest through salary deductions to the system in
6 amounts agreed upon by the member and the board. The salary
7 deduction amortization plans agreed to by the members and the
8 board may include a deferral of payment amounts and statutory
9 interest until the termination of school service or State
10 service as the board in its sole discretion decides to allow.
11 The board may limit salary deduction amortization plans to
12 the terms as the board in its sole discretion determines. In
13 the case of an eligible State employee who is an active
14 member of the State Employees' Retirement System, the agreed
15 upon salary deductions shall be remitted to the State
16 Employees' Retirement Board, which shall certify and transfer
17 to the board the amounts paid.

18 (e) Creditable work experience.--Contributions on account of
19 Class T-C, Class T-E [or], Class T-F, Class T-G or Class T-H
20 credit for creditable work experience pursuant to section
21 8304(b)(6) shall be the present value of the full actuarial cost
22 of the increase in the projected superannuation annuity caused
23 by the additional service credited on account of the purchase of
24 creditable work experience. The amount paid for the purchase of
25 credit for creditable work experience shall not be payable as a
26 lump sum under section 8345(a)(4)(iii) (relating to member's
27 options). Any individual eligible to receive an annuity,
28 excluding an annuity received under the Federal Social Security
29 Act (42 U.S.C. § 301 et seq.), in another pension system, other
30 than a military pension system, shall not be eligible to
31 purchase this service.

32 (f) Creditable maternity leave.--Contributions on account of
33 Class T-C, Class T-E or Class T-F credit for creditable
34 maternity leave pursuant to section 8304(b)(7) shall be
35 determined by applying the member's basic contribution rate plus
36 the normal contribution rate as provided in section 8328 at the
37 time of the member's return to school service to the total
38 compensation received during the first year of subsequent school
39 service and multiplying the product by the number of years and
40 fractional part of a year of creditable service being purchased,
41 together with statutory interest during all periods of
42 subsequent school or State service to the date of purchase. The
43 amount paid for the purchase of credit for creditable maternity
44 leave shall not be eligible for withdrawal as a lump sum under
45 section 8345(a)(4)(iii).

46 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

47 (a) General rule.--In addition to other applicable
48 limitations set forth in this part, and notwithstanding any
49 provision of this part to the contrary, the annual compensation
50 of each noneligible member and each participant taken into
51 account for benefit purposes under this subchapter shall not

1 exceed the limitation under IRC § 401(a)(17). On and after July
2 1, 1996, any reference in this part to the limitation under IRC
3 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
4 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
5 compensation limit set forth in this subsection. The OBRA '93
6 annual compensation limit is \$150,000, as adjusted by the
7 commissioner for increases in the cost of living in accordance
8 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
9 effect for a calendar year applies to any determination period
10 which is a period, not exceeding 12 months, over which
11 compensation is determined, beginning in such calendar year. If
12 a determination period consists of fewer than 12 months, the
13 OBRA '93 compensation limit will be multiplied by a fraction,
14 the numerator of which is the number of months in the
15 determination period and the denominator of which is 12.

16 * * *

17 § 8326. Contributions by the Commonwealth.

18 (a) Contributions on behalf of active members.--The
19 Commonwealth shall make contributions into the fund on behalf of
20 all active members and participants, including members and
21 participants on activated military service leave, in an amount
22 equal to one-half the amount certified by the board as necessary
23 to provide, together with the members' contributions, annuity
24 reserves on account of prospective annuities as provided in this
25 part in accordance with section 8328 (relating to actuarial cost
26 method). In case a school employee has elected membership in a
27 retirement program approved by the employer, the Commonwealth
28 shall contribute to such program on account of his membership an
29 amount no greater than the amount it would have contributed had
30 the employee been a member of the Public School Employees'
31 Retirement System.

32 * * *

33 (c) Contributions after June 30, 1995.--

34 (1) The Commonwealth shall make contributions into the
35 fund on behalf of all active members and participants,
36 including members and participants on activated military
37 service leave, for service performed after June 30, 1995, in
38 the following manner:

39 (i) For members and participants who are employees
40 of employers that are school entities, no Commonwealth
41 contributions shall be made.

42 (ii) For members and participants who are employees
43 of employers that are not school entities, the amount
44 computed under subsection (a).

45 (2) The Commonwealth shall make contributions into the
46 fund on behalf of annuitants for all amounts due to the fund
47 after June 30, 1995, including, but not limited to, amounts
48 due pursuant to section 8328(d) and (f), in the following
49 manner:

50 (i) For members and participants who are employees
51 of employers who are school entities, no Commonwealth

1 contributions shall be made.

2 (ii) For members and participants who are employees
3 of employers who are not school entities, the amount
4 computed under subsection (b).

5 * * *

6 § 8327. Payments by employers.

7 (a) General rule.--Each employer, including the Commonwealth
8 as employer of employees of the Department of Education, State-
9 owned colleges and universities, Thaddeus Stevens College of
10 Technology, Western Pennsylvania School for the Deaf, Scotland
11 School for Veterans' Children[,] and [the] The Pennsylvania
12 State University, shall make payments to the fund each quarter
13 in an amount equal to one-half the sum of the percentages, as
14 determined under section 8328 (relating to actuarial cost
15 method), applied to the total compensation during the pay
16 periods in the preceding quarter of all its employees who were
17 members of the system during such period, including members on
18 activated military service leave. In the event a member on
19 activated military service leave does not return to service for
20 the necessary time or receives an undesirable, bad conduct or
21 dishonorable discharge or does not elect to receive credit for
22 activated military service under section 8302(b.1)(3) (relating
23 to credited school service), the contributions made by the
24 employer on behalf of such member shall be returned with
25 valuation interest upon application by the employer.

26 (b) Deduction from appropriations.--

27 (1) To facilitate the payment of amounts due from any
28 employer to the fund and the trust through the State
29 Treasurer and to permit the exchange of credits between the
30 State Treasurer and any employer, the Secretary of Education
31 and the State Treasurer shall cause to be deducted and paid
32 into the fund and the trust from the amount of any moneys due
33 to any employer on account of any appropriation for schools
34 or other purposes amounts equal to the employer
35 contributions, employer defined contributions and pickup
36 contributions which an employer is required to pay to the
37 fund and the trust, as certified by the board, and as remains
38 unpaid on the date such appropriations would otherwise be
39 paid to the employer. Such amount shall be credited to the
40 appropriate accounts in the fund and the trust.

41 (2) To facilitate the payments of amounts due from any
42 charter school, as defined in Article XVII-A of the act of
43 March 10, 1949 (P.L.30, No.14), known as the Public School
44 Code of 1949, to the fund and the trust through the State
45 Treasurer and to permit the exchange of credits between the
46 State Treasurer and any employer, the Secretary of Education
47 and the State Treasurer shall cause to be deducted and paid
48 into the fund and the trust from any funds appropriated to
49 the Department of Education for basic education of the
50 chartering school district of a charter school and public
51 school employees' retirement contributions amounts equal to

1 the employer contributions, employer defined contributions
2 and pickup contributions which a charter school is required
3 to pay to the fund and the trust, as certified by the board,
4 and as remains unpaid on the date such appropriations would
5 otherwise be paid to the chartering school district or
6 charter school. Such amounts shall be credited to the
7 appropriate accounts in the fund and the trust. Any reduction
8 in payments to a chartering school district made pursuant to
9 this section shall be deducted from the amount due to the
10 charter school district pursuant to the Public School Code of
11 1949.

12 (c) Payments by employers after June 30, 1995, and before
13 June 30, 2018.--After June 30, 1995, and before June 30, 2018,
14 each employer, including the Commonwealth as employer of
15 employees of the Department of Education, State-owned colleges
16 and universities, Thaddeus Stevens College of Technology,
17 Western Pennsylvania School for the Deaf, Scotland School for
18 Veterans' Children and The Pennsylvania State University, shall
19 make payments to the fund and the trust each quarter in an
20 amount computed in the following manner:

21 (1) For an employer that is a school entity, the amount
22 shall be the sum of the percentages as determined under
23 section 8328 applied to the total compensation during the pay
24 periods in the preceding quarter of all employees who were
25 active members of the system or active participants of the
26 plan during such period, including members or active
27 participants on activated military service leave. In the
28 event a member on activated military service leave does not
29 return to service for the necessary time or receives an
30 undesirable, bad conduct or dishonorable discharge or does
31 not elect to receive credit for activated military service
32 under section 8302(b.1)(3), the contribution made by the
33 employer on behalf of such member shall be returned with
34 valuation interest upon application by the employer.

35 (2) For an employer that is not a school entity, the
36 amount computed under subsection (a).

37 (3) For any employer, whether or not a school entity, in
38 computing the amount of payment due each quarter, there shall
39 be excluded from the total compensation referred to in this
40 subsection and subsection (a) any amount of compensation of a
41 noneligible member on the basis of which member or
42 participant contributions have not been made by reason of the
43 limitation under IRC § 401(a)(17), except as otherwise
44 provided in this part. Any amount of contribution to the fund
45 paid by the employer on behalf of a noneligible member on the
46 basis of compensation which was subject to exclusion from
47 total compensation in accordance with the provisions of this
48 paragraph shall, upon the board's determination or upon
49 application by the employer, be returned to the employer with
50 valuation interest. Any amount of contribution to the trust
51 paid by the employer on behalf of a noneligible member on the

1 basis of compensation that was subject to exclusion from
2 total compensation in accordance with the provisions of this
3 paragraph shall, upon the board's determination or upon
4 application by the employer, be returned to the employer plus
5 interest and investment gains or losses on such amount but
6 minus investment fees and administrative charges.

7 (d) Payments by employers after June 30, 2018.--After June
8 30, 2018, each employer, including the Commonwealth as employer
9 of employees of the Department of Education, State-owned
10 colleges and universities, Thaddeus Stevens College of
11 Technology, Western Pennsylvania School for the Deaf, Scotland
12 School for Veterans' Children and The Pennsylvania State
13 University, shall make payments to the fund and the trust each
14 quarter in an amount computed in the following manner:

15 (1) For an employer that is a school entity, the amount
16 shall be the sum of the percentages as determined under
17 section 8328 applied to the total compensation during the pay
18 periods in the preceding quarter of all employees who were
19 active members of the system during such period, including
20 members on activated military service leave and USERRA leave.
21 In the event a member on activated military service leave or
22 USERRA leave does not return to service for the necessary
23 time or receives an undesirable, bad conduct or dishonorable
24 discharge or does not elect to receive credit for activated
25 military service under section 8302(b.1)(3), the contribution
26 made by the employer on behalf of such member shall be
27 returned with valuation interest upon application by the
28 employer.

29 (2) For an employer that is not a school entity, the
30 amount computed under subsection (a).

31 (3) For any employer, whether or not a school entity, in
32 computing the amount of payment due each quarter, there shall
33 be excluded from the total compensation referred to in this
34 subsection and subsection (a) any amount of compensation of a
35 noneligible member or participant on the basis of which
36 member or participant contributions have not been made by
37 reason of the limitation under IRC § 401(a)(17). Any amount
38 of contribution to the fund paid by the employer on behalf of
39 a noneligible member or participant on the basis of
40 compensation that was subject to exclusion from total
41 compensation in accordance with the provisions of this
42 paragraph shall, upon the board's determination or upon
43 application by the employer, be returned to the employer with
44 valuation interest.

45 (e) Agreement.--The agreement of an employer listed in the
46 definition of school employee under section 8102 (relating to
47 definitions) or any other law to make contributions to the fund
48 or to enroll its employees as members in the system shall be
49 deemed to be an agreement to make contributions to the trust or
50 enroll its employees in the plan.

51 (f) Contributions.--The employer employing a participant

1 shall pick up the required mandatory participant contributions
2 by a reduction in the compensation of the participant.

3 (g) Reemployed from USERRA leave.--When a school employee
4 reemployed from USERRA leave makes the member contributions
5 required to be granted school service credit for the USERRA
6 leave after June 30, 2018, either by actual payment or by
7 actuarial debt under section 8325 (relating to incomplete
8 payments), the employer that employed the school employee when
9 the member contributions are made, or the last employer before
10 termination in the case of payment under section 8325, shall
11 make the employer contributions that would have been made under
12 this section if the employee making the member contributions
13 after he is reemployed from USERRA leave continued to be
14 employed in his school office or position instead of performing
15 USERRA leave.

16 § 8328. Actuarial cost method.

17 (a) Employer contribution rate.--The amount of the total
18 employer contributions shall be computed by the actuary as a
19 percentage of the total compensation of all active members and
20 active participants, as applicable, during the period for which
21 the amount is determined and shall be so certified by the board.
22 The total employer contribution rate shall be the sum of the
23 final contribution rate as computed in subsection (h) plus the
24 premium assistance contribution rate as computed in subsection
25 (f), plus the additional contribution rate as computed in
26 subsection (j). The actuarially required contribution rate shall
27 consist of the normal contribution rate as defined in subsection
28 (b), the accrued liability contribution rate as defined in
29 subsection (c) and the supplemental annuity contribution rate as
30 defined in subsection (d). Beginning July 1, 2004, the
31 actuarially required contribution rate shall be modified by the
32 experience adjustment factors as calculated in subsection (e).

33 (b) Normal contribution rate.--The normal contribution rate
34 shall be determined after each actuarial valuation. Until all
35 accrued liability contributions have been completed, the normal
36 contribution rate shall be determined, on the basis of an annual
37 interest rate and such mortality and other tables as shall be
38 adopted by the board in accordance with generally accepted
39 actuarial principles, as a level percentage of the compensation
40 of [the average new active member] all active members, which
41 percentage, if contributed from the start of their employment on
42 the basis of [his] their prospective compensation through [the]
43 their entire period of active school service, would be
44 sufficient to fund the liability for any prospective benefit
45 payable to [him] them, in excess of that portion funded by [his]
46 their prospective member contributions, excluding the shared-
47 risk contributions. In no case shall the employer's normal cost
48 be less than zero.

49 (c) Accrued liability contribution rate.--

50 (1) For the fiscal years beginning July 1, 2002, and
51 ending June 30, 2011, the accrued liability contribution rate

1 shall be computed as the rate of total compensation of all
2 active members which shall be certified by the actuary as
3 sufficient to fund over a period of ten years from July 1,
4 2002, the present value of the liabilities for all
5 prospective benefits of active members, except for the
6 supplemental benefits provided in sections 8348 (relating to
7 supplemental annuities), 8348.1 (relating to additional
8 supplemental annuities), 8348.2 (relating to further
9 additional supplemental annuities), 8348.3 (relating to
10 supplemental annuities commencing 1994), 8348.4 (relating to
11 special supplemental postretirement adjustment), 8348.5
12 (relating to supplemental annuities commencing 1998), 8348.6
13 (relating to supplemental annuities commencing 2002) and
14 8348.7 (relating to supplemental annuities commencing 2003),
15 in excess of the total assets in the fund (calculated by
16 recognizing the actuarially expected investment return
17 immediately and recognizing the difference between the actual
18 investment return and the actuarially expected investment
19 return over a five-year period), excluding the balance in the
20 annuity reserve account, and of the present value of normal
21 contributions and of member contributions payable with
22 respect to all active members on July 1, 2002, during the
23 remainder of their active service.

24 (2) For the fiscal years beginning July 1, 2003, and
25 ending June 30, 2011, the amount of each annual accrued
26 liability contribution shall be equal to the amount of such
27 contribution for the fiscal year, beginning July 1, 2002,
28 except that, if the accrued liability is increased by
29 legislation enacted subsequent to June 30, 2002, but before
30 July 1, 2003, such additional liability shall be funded over
31 a period of ten years from the first day of July, coincident
32 with or next following the effective date of the increase.
33 The amount of each annual accrued liability contribution for
34 such additional legislative liabilities shall be equal to the
35 amount of such contribution for the first annual payment.

36 (3) Notwithstanding any other provision of law,
37 beginning July 1, 2004, and ending June 30, 2011, the
38 outstanding balance of the increase in accrued liability due
39 to the change in benefits enacted in 2001 and the outstanding
40 balance of the net actuarial loss incurred in fiscal year
41 2000-2001 shall be amortized in equal dollar annual
42 contributions over a period that ends 30 years after July 1,
43 2002, and the outstanding balance of the net actuarial loss
44 incurred in fiscal year 2001-2002 shall be amortized in equal
45 dollar annual contributions over a period that ends 30 years
46 after July 1, 2003. For fiscal years beginning on or after
47 July 1, 2004, if the accrued liability is increased by
48 legislation enacted subsequent to June 30, 2003, such
49 additional liability shall be funded in equal dollar annual
50 contributions over a period of ten years from the first day
51 of July coincident with or next following the effective date

1 of the increase.

2 (4) For the fiscal year beginning July 1, 2011, the
3 accrued liability contribution rate shall be computed as the
4 rate of total compensation of all active members which shall
5 be certified by the actuary as sufficient to fund as a level
6 percentage of compensation over a period of 24 years from
7 July 1, 2011, the present value of the liabilities for all
8 prospective benefits calculated as of June 30, 2010,
9 including the supplemental benefits as provided in sections
10 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
11 8348.7, in excess of the actuarially calculated assets in the
12 fund (calculated recognizing all realized and unrealized
13 investment gains and losses each year in level annual
14 installments over a ten-year period). In the event that the
15 accrued liability is increased by legislation enacted
16 subsequent to June 30, 2010, as a result of an increase in
17 benefits determined on a total plan basis, such additional
18 liability shall be funded as a level percentage of
19 compensation over a period of ten years from the July 1
20 second succeeding the date such legislation is enacted.

21 (5) For the fiscal year beginning on or after July 1,
22 2017, the actuarially calculated assets in the fund
23 determined in accordance with paragraph (4) shall be no less
24 than 70% and no more than 130% of market value.

25 * * *

26 (e) Experience adjustment factor.--

27 (1) For each fiscal year after the establishment of the
28 accrued liability contribution rate for the fiscal year
29 beginning July 1, 2011, any increase or decrease in the
30 unfunded accrued liability, excluding the gains or losses on
31 the assets of the health insurance account, due to actual
32 experience differing from assumed experience, changes in
33 actuarial assumptions, changes in contributions caused by the
34 final contribution rate being different from the actuarially
35 required contribution rate, active members making shared-risk
36 contributions or changes in the terms and conditions of the
37 benefits provided by the system by judicial, administrative
38 or other processes other than legislation, including, but not
39 limited to, reinterpretation of the provisions of this part,
40 shall be amortized as a level percentage of compensation over
41 a period of 24 years beginning with the July 1 second
42 succeeding the actuarial valuation determining said increases
43 or decreases.

44 * * *

45 (g) Temporary application of collared contribution rate.--

46 (1) The collared contribution rate for each fiscal year
47 shall be determined by comparing the actuarially required
48 contribution rate, calculated without regard for the costs
49 added by legislation, to the prior year's final contribution
50 rate.

51 (2) If, for any of the fiscal years beginning July 1,

1 2011, July 1, 2012, and on or after July 1, 2013, the
 2 actuarially required contribution rate, calculated without
 3 regard for the costs added by legislation, is more than 3%,
 4 3.5% and 4.5%, respectively, of the total compensation of all
 5 active members greater than the prior year's final
 6 contribution rate, then the collared contribution rate shall
 7 be applied and be equal to the prior year's final
 8 contribution rate increased by 3%, 3.5% and 4.5%,
 9 respectively, of total compensation of all active members.
 10 Otherwise, and for all other fiscal years, the collared
 11 contribution rate shall not be applicable. In no case shall
 12 the collared contribution rate be less than 4% of the total
 13 compensation of all active members.

14 * * *

15 (j) Additional contribution rate dedicated to pay off
 16 unfunded accrued liability.--Until the system's actuarial funded
 17 status is 100% or more as determined by the annual actuarial
 18 evaluation, for each fiscal year beginning with July 1, 2027,
 19 the total contribution rate as calculated according to this
 20 section shall be increased annually in accordance with the
 21 following schedule, notwithstanding any other provisions of this
 22 section:

23	<u>Fiscal year beginning:</u>	<u>Additional contribution rate:</u>
24	<u>July 1, 2027</u>	<u>0.01</u>
25	<u>July 1, 2028</u>	<u>0.02</u>
26	<u>July 1, 2029</u>	<u>0.05</u>
27	<u>July 1, 2030</u>	<u>0.06</u>
28	<u>July 1, 2031</u>	<u>0.08</u>
29	<u>July 1, 2032</u>	<u>0.11</u>
30	<u>July 1, 2033</u>	<u>0.11</u>
31	<u>July 1, 2034</u>	<u>0.14</u>
32	<u>July 1, 2035</u>	<u>0.14</u>
33	<u>July 1, 2036</u>	<u>0.17</u>
34	<u>July 1, 2037</u>	<u>0.19</u>
35	<u>July 1, 2038</u>	<u>0.21</u>
36	<u>July 1, 2039</u>	<u>0.23</u>
37	<u>July 1, 2040</u>	<u>0.26</u>
38	<u>July 1, 2041</u>	<u>0.25</u>
39	<u>July 1, 2042</u>	<u>0.30</u>
40	<u>July 1, 2043</u>	<u>0.31</u>
41	<u>July 1, 2044</u>	<u>0.33</u>
42	<u>July 1, 2045</u>	<u>0.35</u>
43	<u>July 1, 2046</u>	<u>0.38</u>
44	<u>July 1, 2047</u>	<u>0.38</u>
45	<u>July 1, 2048</u>	<u>0.40</u>
46	<u>July 1, 2049</u>	<u>0.42</u>

47 § 8330. Appropriations by the Commonwealth.

48 (a) Annual submission of budget.--The board shall prepare
 49 and through the Governor submit annually to the General Assembly
 50 an itemized budget consisting of the amounts necessary to be
 51 appropriated by the Commonwealth out of the General Fund

1 required to meet the separate obligations to the fund and the
2 trust accruing during the fiscal period beginning July 1 of the
3 following year.

4 (b) Appropriation and payment.--The General Assembly shall
5 make an appropriation sufficient to provide for the separate
6 obligations of the Commonwealth to the fund and the trust. Such
7 amount shall be paid by the State Treasurer through the
8 Department of Revenue into the fund or the trust within 30 days
9 of receipt of the requisition presented each quarter by the
10 board.

11 Section 109. Title 24 is amended by adding a section to
12 read:

13 § 8331. Employer funding mandate protection.

14 (a) Limited expansion of contractual right to funding.--
15 Beginning on the July 1 after the actuarial valuation in which
16 the actuary certifies that final contribution rate is the
17 actuarially required contribution, each active member shall have
18 a contractual right to the timely payment of the annual
19 actuarially required contributions under sections 8328 (relating
20 to actuarial cost method) and 8502(k) (relating to
21 administrative duties of board) by such member's employer. The
22 following apply:

23 (1) The failure of a member's employer to make the
24 annually required contribution to the fund will be deemed to
25 be an impairment of the contractual right of such member.

26 (2) Any claim of contract impairment shall be brought
27 against the employer of the member for whom contributions
28 were not paid and neither the board nor the system or their
29 employees or agents shall be a defendant in any such action
30 or liable for any payments or damages arising from such
31 impairment.

32 (b) Jurisdiction of Supreme Court.--Notwithstanding 2
33 Pa.C.S. (relating to administrative law and procedure), 42
34 Pa.C.S. (relating to judiciary and judicial procedure) or any
35 other provision of law, the Pennsylvania Supreme Court shall
36 have exclusive jurisdiction to do as follows:

37 (1) hear any claim of contract impairment for failure to
38 pay certified contributions;

39 (2) render a declaratory judgment or take such other
40 action as it deems appropriate, consistent with the Supreme
41 Court retaining jurisdiction over such matter; and

42 (3) to find facts or to expedite a final judgment in
43 connection with such a challenge or request for declaratory
44 relief.

45 (c) Sovereign immunity waived.--Sovereign immunity is hereby
46 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
47 matters affecting government units) or lack of jurisdiction by
48 the Supreme Court shall not be raised as a defense against a
49 claim brought against an employer under this section.

50 (d) Attorney fees.--A member who prevails in a claim brought
51 under this part may be awarded reasonable attorney fees.

1 (e) Limitation of contract right.--Nothing in this section
2 shall be construed to create a contract right or claim of
3 contract impairment in any member as to any benefit formula,
4 benefit payment option, or any other provision of this part
5 other than the funding mandate of the member's employer, or to
6 change the jurisdiction of the board or the courts regarding any
7 claim other than for payment of the annual actuarially required
8 contributions.

9 (f) Employer contributions.--Nothing in this section shall
10 be construed to supersede or conflict with the rights and
11 obligations set forth in section 8330 (relating to
12 appropriations by the Commonwealth).

13 Section 110. Section 8341 of Title 24 is amended to read:
14 § 8341. Return of accumulated deductions.

15 Any member upon termination of service may, in lieu of all
16 benefits payable from the system under this chapter to which he
17 may be entitled, elect to receive his accumulated deductions by
18 his required beginning date.

19 Section 111. Sections 8342(a) and 8344(a), (b) and (d) of
20 Title 24 are amended and the sections are amended by adding
21 subsections to read:

22 § 8342. Maximum single life annuity.

23 (a) General rule.--Upon termination of service, any full
24 coverage member who is eligible to receive an annuity pursuant
25 to the provisions of section 8307(a) or (b) (relating to
26 eligibility for annuities) and has made an application in
27 accordance with the provisions of section 8507(f) (relating to
28 rights and duties of school employees [and members], members and
29 participants) shall be entitled to receive a maximum single life
30 annuity attributable to his credited service and equal to the
31 sum of the following single life annuities beginning at the
32 effective date of retirement and, in case the member on the
33 effective date of retirement is under superannuation age,
34 multiplied by a reduction factor calculated to provide benefits
35 actuarially equivalent to an annuity starting at superannuation
36 age: Provided however, That on or after July 1, 1976, in the
37 case of any member other than a Class T-G or Class T-H member
38 who has attained age 55 and has 25 or more eligibility points
39 such sum of single life annuities shall be reduced by a
40 percentage determined by multiplying the number of months,
41 including a fraction of a month as a full month, by which the
42 effective date of retirement precedes superannuation age by
43 1/4%: Further provided, That on or after July 1, 2018, in the
44 case of any Class T-G or Class T-H member who has attained age
45 62 and has 25 or more eligibility points and who terminates
46 service on or after attaining age 55, such sum of single life
47 annuities shall be reduced by a percentage determined by
48 multiplying the number of months, including a fraction of a
49 month as a full month, by which the effective date of retirement
50 precedes superannuation age by 1/4%: Further provided, In no
51 event shall a Class T-E [or], Class T-F, Class T-G or Class T-H

1 member receive an annual benefit, calculated as of the effective
2 date of retirement, greater than the member's final average
3 salary:

4 (1) A [standard single life annuity multiplied by the]
5 single life annuity that is the sum of annuities determined
6 separately for each class of service [multiplier] and
7 calculated on the basis of the number of years of credited
8 school service other than concurrent service.

9 (2) A standard single life annuity multiplied by the
10 class of service multiplier and calculated on the basis of
11 the number of years of concurrent service and multiplied by
12 the ratio of total compensation received in the school system
13 during the period of concurrent service to the total
14 compensation received during such period.

15 (3) A supplemental annuity such that the total annuity
16 prior to any optional modification or any reduction due to
17 retirement prior to superannuation age shall be at least \$100
18 for each full year of credited service.

19 * * *

20 (d) Coordination of benefits.--The determination and payment
21 of the maximum single life annuity under this section shall be
22 in addition to any payments a member may be entitled to receive,
23 has received or is receiving as a result of being a participant
24 in the plan.

25 § 8344. Disability annuities.

26 (a) Amount of annuity.--A member who has made application
27 for a disability annuity as provided in section 8507(k)
28 (relating to rights and duties of school employees [and],
29 members and participants) and has been found to be eligible in
30 accordance with the provisions of sections 8307(c) (relating to
31 eligibility for annuities) and 8505(c)(1) (relating to duties of
32 board regarding applications and elections of members and
33 participants) shall receive a disability annuity payable from
34 the effective date of disability and continued until a
35 subsequent determination by the board that the annuitant is no
36 longer entitled to a disability annuity. The disability annuity
37 shall be a single life annuity that is equal to a sum of the
38 standard single life [annuity] annuities determined separately
39 for each class of service if the total number of years of
40 credited service is greater than 16.667, otherwise [the] each
41 standard single life annuity shall be multiplied by the lesser
42 of the following ratios:

$$43 \quad Y^*/Y \text{ or } 16.667/Y$$

44 where Y = total number of years of credited service and Y* =
45 total years of credited service if the member were to continue
46 as a school employee until attaining superannuation age, or if
47 the member has attained superannuation age then the number of
48 years of credited service. For purposes of calculating a
49 disability annuity for a member of Class T-G or Class T-H, the
50 standard single life annuity shall equal 2% of the final average
51 salary, multiplied by the total number of years and fractional

1 part of a year of service credited for such class of service. In
2 no event shall the disability annuity plus any cost-of-living
3 increases be less than \$100 for each full year of credited
4 service. The member shall be entitled to the election of a joint
5 and survivor annuity on that portion of the disability annuity
6 to which he is entitled under section 8342 (relating to maximum
7 single life annuity).

8 (b) Reduction on account of earned income.--Payments on
9 account of disability shall be reduced by that amount by which
10 the earned income of the annuitant, as reported in accordance
11 with section 8508(b) (relating to rights and duties of
12 annuitants) for the preceding year together with the disability
13 annuity payments for the year, exceeds the greater of \$5,000 or
14 the last year's salary of the annuitant as a [school employee]
15 member of the system, provided that the annuitant shall not
16 receive less than his member's annuity or the amount to which he
17 may be entitled under section 8342, whichever is greater.

18 * * *

19 (d) Withdrawal of accumulated deductions.--Upon termination
20 of disability annuity payments in excess of an annuity
21 calculated in accordance with section 8342, a disability
22 annuitant who[:

- 23 (1) is a Class T-C or Class T-D member; or
24 (2) is a Class T-E or Class T-F member with less than
25 ten eligibility points

26 and who] does not return to school service may file an
27 application with the board for an amount equal to the
28 accumulated deductions, shared-risk member contributions and
29 statutory interest standing to his credit at the effective date
30 of disability less the total payments received on account of his
31 member's annuity.

32 * * *

33 (f) Coordination of benefits.--The determination and payment
34 of a disability annuity under this section shall be in addition
35 to any payments a school employee may be entitled to receive,
36 has received or is receiving as a result of being a participant
37 in the plan.

38 Section 112. Sections 8345(a), 8346(a), (a.1), (b), (b.1) (1)
39 and (d) (1) and (2), 8347(a) and (b) and 8349 heading, (a) and
40 (b) of Title 24 are amended to read:

41 § 8345. Member's options.

42 (a) General rule.--Any Class T-C [or], Class T-D, Class T-G
43 or Class T-H member who is a vestee with five or more
44 eligibility points, any Class T-E or Class T-F member who is a
45 vestee with ten or more eligibility points, or any [other]
46 eligible member upon termination of school service [who has not
47 withdrawn his accumulated deductions as provided in section 8341
48 (relating to return of accumulated deductions)] who is eligible
49 to receive an annuity, may apply for and elect to receive either
50 a maximum single life annuity, as calculated in accordance with
51 the provisions of section 8342 (relating to maximum single life

1 annuity), or a reduced annuity certified by the actuary to be
2 actuarially equivalent to the maximum single life annuity and in
3 accordance with one of the following options, except that no
4 member shall elect an annuity payable to one or more survivor
5 annuitants other than his spouse or alternate payee of such a
6 magnitude that the present value of the annuity payable to him
7 for life plus any lump sum payment he may have elected to
8 receive is less than 50% of the present value of his maximum
9 single life annuity and no member may elect a payment option
10 that would provide benefits that do not satisfy the minimum
11 distribution requirements or would violate the incidental death
12 benefit rules of IRC § 401(a)(9). In no event shall a Class T-E
13 or Class T-F member receive an annual benefit, calculated as of
14 the effective date of retirement, greater than the member's
15 final average salary.

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

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

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

30 (4) Option 4.--Some other benefit which shall be
31 certified by the actuary to be actuarially equivalent to the
32 maximum single life annuity, subject to the following
33 restrictions:

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

36 (ii) The sum of all annuities payable to the
37 designated survivor annuitants shall not be greater than
38 the annuity payable to the member.

39 (iii) A portion of the benefit may be payable as a
40 lump sum, except that such lump sum payment shall not
41 exceed an amount equal to the accumulated deductions
42 standing to the credit of the member. The balance of the
43 present value of the maximum single life annuity adjusted
44 in accordance with section 8342(b) shall be paid in the
45 form of an annuity with a guaranteed total payment, a
46 single life annuity, or a joint and survivor annuity or
47 any combination thereof but subject to the restrictions
48 of subparagraphs (i) and (ii) of this paragraph. [This
49 subparagraph shall not apply to a Class T-E or Class T-F
50 member.] For purposes of this subparagraph, the term
51 "actuarially equivalent," as applied to any lump sum

1 withdrawal attributable to contributions credited to the
2 member's savings account of Class T-E, Class T-F, Class
3 T-G or Class T-H members, together with statutory
4 interest thereon, shall mean equal present values,
5 computed on the basis of the interest rate and such
6 mortality and other tables as adopted by the board
7 pursuant to section 8328(b) (relating to actuarial cost
8 method) in effect on the effective date of retirement of
9 the member.

10 * * *

11 § 8346. Termination of annuities.

12 (a) General rule.--If an annuitant returns to school service
13 or enters or has entered State service and elects multiple
14 service membership, any annuity payable to him under this part
15 shall cease effective upon the date of his return to school
16 service or entering State service without regard to whether he
17 is a mandatory, optional or prohibited member of the system or
18 participant in the plan or, if a multiple service member,
19 whether he is a mandatory, optional or prohibited member or
20 participant of the State Employees' Retirement System or State
21 Employees' Defined Contribution Plan; and, in the case of an
22 annuity other than a disability annuity the present value of
23 such annuity, adjusted for full coverage in the case of a joint
24 coverage member who makes the appropriate back contributions for
25 full coverage, shall be frozen as of the date such annuity
26 ceases. An annuitant who is credited with an additional 10% of
27 membership service as provided in section 8302(b.2) (relating to
28 credited school service) and who returns to school service,
29 except as provided in subsection (b), shall forfeit such
30 credited service and shall have his frozen present value
31 adjusted as if his 10% retirement incentive had not been applied
32 to his account. In the event that the cost-of-living increase
33 enacted December 18, 1979, occurred during the period of such
34 State or school employment, the frozen present value shall be
35 increased, on or after the member attains superannuation age, by
36 the percent applicable had he not returned to service.

37 (a.1) Return of benefits.--In the event an annuitant whose
38 annuity from the system ceases pursuant to this section receives
39 any annuity payment, including a lump sum payment pursuant to
40 section 8345 (relating to member's options) on or after the date
41 of his return to school service or entering State service, the
42 annuitant shall return to the board the amount so received from
43 the system plus statutory interest. The amount payable shall be
44 certified in each case by the board in accordance with methods
45 approved by the actuary and shall be paid in a lump sum within
46 90 days or in the case of an active member or a State employee
47 who is an active member of the State Employees' Retirement
48 System may be amortized with statutory interest through salary
49 deductions to the system in amounts agreed upon by the member
50 and the board. The salary deduction amortization plans agreed to
51 by the member and the board may include a deferral of payment

1 amounts and statutory interest until the termination of school
2 service or State service as the board in its sole discretion
3 decides to allow. The board may limit salary deduction
4 amortization plans to such terms as the board in its sole
5 discretion determines. In the case of a State employee who is an
6 active member of the State Employees' Retirement System, the
7 agreed upon salary deductions shall be remitted to the State
8 Employees' Retirement Board, which shall certify and transfer to
9 the board the amounts paid.

10 * * *

11 (b) Return to school service during emergency.--When, in the
12 judgment of the employer, an emergency creates an increase in
13 the work load such that there is serious impairment of service
14 to the public or in the event of a shortage of appropriate
15 subject certified teachers or other personnel, an annuitant or
16 participant receiving distributions may be returned to school
17 service for a period not to extend beyond the school year during
18 which the emergency or shortage occurs, without loss of his
19 annuity or distributions, provided that the annuitant meets the
20 conditions set forth in subsection (b.2). The annuitant or
21 participant receiving distributions shall not be entitled to
22 earn any credited service, and no contributions may be made to
23 the fund or the trust by the annuitant or participant receiving
24 distributions, the employer or the Commonwealth on account of
25 such employment. Such service shall not be subject to member or
26 participant contributions or be eligible for qualification as
27 creditable school service or for participation in the plan,
28 mandatory pickup participant contributions, voluntary
29 contributions or employer defined contributions.

30 (b.1) Return to school service in an extracurricular
31 position.--

32 (1) An annuitant or participant receiving distributions
33 may be employed under separate contract by a public school or
34 charter school in an extracurricular position performed
35 primarily outside regular instructional hours and not part of
36 mandated curriculum without loss of annuity, provided that
37 the annuitant meets the conditions set forth in subsection
38 (b.2). [Neither the annuitant nor] The annuitant, the
39 participant receiving distributions and the employer shall
40 not make contributions to the member's savings account, the
41 individual investment account or State accumulation account
42 respectively for such service. Further, such contract shall
43 contain a waiver whereby the annuitant waives any potential
44 retirement benefits that could arise from the contract and
45 releases the employer and the board from any liability for
46 such benefits. Such service shall not be subject to member or
47 participant contributions or be eligible for qualification as
48 creditable school service or for participation in the plan,
49 mandatory pickup participant contributions or employer
50 defined contributions.

51 * * *

1 (d) Elimination of the effect of frozen present value.--

2 (1) An annuitant who returns to school service as an
3 active member of the system and earns three eligibility
4 points by performing credited school service or reemployment
5 from USERRA leave following the most recent period of receipt
6 of an annuity under this part, or an annuitant who enters
7 State service and:

8 (i) is a multiple service member; or

9 (ii) who elects multiple service membership, and
10 earns three eligibility points by performing credited State
11 service, reemployment from USERRA leave or credited school
12 service following the most recent period of receipt of an
13 annuity under this part, and who had the present value of his
14 annuity frozen in accordance with subsection (a), shall
15 qualify to have the effect of the frozen present value
16 resulting from all previous periods of retirement eliminated,
17 provided that all payments under Option 4 and annuity
18 payments payable during previous periods of retirement plus
19 interest as set forth in paragraph (3) shall be returned to
20 the fund in the form of an actuarial adjustment to his
21 subsequent benefits or in such form as the board may
22 otherwise direct.

23 (2) Upon subsequent discontinuance of service and the
24 filing of an application for an annuity from the system, a
25 former annuitant who qualifies to have the effect of a frozen
26 present value eliminated under this subsection shall be
27 entitled to receive the higher of either:

28 (i) an annuity (prior to optional modification)
29 calculated as if the freezing of the former annuitant's
30 account pursuant to subsection (a) had not occurred,
31 adjusted by crediting Class T-C school service as Class
32 T-D service as provided for in section 8305(c) (relating
33 to classes of service) and further adjusted according to
34 paragraph (3), provided that a former annuitant of the
35 system or a former annuitant of the State Employees'
36 Retirement System who retired under a provision of law
37 granting additional service credit if termination of
38 school or State service or retirement occurred during a
39 specific period of time shall not be permitted to retain
40 the additional service credit under the prior law when
41 the annuity is computed for his most recent retirement;
42 or

43 (ii) an annuity (prior to optional modification)
44 calculated as if the former annuitant did not qualify to
45 have the effect on the frozen present value eliminated,
46 unless the former annuitant notifies the board in writing by
47 the later of the date the application for annuity is filed or
48 the effective date of retirement that the former annuitant
49 wishes to receive the lower annuity.

50 * * *

51 § 8347. Death benefits.

1 (a) Members eligible for annuities.--Any member or former
2 member on USERRA leave, other than an annuitant, who dies and
3 was eligible for an annuity in accordance with section 8307(a)
4 or (b) (relating to eligibility for annuities) shall be
5 considered as having applied for an annuity from the fund to
6 become effective the day before his death; and, in the event he
7 has not elected an option, it shall be assumed that he elected
8 Option 1 and assigned as beneficiary that person last designated
9 in writing to the board. For purposes of this section, a Class
10 T-G or Class T-H member with five or more eligibility points
11 shall be considered eligible for an annuity under section
12 8307(a) or (b) (relating to eligibility for annuities) and
13 eligible for a death benefit under section 8309 (relating to
14 eligibility for death benefits) even if the member had not
15 attained the age of 62.

16 (b) Members ineligible for annuities.--In the event of the
17 death of any member or former member on USERRA leave, other than
18 an annuitant, who is not entitled to a death benefit as provided
19 in subsection (a), his designated beneficiary shall be paid the
20 full amount of his accumulated deductions payable from the fund.

21 * * *

22 § 8349. Payment of benefits from the system.

23 (a) Annuities.--Any annuity granted under the provisions of
24 this part and paid from the fund shall be paid in equal monthly
25 installments commencing by the required beginning date.

26 (b) Death benefits.--If the amount of a death benefit
27 payable from the fund to a beneficiary of a member under section
28 8347 (relating to death benefits) or under the provisions of
29 Option 1 of section 8345(a)(1) (relating to member's options) is
30 \$10,000 or more, such beneficiary may elect to receive payment
31 according to one of the following options:

32 (1) A lump sum payment.

33 (2) An annuity actuarially equivalent to the amount
34 payable.

35 (3) A lump sum payment and an annuity such that the
36 annuity is actuarially equivalent to the amount payable less
37 the lump sum payment specified by the beneficiary.

38 * * *

39 Section 113. Title 24 is amended by adding a chapter to
40 read:

41 CHAPTER 84

42 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

43 Sec.

44 8401. Establishment.

45 8402. Plan document.

46 8403. Individual investment accounts.

47 8404. Participant contributions.

48 8405. Mandatory pickup participant contributions.

49 8406. Employer defined contributions.

50 8407. Eligibility for benefits.

51 8408. Death benefits.

1 8409. Vesting.
2 8410. Termination of distributions.
3 8411. Powers and duties of board.
4 8411.1. Relation of administrators of School Employees' Defined
5 Contribution Plan to providers of 403(b) plans.
6 8412. Responsibility for investment loss.
7 8413. Investments based on participant's investment allocation
8 choices.
9 8414. Expenses.
10 8415. Tax qualification.
11 § 8401. Establishment.
12 (a) School Employees' Defined Contribution Plan.--The School
13 Employees' Defined Contribution Plan is established. The board
14 shall administer and manage the plan, which shall be a defined
15 contribution plan exclusively for the benefit of those school
16 employees who participate in the plan and their beneficiaries
17 within the meaning of and in conformity with IRC § 401(a). The
18 board shall determine the terms and provisions of the plan not
19 inconsistent with this part, the IRC and other applicable law
20 and shall provide for the plan's administration.
21 (b) School Employees' Defined Contribution Trust.--The
22 School Employees' Defined Contribution Trust is established as
23 part of the plan in accordance with this part. The trust shall
24 be comprised of the individual investment accounts, all assets
25 and moneys in those accounts and any assets and monies held by
26 the board as part of the plan that are not allocated to the
27 individual investment accounts. The members of the board shall
28 be the trustees of the trust, which shall be administered
29 exclusively for the benefit of those school employees who
30 participate in the plan and their beneficiaries within the
31 meaning of and in conformity with IRC § 401(a). The board shall
32 determine the terms and provisions of the trust not inconsistent
33 with this part, the IRC and other applicable law and shall
34 provide for the investment and administration of the trust.
35 (c) Assets held in trust.--All assets and income in the plan
36 that have been or shall be withheld or contributed by the
37 participants, the Commonwealth and employers in accordance with
38 this part shall be held in trust in any funding vehicle
39 permitted by the applicable provisions of the IRC for the
40 exclusive benefit of the plan's participants and their
41 beneficiaries until such time as the funds are distributed to
42 the participants or their beneficiaries in accordance with the
43 terms of the plan document. The assets of the plan held in trust
44 for the exclusive benefit of the participants and their
45 beneficiaries may be used for the payment of the fees, costs and
46 expenses related to the administration and investment of the
47 plan and the trust.
48 (d) Name for transacting business.--By the name of "The
49 School Employees' Defined Contribution Plan," all of the
50 business of the plan shall be transacted, the trust invested,
51 all requisitions for money drawn and payments made and all of

1 its cash and securities and other property shall be held, except
2 that, any other law to the contrary notwithstanding, the board
3 may establish a nominee registration procedure for the purpose
4 of registering securities to facilitate the purchase, sale or
5 other disposition of securities under the provisions of this
6 part.

7 § 8402. Plan document.

8 The board shall set forth the terms and provisions of the
9 plan and trust in a document containing the terms and conditions
10 of the plan and in a trust declaration. The creation of the
11 document containing the terms and conditions of the plan and the
12 trust declaration and the establishment of the terms and
13 provisions of the plan and the trust need not be promulgated by
14 regulation or formal rulemaking and shall not be subject to the
15 act of July 31, 1968 (P.L.769, No.240), referred to as the
16 Commonwealth Documents Law. A reference in this part or other
17 law to the plan shall include the plan document unless the
18 context clearly indicates otherwise.

19 § 8403. Individual investment accounts.

20 The board:

21 (1) Shall establish in the trust an individual
22 investment account for each participant in the plan. All
23 contributions by a participant or an employer for or on
24 behalf of a participant shall be credited to the
25 participant's individual investment account, together with
26 all interest and investment earnings and losses. Investment
27 and administrative fees, costs and expenses shall be charged
28 to the participants' individual investment accounts.

29 (2) Shall separately track participant contributions,
30 including investment gains and losses, and employer
31 contributions, including investment gains and losses, but all
32 interest, investment gains and losses and administrative
33 fees, costs and expenses shall be allocated proportionately.

34 (3) May contract with financial institutions, insurance
35 companies or other types of third-party providers and other
36 vendors to allow participants to deposit participant
37 contributions into the individual investment accounts in a
38 form and manner as provided by the contract.

39 § 8404. Participant contributions.

40 (a) Mandatory contributions.--A participant shall make
41 mandatory pickup participant contributions through payroll
42 deductions to the participant's individual investment account
43 for school service required to be credited in the plan. The
44 employer shall cause those contributions for service required to
45 be credited in the plan to be made and deducted from each
46 payroll or on such schedule as established by the board.

47 (b) Voluntary contributions.--A participant may make
48 voluntary contributions through payroll deductions, through
49 direct trustee-to-trustee transfers, or through transfers of
50 money received in an eligible rollover into the trust to the
51 extent allowed by IRC § 402. Rollovers shall be made in a form

1 and manner as determined by the board, shall be credited to the
2 participant's individual investment account and shall be
3 separately accounted for by the board.

4 (c) Prohibition on contributions.--No contributions shall be
5 allowed that would cause a violation of the limitations related
6 to contributions applicable to governmental plans contained in
7 IRC § 415 or in other provisions of law. In the event that any
8 disallowed contributions are made, any participant contributions
9 in excess of the limitations and investment earnings on those
10 contributions, minus investment fees and charges, shall be
11 refunded to the participant by the board.

12 § 8405. Mandatory pickup participant contributions.

13 (a) Treatment for purposes of IRC § 414(h).--The
14 contributions to the trust required to be made under section
15 8404(a) (relating to participant contributions) with respect to
16 school service rendered by an active participant shall be picked
17 up by the employer and shall be treated as the employer's
18 contribution for purposes of IRC § 414(h). After the effective
19 date of this section, an employer employing a participant in the
20 plan shall pick up the required mandatory participant
21 contributions by a reduction in the compensation of the
22 participant.

23 (b) Treatment for other purposes.--For all other purposes
24 under this part and otherwise, mandatory pickup participant
25 contributions shall be treated as contributions made by a
26 participant in the same manner and to the same extent as if the
27 contributions were made directly by the participant and not
28 picked up.

29 § 8406. Employer defined contributions.

30 (a) Contributions for service.--The employer of a
31 participant shall make employer defined contributions for
32 service of an active participant that shall be credited to the
33 active participant's individual investment account. Employer
34 defined contributions must be recorded and accounted for
35 separately from participant contributions.

36 (b) Contributions resulting from participants reemployed
37 from USERRA leave.--When a school employee reemployed from
38 USERRA leave makes the mandatory pickup participant
39 contributions permitted to be made for the USERRA leave, the
40 employer by whom the school employee is employed at the time the
41 participant contributions are made shall make whatever employer
42 defined contributions would have been made under this section
43 had the employee making the participant contributions after
44 being reemployed from USERRA leave continued to be employed in
45 the employee's school position instead of performing USERRA
46 leave. The employer defined contributions shall be placed in the
47 participant's individual investment account as otherwise
48 provided by this part.

49 (c) Limitations on contributions.--No contributions shall be
50 allowed that would cause a violation of the limitations related
51 to contributions applicable to governmental plans contained in

1 IRC § 415 or in other provisions of law. In the event that any
2 disallowed contributions are made, any employer defined
3 contributions in excess of the limitations and investment
4 earnings thereon shall be refunded to the employer by the board.
5 § 8407. Eligibility for benefits.

6 (a) Termination of service.--A participant who terminates
7 school service shall be eligible to withdraw the vested
8 accumulated total defined contributions standing to the
9 participant's credit in the participant's individual investment
10 account or a lesser amount as the participant may request.
11 Payment shall be made in a lump sum unless the board has
12 established other forms of distribution in the plan document. A
13 participant who withdraws the vested accumulated total defined
14 contributions shall no longer be a participant in the plan,
15 notwithstanding that the former school employee may continue to
16 be a member of the system with Class T-G or Class T-H service
17 credit, or may contract to receive an annuity or other form of
18 payment from a provider retained by the board for such purposes.

19 (b) Required distributions.--All payments under this section
20 shall start and be made in compliance with the minimum
21 distribution requirements and incidental death benefit rules of
22 IRC § 401(a)(9). The board shall take any action and make any
23 distributions it may determine are necessary to comply with
24 those requirements.

25 (c) Prohibited distributions.--A school employee must be
26 terminated from all positions that result in either membership
27 in the system or participation in the plan to be eligible to
28 receive a distribution.

29 (d) Loans.--Loans or other distributions, including hardship
30 or unforeseeable emergency distributions, from the plan to
31 school employees who have not terminated school service are not
32 permitted, except as required by law.

33 (e) Small individual investment accounts.--A participant who
34 terminates school service and whose vested accumulated total
35 defined contributions are below the threshold established by law
36 as of the date of termination of service may be paid the vested
37 accumulated total defined contributions in a lump sum as
38 provided in IRC § 401(a)(31).

39 § 8408. Death benefits.

40 (a) General rule.--In the event of the death of an active
41 participant or inactive participant, the board shall pay to the
42 participant's beneficiary the vested balance in the
43 participant's individual investment account in a lump sum or in
44 such other manner as the board may establish in the plan
45 document.

46 (b) Death of participant receiving distributions.--In the
47 event of the death of a participant receiving distributions, the
48 board shall pay to the participant's beneficiary the vested
49 balance in the participant's individual investment account in a
50 lump sum or in such other manner as the board may establish in
51 the plan document or, if the board has established alternative

1 methods of distribution in the plan document under which the
2 participant was receiving distributions, to the participant's
3 beneficiary or successor payee as provided in the plan document.

4 (c) Contracts.--The board may contract with financial
5 institutions, insurance companies or other types of third-party
6 providers to allow participants and their beneficiaries who
7 receive a lump sum distribution to receive payments and death
8 benefits in a form and manner as provided by the contract.
9 § 8409. Vesting.

10 (a) Participant and voluntary contributions.--Subject to the
11 forfeiture and attachment provisions of section 8533 (relating
12 to taxation, attachment and assignment of funds) or otherwise as
13 provided by law, a participant shall be immediately vested with
14 respect to all mandatory pickup participant contributions and
15 voluntary contributions paid by or on behalf of the participant
16 to the trust plus interest and investment gains or losses on the
17 participant contributions but minus investment fees and
18 administrative charges.

19 (b) Employer defined contributions.--

20 (1) Subject to the forfeiture and attachment provisions
21 of section 8533 or otherwise as provided by law, a
22 participant shall be vested with respect to employer defined
23 contributions paid to the participant's individual investment
24 account in the trust plus interest and investment gains or
25 losses on the employer defined contributions but minus
26 investment fees and administrative charges according to the
27 following schedule:

28 (i) until such time as the participant has earned
29 three eligibility points as a member of the plan, 0%; or

30 (ii) at and after the attainment of three
31 eligibility points as a member of the plan, 100%.

32 (2) For purposes of this subsection, all eligibility
33 points credited to a member of the system in any class of
34 service shall be used for determining vested status in the
35 plan even if the employee was not a participant in the plan
36 at the time the eligibility points were earned.

37 (3) Nonvested employer defined contributions, including
38 interest and investment gains and losses that are forfeited
39 by a participant, shall be applied to the participant's most
40 recent employer's obligations assessed in future years.

41 (c) USERRA leave and eligibility points.--A participant in
42 the plan who is reemployed from USERRA leave or who dies while
43 performing USERRA leave shall receive eligibility points under
44 this section for the school service that would have been
45 performed had the member not performed USERRA leave.

46 § 8410. Termination of distributions.

47 (a) Return to school service.--

48 (1) A participant receiving distributions or an inactive
49 participant who returns to school service shall cease
50 receiving distributions and shall not be eligible to receive
51 distributions until the participant subsequently terminates

1 school service, without regard to whether the participant is
2 a mandatory, optional or prohibited member of the system or
3 participant in the plan.

4 (2) This subsection shall not apply to a distribution
5 that the participant has received or used to purchase an
6 annuity from a provider contracted by the board.

7 (b) Return of benefits paid during USERRA leave.--

8 (1) If a former school employee is reemployed from
9 USERRA leave and received any payments or annuity from the
10 plan during the USERRA leave, the employee shall return to
11 the board the amount so received plus interest as provided in
12 the plan document.

13 (2) The amount payable shall be certified in each case
14 by the board in accordance with methods approved by the
15 actuary and shall be paid in a lump sum within 30 days or, in
16 the case of an active participant, may be amortized with
17 interest as provided in the plan document through salary
18 deductions to the trust in amounts agreed upon by the active
19 participant and the board, but not longer than a period that
20 starts with the date of reemployment and continuing for up to
21 three times the length of the active participant's immediate
22 past period of USERRA leave. The repayment period shall not
23 exceed five years.

24 § 8411. Powers and duties of board.

25 The board, in addition to its powers and duties set forth in
26 Chapter 85 (relating to administration and miscellaneous
27 provisions), shall have the following powers and duties to
28 establish the plan and trust and to administer the provisions of
29 this part:

30 (1) The board may commingle or pool assets with the
31 assets of other persons or entities.

32 (2) The board shall pay all administrative fees, costs
33 and expenses of managing, investing and administering the
34 plan, the trust and the individual investment accounts from
35 the balance of such individual investment accounts, except as
36 otherwise provided in this part or as the General Assembly
37 otherwise provides through appropriations from the General
38 Fund.

39 (3) The board may establish investment guidelines and
40 limits on the types of investments that participants may
41 make, consistent with the board's fiduciary obligations.

42 (4) The board shall have the power to change the terms
43 of the plan as may be necessary to maintain the tax-qualified
44 status of the plan.

45 (5) The board may establish a process for election to
46 participate in the plan by those school employees for whom
47 participation is not mandatory.

48 (6) The board may perform an annual or more frequent
49 review of any qualified fund manager for the purpose of
50 assuring it continues to meet all standards and criteria
51 established.

1 (7) The board may allow for eligible rollovers and
2 direct trustee-to-trustee transfers into the trust from
3 qualified plans of other employers, regardless of whether the
4 employers are private employers or public employers.

5 (8) The board may allow an inactive participant to
6 maintain the participant's individual investment account
7 within the plan.

8 (9) The board shall administer or ensure the
9 administration of the plan in compliance with the
10 qualification and other rules of IRC.

11 (10) The board may establish procedures to provide for
12 the lawful payment of benefits.

13 (11) The board shall determine what constitutes a
14 termination of school service.

15 (12) The board may establish procedures for
16 distributions of small accounts as required or permitted by
17 IRC.

18 (13) The board may establish procedures in the plan
19 document or to promulgate rules and regulations as it deems
20 necessary for the administration and management of the plan,
21 including, but not limited to, establishing:

22 (i) Procedures by which eligible participants may
23 change voluntary contribution amounts or their investment
24 choices on a periodic basis or make other elections
25 regarding their participation in the plan.

26 (ii) Procedures for deducting mandatory pickup
27 participant contributions and voluntary contributions
28 from a participant's compensation.

29 (iii) Procedures for rollovers and trustee-to-
30 trustee transfers allowed under the IRC and permitted by
31 the board as part of the plan.

32 (iv) Standards and criteria for providing not less
33 than ten options which are offered by three or more
34 providers of investment options to eligible individuals
35 regarding investments of amounts deferred under the plan.
36 The standards and criteria must provide for a variety of
37 investment options and shall be reviewed in accordance
38 with criteria established by the board.

39 (v) Standards and criteria for disclosing to the
40 participants the anticipated and actual income
41 attributable to amounts invested, property rights and all
42 fees, costs and expenses to be made against amounts
43 deferred to cover the costs and expenses of administering
44 and managing the plan or trust.

45 (vi) Procedures, standards and criteria for the
46 making of distributions from the plan upon termination
47 from employment or death or in other circumstances
48 consistent with the purpose of the plan.

49 (14) The board may waive any reporting or information
50 requirement contained in this part if the board determines
51 that the information is not needed for the administration of

1 the plan.

2 (15) The board may contract any services and duties in
3 lieu of staff except final adjudications and as prohibited by
4 law. Any duties or responsibilities of the board not required
5 by law to be performed by the board may be delegated to a
6 third-party provider subject to appeal to the board.

7 (16) The board may provide that any duties of the
8 employer or information provided by the participant to the
9 employer be performed or received directly by the board.

10 (17) The board shall ensure that participants are
11 provided with educational materials about investment options
12 and choices.

13 (18) The board may establish procedures in the plan
14 document for automatic increases in a participant's voluntary
15 contributions, whether or not the participant is then making
16 voluntary contributions, and procedures for a participant to
17 elect not to have increased voluntary contributions.

18 § 8411.1. Relation of administrators of School Employees'
19 Defined Contribution Plan to providers of 403(b)
20 plans.

21 (a) General rule.--A financial institution or pension
22 management organization entering into a written agreement under
23 section 8411 (relating to powers and duties of board) may offer
24 or provide services to any plan established or maintained by a
25 school district under IRC § 403(b) or 457 if the written
26 agreement for the administration of the School Employees'
27 Defined Contribution Plan is not combined with any other written
28 agreement for the administration of a school district's 403(b)
29 plan or 457 plan. Each school district that provides a 403(b)
30 plan shall make available, in the manner provided by subsection
31 (c), to participants, multiple financial institutions or pension
32 management organizations that have not entered into a written
33 agreement to section 8411 and which provide services to the
34 school district's 403(b) plan or 457 plan.

35 (b) Plan transparency and administration.--A financial
36 institution or pension management organization providing
37 services for any plan established or maintained by a school
38 district under IRC § 403(b) or 457 shall:

39 (1) enter into an agreement with the school district or
40 the school district's independent compliance administrator
41 that shall require the financial institution or pension
42 management organization to provide in an electronic format
43 all data necessary for the administration of the 403(b) plan
44 or 457 plan as determined by the school district or the
45 school district's compliance administrator; and

46 (2) provide all data required by the school district or
47 a school district's compliance administrator to facilitate
48 disclosure of all fees, charges, expenses, commissions,
49 compensation and payments to third parties related to
50 investments offered under the 403(b) plan or 457 plan.

51 (c) Provider selection.--A school district that establishes

1 or maintains a plan under IRC § 403(b) or 457 shall select a
2 minimum of four financial institutions or pension management
3 organizations, in addition to the financial institution or
4 pension management organization that entered into an agreement
5 under section 8411, to provide services to the 403(b) plan or
6 457 plan. If fewer than four such additional financial
7 institutions or pension management organizations are determined
8 to be available or able to meet the requirements established in
9 this section, then the school district shall select the number
10 of available providers able to meet the school district's
11 requirements. A financial institution or pension management
12 organization shall be designated a 403(b) plan or 457 plan
13 provider if the financial institution or pension management
14 organization enters into an agreement in accordance with
15 subsection (b).

16 § 8412. Responsibility for investment loss.

17 The Commonwealth, the board, an employer or a school entity
18 or other political subdivision shall not be responsible for any
19 investment loss incurred under the plan or for the failure of
20 any investment to earn any specific or expected return or to
21 earn as much as any other investment opportunity or to cost less
22 than any other investment opportunity, whether or not such other
23 opportunity was offered to participants in the plan.

24 § 8413. Investments based on participant's investment
25 allocation choices.

26 (a) Investment by participant.--All contributions, interest
27 and investment earnings shall be invested based on a
28 participant's investment allocation choices, provided that the
29 board may provide for a default investment option. All
30 investment allocation choices shall be credited proportionally
31 between contributions from the participant and employer defined
32 contributions. Each participant shall be credited individually
33 with the amount of contributions, interest and investment
34 earnings.

35 (b) Investment of contributions made by entities other than
36 Commonwealth.--Investment of contributions by any corporation,
37 institution, insurance company, custodial bank or other entity
38 that the board has approved shall not be unreasonably delayed,
39 and in no case shall the investment of contributions be delayed
40 more than 30 days from the date of payroll deduction or
41 voluntary contributions are made to the date that funds are
42 invested. Any interest earned on the funds pending investment
43 shall be used to pay administrative costs and fees that would
44 otherwise be required to be borne by participants who are then
45 participating in the plan or that are funded by contributions
46 from the employers.

47 § 8414. Expenses.

48 All expenses, fees and costs of administering the plan and
49 the trust and investing the assets of the trust shall be borne
50 by the participants and paid from assessments against the
51 balances of the individual investment accounts as established by

1 the board, except that for fiscal years 2016-2017 and 2017-2018,
2 the expenses, fees and costs of establishing and administering
3 the plan and trust shall be paid by the Commonwealth through
4 annual appropriations.

5 § 8415. Tax qualification.

6 (a) Required distributions.--All payments under this chapter
7 shall start and be made in compliance with the minimum
8 distribution requirements and incidental death benefit rules of
9 IRC § 401(a).

10 (b) Limitations.--The following shall apply:

11 (1) (i) Except as provided under subparagraph (ii) and
12 notwithstanding a provision of this part, a contribution
13 or benefit related to the plan may not exceed a
14 limitation under IRC § 415 with respect to a governmental
15 plan that is in effect on the date the contribution or
16 benefit payment takes effect.

17 (ii) An increase in a limitation under IRC § 415
18 shall apply to the participants on or after the effective
19 date of this section.

20 (iii) For the purposes of this paragraph, the term
21 "government plan" shall have the same meaning as in IRC §
22 414(d).

23 (2) (i) Except as provided under subparagraph (ii), an
24 amendment of this part on or after the effective date of
25 this section that increases contributions or benefits for
26 active participants, inactive participants or
27 participants receiving distributions may not be deemed to
28 provide for a contribution or benefit in excess of a
29 limitation, adjusted on or after the effective date of
30 this section, under IRC § 415 unless specifically
31 provided by legislation.

32 (ii) Notwithstanding subparagraph (i), an increase
33 in benefits on or after the effective date of this
34 section for a participant in the plan shall be authorized
35 and apply to the fullest extent allowed by law.

36 Section 114. Sections 8501(a), (c), (d) and (e) and 8502(a),
37 (b), (c), (e), (h), (i), (j), (k), (m), (n) and (o) of Title 24
38 are amended and the sections are amended by adding subsections
39 to read:

40 § 8501. Public School Employees' Retirement Board.

41 (a) Status and membership.--The board shall be an
42 independent administrative board and shall consist of 15
43 members: the Secretary of Education, ex officio; the State
44 Treasurer, ex officio; the Secretary of Banking and Securities,
45 ex officio; two Senators; two members of the House of
46 Representatives; the executive secretary of the Pennsylvania
47 School Boards Association, ex officio; [two] one to be appointed
48 by the Governor[, at least one of whom shall not be a school
49 employee or an officer or employee of the State]; three to be
50 elected by the active professional members of the system and
51 active professional participants of the plan from among their

1 number; one to be elected by annuitants or participants of the
2 plan who have terminated school service and are receiving or are
3 eligible to receive distributions from among their number; one
4 to be elected by the active nonprofessional members of the
5 system or active nonprofessional participants of the plan from
6 among their number; and one to be elected by members of
7 Pennsylvania public school boards from among their number. The
8 appointments made by the Governor shall be confirmed by the
9 Senate and each election shall be conducted in a manner approved
10 by the board. The terms of the appointed and nonlegislative
11 elected members shall be three years. The members from the
12 Senate shall be appointed by the President pro tempore of the
13 Senate and shall consist of one member from the majority and one
14 member from the minority. The members from the House of
15 Representatives shall be appointed by the Speaker of the House
16 of Representatives and shall consist of one member from the
17 majority and one member from the minority. The legislative
18 members shall serve on the board for the duration of their
19 legislative terms and shall continue to serve until 30 days
20 after the convening of the next regular session of the General
21 Assembly after the expiration of their respective legislative
22 terms or until a successor is appointed for the new term,
23 whichever occurs first. The chairman of the board shall be
24 elected by the board members. Each ex officio member of the
25 board and each legislative member of the board may appoint a
26 duly authorized designee to act in his stead. In the event that
27 a board member, who is designated as an active participant or as
28 the participant in the plan who is receiving or is eligible to
29 receive distributions, receives a total distribution of the
30 board member's interest in the plan, that board member may
31 continue to serve on the board for the remainder of his term.

32 * * *

33 (c) Oath of office.--Each member of the board shall take an
34 oath of office that he will, so far as it devolves upon him,
35 diligently and honestly administer the affairs of said board,
36 the system and the plan and that he will not knowingly violate
37 or willfully permit to be violated any of the provisions of law
38 applicable to this part. Such oath shall be subscribed by the
39 member making it and certified by the officer before whom it is
40 taken and shall be immediately filed in the office of the
41 Secretary of the Commonwealth.

42 (d) Compensation and expenses.--The members of the board who
43 are members of the system or participants in the plan shall
44 serve without compensation. Members of the board who are members
45 of the system or participants in the plan and who are employed
46 by a governmental entity shall not suffer loss of salary or
47 wages through serving on the board. The board, on request of the
48 employer of any member of the board who is an active
49 professional or nonprofessional member of the system or active
50 professional or nonprofessional participant in the plan, may
51 reimburse such employer for the salary or wages of the member or

1 participant, or for the cost of employing a substitute for such
2 member or participant, while the member or participant is
3 necessarily absent from employment to execute the duties of the
4 board. The employer of any such member shall provide leave to
5 allow such member to execute the duties of the board, including
6 but not limited to, attendance at the location of all regular
7 and special board and committee meetings. The members of the
8 board who are not members of either the school system or the
9 State Employees' Retirement System may be paid \$100 per day when
10 attending meetings and all board members shall be reimbursed for
11 any necessary expenses. However, when the duties of the board as
12 mandated are not executed, no compensation or reimbursement for
13 expenses of board members shall be paid or payable during the
14 period in which such duties are not executed.

15 (e) Corporate power and legal advisor.--For the purposes of
16 this part, the board shall possess the power and privileges of a
17 corporation. [The Attorney General of the Commonwealth shall be
18 the legal advisor of the board.] Legal counsel to the board
19 shall serve independently from the Governor's Office of General
20 Counsel, the General Assembly and the Attorney General.

21 (f) Board training.--Each member of the board will be
22 required to obtain eight hours of mandatory training in
23 investment strategies, actuarial cost analysis and retirement
24 portfolio management on an annual basis.

25 § 8502. Administrative duties of board.

26 (a) Employees.--

27 (1) Effective 30 days after the effective date of this
28 paragraph, the positions of secretary, assistant secretary
29 and investment professional shall be placed under the
30 unclassified service provisions of the act of August 5, 1941
31 (P.L.752, No.286), known as the Civil Service Act, as those
32 positions are vacated. All other positions of the board shall
33 be placed in either the classified or unclassified service
34 according to the definition of the terms under the Civil
35 Service Act.

36 (2) Notwithstanding any other provision of law, the
37 compensation of investment professionals shall be established
38 by the board. The compensation of all other officers and
39 employees of the board who are not covered by a collective
40 bargaining agreement shall be established by the board
41 consistent with the standards of compensation established by
42 the Executive Board of the Commonwealth.

43 (3) The board may utilize the staff of employees
44 provided for under this subsection for both the system and
45 the plan, but shall allocate the fees, costs and expenses
46 incurred under this subsection between the system and the
47 plan as appropriate.

48 (b) Professional personnel.--

49 (1) The board shall contract for the services of a chief
50 medical examiner, an actuary, investment advisors,
51 counselors, an investment coordinator, and such other

1 professional personnel as it deems advisable.

2 (2) The board may utilize the same individuals and firms
3 contracted under this subsection for both the system and the
4 plan but shall allocate the fees, costs and expenses incurred
5 under this subsection between the system and the plan as
6 appropriate.

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 [this part.] the system and a
11 separate budget covering the administrative expenses of the
12 plan. The separate budgets shall include those expenses
13 necessary to establish the plan and trust.

14 (2) Such expenses of the system as approved by the
15 General Assembly in an appropriation bill shall be paid from
16 investment earnings of the fund.

17 (3) For fiscal years beginning on or after July 1, 2018,
18 the expenses of the plan as approved by the General Assembly
19 shall be paid from interest, under section 8413(b) (relating
20 to investments based on participant's investment allocation
21 choices) or assessments on the balances of the participants'
22 individual investment accounts or as otherwise provided in
23 this part.

24 (4) Concurrently with its administrative budget, the
25 board shall also submit to the General Assembly annually a
26 list of proposed expenditures which the board intends to pay
27 through the use of directed commissions, together with a list
28 of the actual expenditures from the past year actually paid
29 by the board through the use of directed commissions. All
30 such directed commission expenditures shall be made by the
31 board for the exclusive benefit of the system and its members
32 and for the exclusive benefit of the plan and its
33 participants, respectively.

34 * * *

35 (e) Records.--

36 (1) The board shall keep a record of all its proceedings
37 which shall be [open to inspection by] accessible to the
38 public, except as otherwise provided in this part or by other
39 law.

40 (2) Any record, material or data received, prepared,
41 used or retained by the board or its employees, investment
42 professionals or agents relating to an investment shall not
43 constitute a public record subject to public [inspection]
44 access under the act of [June 21, 1957 (P.L.390, No.212),
45 referred to] February 14, 2008 (P.L.6, No.3), known as the
46 Right-to-Know Law, if, in the reasonable judgment of the
47 board, the [inspection] access would:

48 (i) in the case of an alternative investment or
49 alternative investment vehicle involve the release of
50 sensitive investment or financial information relating to
51 the alternative investment or alternative investment

1 vehicle which the fund or trust was able to obtain only
2 upon agreeing to maintain its confidentiality;

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 set forth in this
10 part.

11 (3) The following apply:

12 (i) The sensitive investment or financial
13 information excluded from [inspection] access under
14 paragraph (2)(i), to the extent not otherwise excluded
15 from [inspection] access, shall constitute a public
16 record subject to public [inspection] access under the
17 Right-to-Know Law once the board is no longer required by
18 its agreement to maintain confidentiality.

19 (ii) The sensitive investment or financial
20 information excluded from [inspection] access under
21 paragraph (2)(ii), to the extent not otherwise excluded
22 from [inspection] access, shall constitute a public
23 record subject to public [inspection] access under the
24 Right-to-Know Law once:

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

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

31 (iii) The sensitive investment or financial
32 information excluded from [inspection] access under
33 paragraph (2)(iii), to the extent not otherwise excluded
34 from [inspection] access, shall constitute a public
35 record subject to public [inspection] access under the
36 Right-to-Know Law once:

37 (A) the [inspection] access no longer has a
38 substantial detrimental impact on the value of an
39 investment of the fund or trust and would not cause a
40 breach of the standard of care or fiduciary duty set
41 forth in this part; or

42 (B) the entity in which the investment was made
43 is liquidated;
44 whichever is later.

45 (4) Except for the provisions of paragraph (3), nothing
46 in this subsection shall be construed to designate any
47 record, material or data received, prepared, used or retained
48 by the board or its employees, investment professionals or
49 agents relating to an investment as a public record subject
50 to public [inspection] access under the Right-to-Know Law.

51 (5) Notwithstanding the provisions of this subsection,

1 the following information regarding an alternative investment
2 vehicle shall be subject to public [inspection] access under
3 the Right-to-Know Law:

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

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

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

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

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

16 (vi) The net internal rate of return of the
17 alternative investment vehicle since inception, provided
18 that the system or plan shall not be required to disclose
19 the net internal rate of return under circumstances in
20 which, because of the limited number of portfolio assets
21 remaining in the alternative investment vehicle, the
22 disclosure could reveal the values of specifically
23 identifiable remaining portfolio assets to the detriment
24 of the alternative investment.

25 (vii) The aggregate value of the remaining portfolio
26 assets attributable to the system's or plan's investment
27 in the alternative investment vehicle, provided that the
28 system or plan shall not be required to disclose the
29 value under circumstances in which, because of the
30 limited number of portfolio assets remaining in the
31 alternative investment vehicle, the disclosure could
32 reveal the values of specifically identifiable remaining
33 portfolio assets to the detriment of the alternative
34 investment.

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

38 (6) Any record, material or data received, prepared,
39 used or retained by the board or its employees or agents
40 relating to the contributions, account value or benefits
41 payable to or on account of a participant shall not
42 constitute a public record subject to public access under the
43 Right-to-Know Law, if, in the reasonable judgment of the
44 board, the access would disclose any of the following:

45 (i) The existence, date, amount and any other
46 information pertaining to the voluntary contributions,
47 including rollover contributions and trustee-to-trustee
48 transfers, of any participant.

49 (ii) The investment option selections of any
50 participant.

51 (iii) The balance of a participant's individual

1 investment account, including the amount distributed to
2 the participant, and any investment gains or losses, or
3 rates of return.

4 (iv) The identity of a participant's designated
5 beneficiary, successor payee or alternate payee.

6 (v) The benefit payment option of a participant.

7 (7) The following shall apply:

8 (i) Nothing in this part shall be construed to mean
9 that the release or publicizing of a record, material or
10 data that would not constitute a public record under this
11 subsection shall be a violation of the board's fiduciary
12 duties.

13 (ii) This subsection shall apply to a record,
14 material or data under this subsection, notwithstanding
15 whether:

16 (A) the record, material or data was created,
17 generated or stored before the effective date of this
18 section;

19 (B) the record, material or data was previously
20 released or made public; or

21 (C) a request for the record, material or data
22 was made or is pending final response under the
23 former act of June 21, 1957 (P.L.390, No.212),
24 referred to as the Right-to-Know Law, or the Right-
25 to-Know Law.

26 * * *

27 (h) Regulations and procedures.--The board shall, with the
28 advice of the Attorney General and the actuary, adopt and
29 promulgate rules and regulations for the uniform administration
30 of the system. The actuary shall approve in writing all
31 computational procedures used in the calculation of
32 contributions and benefits pertaining to the system, and the
33 board shall by resolution adopt such computational procedures,
34 prior to their application by the board. Such rules, regulations
35 and computational procedures as so adopted from time to time and
36 as in force and effect at any time, together with such tables as
37 are adopted and published pursuant to subsection (j) as
38 necessary for the calculation of annuities and other benefits,
39 shall be as effective as if fully set forth in this part. Any
40 actuarial assumption specified in or underlying any such rule,
41 regulation or computational procedure and utilized as a basis
42 for determining any benefit shall be applied in a uniform
43 manner.

44 (i) Data.--The board shall keep in convenient form such data
45 as are stipulated by the actuary in order that an annual
46 actuarial valuation of the various accounts of the fund can be
47 completed within six months of the close of each fiscal year.
48 The board shall have final authority over the means by which
49 data is collected, maintained and stored and in so doing shall
50 protect the rights of its membership as to privacy and
51 confidentiality.

1 (j) Actuarial investigation and valuation.--The board shall
2 have the actuary make an annual valuation of the various
3 accounts of the fund within six months of the close of each
4 fiscal year. In the fiscal year 1975 and in every fifth year
5 thereafter, the board shall have the actuary conduct an
6 actuarial investigation and evaluation of the system based on
7 data including the mortality, service, and compensation
8 experience provided by the board annually during the preceding
9 five years concerning the members and beneficiaries of the
10 system. The board shall by resolution adopt such tables as are
11 necessary for the actuarial valuation of the fund and
12 calculation of contributions, annuities, and other benefits
13 based on the reports and recommendations of the actuary. Within
14 30 days of their adoption, the secretary of the board shall
15 cause those tables which relate to the calculation of annuities
16 and other benefits to be published in the Pennsylvania Bulletin
17 in accordance with the provisions of 45 Pa.C.S. § 725(a)
18 (relating to additional contents of Pennsylvania Bulletin) and,
19 unless the board specifies therein a later effective date, such
20 tables shall become effective on such publication. The board
21 shall include a report on the significant facts, recommendations
22 and data developed in each five-year actuarial investigation and
23 evaluation of the system in the annual financial statement
24 published pursuant to the requirements of subsection (n) for the
25 fiscal year in which such investigation and evaluation were
26 concluded.

27 (k) Certification of employer contributions to fund.--The
28 board shall, each year in addition to the itemized budget
29 required under section 8330 (relating to appropriations by the
30 Commonwealth), certify to the employers and the Commonwealth the
31 employer contribution rate expressed as a percentage of members'
32 payroll necessary for the funding of prospective annuities for
33 active members and the annuities of annuitants, and certify the
34 rates and amounts of the normal contributions as determined
35 pursuant to section 8328(b) (relating to actuarial cost method),
36 accrued liability contributions as determined pursuant to
37 section 8328(c), supplemental annuities contribution rate as
38 determined pursuant to section 8328(d), the experience
39 adjustment factor as determined pursuant to section 8328(e),
40 premium assistance contributions as determined pursuant to
41 section 8328(f), the costs added by legislation as determined
42 pursuant to section 8328(i), the actuarial required contribution
43 rate as determined pursuant to section 8328(i), the collared
44 contribution rate as determined pursuant to section 8328(g), the
45 final contribution rate as determined pursuant to section
46 8328(h) and the shared-risk contribution rate as determined
47 under section 8321(b) (relating to regular member contributions
48 for current service), which shall be paid to the fund and
49 credited to the appropriate accounts. These certifications shall
50 be regarded as final and not subject to modification by the
51 Secretary of the Budget.

1 * * *

2 (m) Member contributions and interest.--The board shall
3 cause each member's contributions, including payroll deductions,
4 pickup contributions, shared-risk contributions and all other
5 payments, including, but not limited to, amounts collected by
6 the State Employees' Retirement System for the reinstatement of
7 previous school service or creditable nonschool service and
8 amounts paid to return benefits paid after the date of return to
9 school service or entering State service representing lump sum
10 payments made pursuant to section 8345(a)(4)(iii) (relating to
11 member's options) and member's annuity payments, but not
12 including other benefits returned pursuant to section 8346(a.1)
13 and (a.2) (relating to termination of annuities), to be credited
14 to the account of such member and shall pay all such amounts
15 into the fund. Such contributions shall be credited with
16 statutory interest until date of termination of service, except
17 in the case of a vestee, who shall have such interest credited
18 until the effective date of retirement or until the return of
19 his accumulated deductions, if he so elects; and in the case of
20 a multiple service member who shall have such interest credited
21 until termination of service in both the school and the State
22 systems.

23 (n) Annual financial [statement] statements.--The board
24 shall prepare and have published, on or before January 1 of each
25 year, [a financial statement] financial statements as of the
26 fiscal year ending June 30 of the previous year showing the
27 condition of the fund, the trust and the various accounts,
28 including, but not limited to, the board's accrual and
29 expenditure of directed commissions, and setting forth such
30 other facts, recommendations and data as may be of use in the
31 advancement of knowledge concerning annuities and other benefits
32 provided by this part. The board shall submit said financial
33 [statement] statements to the Governor and shall make copies
34 available to the employers for the use of the school employees
35 and the public.

36 (o) Independent [audit] audits.--The board shall provide for
37 [an annual audit] annual audits of the system and the plan by an
38 independent certified public accounting firm[, which audit]. The
39 audits shall include the board's accrual and expenditure of
40 directed commissions. The board may use the same independent
41 certified public accounting firm for the audits of both the
42 system and the plan.

43 * * *

44 (g) Participant and employer contributions to trust.--The
45 board shall, each year in addition to any fees and itemized
46 budget required under section 8330, certify, as a percentage of
47 each participant's compensation, the employer defined
48 contributions, which shall be paid to the trust and credited to
49 each participant's individual investment account. These
50 certifications shall be regarded as final and not subject to
51 modification by the Secretary of the Budget. The board shall

1 cause all mandatory pickup participant contributions made on
2 behalf of a participant and all voluntary contributions made by
3 a participant to be credited to the participant's individual
4 investment account.

5 Section 115. Section 8502.2(a) of Title 24 is amended to
6 read:

7 § 8502.2. Health insurance.

8 (a) Authority.--The board may sponsor a participant-funded
9 group health insurance program for annuitants, participants
10 receiving distributions, spouses of annuitants and participants
11 receiving distributions, survivor annuitants and their
12 dependents. The board may promulgate regulations regarding the
13 prudent and efficient operation of the program, including, but
14 not limited to:

15 (1) Establishment of an annual budget and disbursements
16 in accordance with the budget.

17 (2) Determination of the benefits structure.

18 (3) Determination of enrollment procedures.

19 (4) Establishment of premium rates sufficient to fully
20 fund the program, including administrative expenses.

21 (5) Contracting for goods, equipment, services,
22 consultants and other professional personnel as needed to
23 operate the program.

24 * * *

25 Section 116. Sections 8503 heading and (b), 8505 heading,
26 (h) and (i), 8506 (a), (d), (e), (f), (i) and (k) and 8507
27 heading, (a), (e), (f) and (i) of Title 24 are amended and the
28 sections are amended by adding subsections to read:

29 § 8503. Duties of board to advise and report to employers [and
30 members], members and participants.

31 * * *

32 (b) Member status statements.--The board shall furnish
33 annually on or before December 31, a statement to each member
34 showing the accumulated deductions standing to the credit of the
35 member and the number of years and fractional part of a year of
36 service credited in each class of service, as applicable, as of
37 June 30 of that year. Each member's statement shall include a
38 request that the member make any necessary corrections or
39 revisions regarding his designated beneficiary, whose name at
40 the request of the member shall remain confidential and not
41 appear on this statement.

42 (b.1) Participant status statements.--The board shall
43 furnish annually to each participant on or before December 31,
44 and more frequently as the board may agree or as required by
45 law, a statement showing the accumulated total defined
46 contributions credited to the participant's individual
47 investment account, the nature and type of investments and the
48 investment allocation of future contributions as of June 30 of
49 the current year and shall request the participant to make any
50 necessary correction or revision regarding his designated
51 beneficiary.

1 * * *
2 § 8505. Duties of board regarding applications and elections of
3 members and participants.

4 * * *
5 (e.1) Certification to participants terminating service.--
6 The board shall certify to the participant in writing within one
7 year of termination of service of the participants of the vested
8 accumulated total defined contributions credited to the
9 participant's individual investment account as of the date
10 stated in the writing, any notices regarding rollover or other
11 matters required by IRC or other law, the obligation of the
12 participant to commence distributions from the plan by the
13 participant's required beginning date and the ability to receive
14 all or part of the vested balance in the participant's
15 individual investment account in a lump sum or in such other
16 form as the board may authorize or as required by law.

17 * * *
18 (f.1) Notification to inactive participants approaching
19 required beginning date.--The board shall notify in writing each
20 inactive participant who has terminated school service and who
21 has not commenced distribution by 90 days before the
22 participant's required beginning date that the inactive
23 participant has an obligation to commence distributions by the
24 required beginning date in a form and manner required by IRC §
25 401(a)(9) and other applicable provisions of IRC.

26 * * *
27 (g.1) Initial payment to a participant.--The board shall
28 make the initial payment to a participant who has applied for a
29 distribution within 60 days of the filing of the application and
30 receipt of the required data from the employer of the
31 participant and other necessary data.

32 (h) Death benefits.--Upon receipt of notification of the
33 death of a member or former member on USERRA leave or an active
34 participant, an inactive participant or a former participant
35 performing USERRA leave, the board shall notify the designated
36 beneficiary or survivor annuitant of the benefits to which he is
37 entitled and shall make the first payment to the beneficiary
38 under the [plan] benefits elected by the beneficiary within 60
39 days of receipt of certification of death and other necessary
40 data. If no beneficiary designation is in effect at the date of
41 the member's or participant's death or no notice has been filed
42 with the board to pay the amount of such benefits to the
43 member's or participant's estate, the board is authorized to pay
44 such benefits to the executor, administrator, surviving spouse
45 or next-of-kin of the deceased member or participant, and
46 payment pursuant hereto shall fully discharge the fund or plan
47 from any further liability to make payment of such benefits to
48 any other person.

49 (i) Medical insurance coverage.--Upon receipt of
50 notification from an insurance carrier offering a health
51 insurance program approved by the board that an annuitant or

1 participant who has attained age 65 has elected medical, major
2 medical, and hospitalization insurance coverage or notification
3 that annuitants with less than 24 1/2 eligibility points (other
4 than disability annuitants), spouses of annuitants and survivor
5 annuitants eligible to elect to enroll in the approved health
6 insurance program have elected participation in such health
7 insurance program, the board may deduct from the annuity
8 payments, from payments to a participant receiving distributions
9 or from a successor payee, the appropriate annual charges in
10 equal monthly installments. Such deductions shall be transmitted
11 to the insurance carrier.

12 * * *

13 § 8506. Duties of employers.

14 (a) Status of members and participants.--The employer shall,
15 each month, notify the board in a manner prescribed by the board
16 of the salary changes effective during the past month, the date
17 of all removals from the payroll, and the type of leave of any
18 member or participant who has been removed from the payroll for
19 any time during that month, and:

20 (1) if the removal is due to leave without pay, the
21 employer shall furnish the board with the date of beginning
22 leave, the date of return to service, and the reason for
23 leave;

24 (2) if the removal is due to a transfer to another
25 employer, the former employer shall furnish such employer and
26 the board with a complete school service record, including
27 credited or creditable nonschool service; or

28 (3) if the removal is due to termination of school
29 service, the employer shall furnish the board with a complete
30 school service record including credited or creditable
31 nonschool service and in the case of death of the member or
32 participant the employer shall so notify the board.

33 * * *

34 (c.1) Participant and employer defined contributions.--The
35 employer shall cause the mandatory pickup participant
36 contributions on behalf of a participant to be made and shall
37 cause to be deducted any voluntary contributions authorized by a
38 participant. The employer shall also cause the employer defined
39 contributions on behalf of a participant to be made. The
40 employer shall notify the board at times and in a manner
41 prescribed by the board of the compensation of any participant
42 to whom the limitation under IRC § 401(a)(17) either applies or
43 is expected to apply and shall cause the participant's
44 contributions to be deducted from payroll to cease at the
45 limitation under IRC § 401(a)(17) on the payroll date if and
46 when such limit shall be reached. The employer shall certify to
47 the board the amounts picked up and deducted and the employer
48 defined contributions being made and shall send the total amount
49 picked up, deducted and contributed together with a duplicate of
50 such voucher to the secretary of the board every pay period or
51 on such schedule as established by the board.

1 (d) New employees subject to mandatory membership or
2 participation.--Upon the assumption of duties of each new school
3 employee whose membership in the system or plan is mandatory,
4 the employer shall no later than 30 days thereafter cause an
5 application for membership or participation, which application
6 shall include the employee's home address, birthdate certified
7 by the employer, previous school or State service and any other
8 information requested by the board, and a nomination of
9 beneficiary to be made by such employee and filed with the board
10 and shall make pickup contributions or mandatory pickup
11 participant contributions from the effective date of school
12 employment.

13 (e) New employees subject to optional membership or
14 participation.--The employer shall inform any eligible school
15 employee whose membership in the system or participation in the
16 plan is not mandatory of his opportunity to become a member of
17 the system or participant in the plan provided that he elects to
18 purchase credit for all such continuous creditable service. If
19 such employee so elects, the employer shall no later than 30
20 days thereafter cause an application for membership or
21 participation which application shall include the employee's
22 home address, birthdate certified by the employer, previous
23 school or State service and any other information requested by
24 the board, and a nomination of beneficiary to be made by him and
25 filed with the board and shall cause proper contributions to be
26 made from the date of election of membership or participation.

27 (f) Advising members of duties.--The employer shall advise
28 his employees of their duties as members of the system and
29 participants of the plan. Local school districts shall be held
30 harmless from decisions made by the employee in this regard.

31 * * *

32 (i) Termination of service by members.--The employer shall,
33 in the case of any member terminating school service, advise
34 such member in writing of any benefits from the system to which
35 he may be entitled under the provisions of this part and shall
36 have the member prepare, on or before the date of termination of
37 school service, one of the following three forms, a copy of
38 which shall be given to the member and the original of which
39 shall be filed with the board:

40 (1) An application for the return of accumulated
41 deductions.

42 (2) An election to vest his retirement rights, if
43 eligible, and, if he is a joint coverage member and so
44 desires, an election to become a full coverage member and an
45 agreement to pay within 30 days of the date of termination of
46 service the lump sum required.

47 (3) An application for an immediate annuity, if
48 eligible, and, if he is a joint coverage member and so
49 desires, an election to become a full coverage member and an
50 agreement to pay within 30 days of date of termination of
51 service the lump sum required.

1 * * *

2 (k) School employees performing USERRA or military-related
3 leave of absence.--The employer shall report to the board all of
4 the following:

5 (1) Any school employee who:

6 (i) ceases to be an active member or active
7 participant to perform USERRA service; or

8 (ii) is granted a leave of absence under 51 Pa.C.S.
9 § 4102 (relating to leaves of absence for certain
10 government employees) or a military leave of absence
11 under 51 Pa.C.S. § 7302 (relating to granting military
12 leaves of absence).

13 (2) The date on which the USERRA service, leave of
14 absence or military leave of absence began.

15 (3) The date on which the school employee is reemployed
16 from USERRA leave or returns after the leave of absence or
17 military leave of absence, if applicable.

18 (4) Any other information the board may require.

19 (l) Differential wage payments and military leave of absence
20 payments.--Notwithstanding the exclusion of differential wage
21 payments as defined in IRC § 414(u) (12) from compensation under
22 this part, the employer of any school employee on USERRA leave
23 shall report differential wage payments made to the employee to
24 the board, and the employer of any school employee on leave of
25 absence under 51 Pa.C.S. § 4102 shall report any payment made to
26 the employee in the form and manner established by the board.

27 § 8507. Rights and duties of school employees [and members],
28 members and participants.

29 (a) Information on new employees.--Upon his assumption of
30 duties, each new school employee shall furnish his employer with
31 a complete record of his previous school or State service, or
32 creditable nonschool service, proof of his date of birth, his
33 home address, his current status in the system and the plan and
34 in the State Employees' Retirement System and the State
35 Employees' Defined Contribution Plan and such other information
36 as the board may require. Willful failure to provide the
37 information required by this subsection to the extent available
38 or the provision of erroneous information upon entrance into the
39 system or plan shall result in the forfeiture of the right of
40 the member or participant to subsequently assert any right to
41 benefits based on erroneous information or on any of the
42 required information which he failed to provide. In any case in
43 which the board finds that a member or participant is receiving
44 an annuity based on false information, the additional amounts
45 received predicated on such false information together with
46 statutory interest doubled and compounded shall be deducted from
47 the present value of any remaining benefits to which the member
48 or participant is legally entitled and such remaining benefits
49 shall be correspondingly decreased.

50 * * *

51 (d.2) Contributions for USERRA leave.--Any active

1 participant or inactive participant or former participant who
2 was reemployed from USERRA leave and who desires to make
3 mandatory pickup participant contributions and voluntary
4 contributions for his USERRA leave shall so notify the board
5 within the time period required under 38 U.S.C. Ch. 43 (relating
6 to employment and reemployment rights of members of the
7 uniformed services) and IRC § 414(u) of his desire to make such
8 contributions. Upon the participant making the permitted
9 mandatory pickup participant contributions within the allowed
10 time period, the employer shall make the corresponding employer
11 defined contributions at the same time.

12 (d.3) Voluntary contributions by a participant.--Any
13 participant who desires to make voluntary contributions to be
14 credited to his individual investment account shall notify the
15 board and, upon compliance with the requirements, procedures and
16 limitations established by the board in the plan document, may
17 do so subject to the limitations under IRC §§ 401(a) and 415 and
18 other applicable law.

19 (e) Beneficiary for death benefits from system.--Every
20 member shall nominate a beneficiary by written designation filed
21 with the board to receive the death benefit or the benefit
22 payable from the system under the provisions of Option 1. Such
23 nomination may be changed at any time by the member by written
24 designation filed with the board. A member may also nominate a
25 contingent beneficiary or beneficiaries to receive the death
26 benefit or the benefit payable under the provisions of Option 1.

27 (e.1) Beneficiary for death benefits from plan.--Every
28 participant shall nominate a beneficiary by written designation
29 filed with the board as provided in section 8506 (relating to
30 duties of employers) to receive the death benefit payable under
31 section 8408 (relating to death benefits). A participant may
32 also nominate a contingent beneficiary or beneficiaries to
33 receive the death benefit provided under section 8408. Such
34 nominations may be changed at any time by the participant by
35 written designation filed with the board.

36 (e.2) Beneficiary designation.--A school employee may
37 designate or nominate different persons to be beneficiaries,
38 survivor annuitants and successor payees for his benefits from
39 the system and the plan.

40 (f) Termination of service by members.--Each member who
41 terminates school service and who is not then a disability
42 annuitant shall execute on or before the date of termination of
43 service a written application, duly attested by the member or
44 his legally constituted representative, electing to do one or
45 more of the following:

- 46 (1) Withdraw his accumulated deductions.
47 (2) Vest his retirement rights, if eligible, and if he
48 is a joint coverage member, and so desires, elect to become a
49 full coverage member and agree to pay within 30 days of the
50 date of termination of service the lump sum required.
51 (3) Receive an immediate annuity, if eligible, and may,

1 if he is a joint coverage member, elect to become a full
2 coverage member and agree to pay within 30 days of date of
3 termination of service the lump sum required.

4 * * *

5 (g.1) Deferral of retirement rights.--If a participant
6 terminates school service and does not commence receiving a
7 distribution, he shall nominate a beneficiary by written
8 designation filed with the board, and he may anytime thereafter,
9 but no later than his required beginning date, withdraw the
10 vested accumulated total defined contributions standing to his
11 credit or apply for another form of distribution required by law
12 or authorized by the board.

13 * * *

14 (i) Failure to apply for annuity.--If a member is eligible
15 to receive an annuity from the system and does not file a proper
16 application within 90 days of termination of service, he shall
17 be deemed to have elected to vest, and his annuity will become
18 effective as of the date an application is filed with the board
19 or the date designated on the application whichever is later,
20 provided that in no event shall a member begin receiving
21 benefits on a date later than the required beginning date.

22 * * *

23 Section 117. Sections 8521(b), 8522, 8524, 8525 and 8531 of
24 Title 24 are amended to read:

25 § 8521. Management of fund and accounts.

26 * * *

27 (b) Crediting of interest.--The board annually shall allow
28 statutory interest, excluding the individual investment
29 accounts, to the credit of the members' savings account on the
30 mean amount of the accumulated deductions of all members for
31 whom interest is payable for the preceding year and valuation
32 interest on the mean amount of the annuity reserve account for
33 the preceding year to the credit of that account. The board
34 annually shall allow valuation interest calculated on the mean
35 amount for the preceding year of the balance in the State
36 accumulation account excluding any earnings of the fund credited
37 to the account during that year. In the event the total earnings
38 for the year do not exceed 5 1/2% of the mean amount for the
39 preceding year of the total assets of the fund less earnings
40 credited to the fund during that year plus the administrative
41 expenses of the board, the difference required to be
42 appropriated from the General Fund shall be credited to the
43 State accumulation account.

44 * * *

45 § 8522. Public School Employees' Retirement Fund.

46 (a) General rule.--The fund shall consist of all moneys in
47 the several separate funds in the State Treasury set apart to be
48 used under the direction of the board for the benefit of members
49 of the system; and the Treasury Department shall credit to the
50 fund all moneys received from the Department of Revenue arising
51 from the contributions relating to or on behalf of the members

1 of the system required under the provisions of Chapter 83
2 (relating to membership, contributions and benefits) and all
3 earnings from investments or moneys of said fund. There shall be
4 established and maintained by the board the several ledger
5 accounts specified in sections 8523 (relating to members'
6 savings account), 8524 (relating to State accumulation account),
7 8525 (relating to annuity reserve account) and 8526 (relating to
8 health insurance account).

9 (b) Individual investment accounts and trust.--The
10 individual investment accounts that are part of the trust are
11 not part of the fund. Mandatory pickup participant
12 contributions, voluntary contributions and employer defined
13 contributions made under this part and any income earned by the
14 investment of such contributions shall not be paid or credited
15 to the fund but instead shall be paid to the trust and credited
16 to the individual investment accounts.
17 § 8524. State accumulation account.

18 The State accumulation account shall be the ledger account to
19 which shall be credited all contributions of the Commonwealth
20 and other employers as well as the earnings of the fund, 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
31 credit of the members' savings account and the annuity reserve
32 account. The administrative expenses of the board shall be
33 charged to the State accumulation account. Employer defined
34 contributions, mandatory pickup contributions and a
35 participant's voluntary contributions, together with any income
36 or interest earned thereon, may be temporarily placed into the
37 State accumulation account pending allocation or distribution
38 to the participant's individual investment account.

39 § 8525. Annuity reserve account.

40 (a) Credits and charges to account.--The annuity reserve
41 account shall be the ledger account to which shall be credited
42 the reserves held for the payment of annuities and death
43 benefits resulting from membership in the system on account of
44 all annuitants and the contributions from the Commonwealth and
45 other employers as determined in accordance with section 8328
46 (relating to actuarial cost method) for the payment of the
47 supplemental annuities provided in sections 8348 (relating to
48 supplemental annuities), 8348.1 (relating to additional
49 supplemental annuities), 8348.2 (relating to further additional
50 supplemental annuities), 8348.3 (relating to supplemental
51 annuities commencing 1994), 8348.4 (relating to special

1 supplemental postretirement adjustment), 8348.5 (relating to
2 supplemental annuities commencing 1998), 8348.6 (relating to
3 supplemental annuities commencing 2002) and 8348.7 (relating to
4 supplemental annuities commencing 2003). The annuity reserve
5 account shall be credited with valuation interest. After the
6 transfers provided in sections 8523 (relating to members'
7 savings account) and 8524 (relating to State accumulation
8 account), all annuity and death benefit payments shall be
9 charged to the annuity reserve account and paid from the fund.

10 (b) Transfers from account.--Should an annuitant be
11 subsequently restored to active service either as a member of
12 the system or participant in the plan, the present value of his
13 member's annuity at the time of reentry into school service
14 shall be transferred from the annuity reserve account and placed
15 to his individual credit in the members' savings account. In
16 addition, the actuarial reserve for his annuity less the amount
17 transferred to the members' savings account shall be transferred
18 from the annuity reserve account to the State accumulation
19 account.

20 § 8531. State guarantee regarding the system.

21 Statutory interest charges payable, the maintenance of
22 reserves in the fund, and the payment of all annuities and other
23 benefits granted by the board from the system under the
24 provisions of this part relating to the establishment and
25 administration of the system are hereby made obligations of the
26 Commonwealth. All income, interest, and dividends derived from
27 deposits and investments of the system authorized by this part
28 shall be used for the payment of the said obligations of the
29 Commonwealth and shall not be used for any obligations of the
30 plan or trust.

31 Section 118. Section 8533(a), (b) and (d) of Title 24 are
32 amended and the section is amended by adding a subsection to
33 read:

34 § 8533. Taxation, attachment and assignment of funds.

35 (a) General rule.--Except as provided in subsections (b),
36 (c) and (d), the right of a person to a member's annuity, a
37 State annuity, or retirement allowance, to the return of
38 contributions, any benefit or right accrued or accruing to any
39 person under the provisions of this part, and the moneys in the
40 fund and the trust are hereby exempt from any State or municipal
41 tax, [and exempt from] levy and sale, garnishment, attachment,
42 the provisions of Article XIII.1 of the act of April 9, 1929
43 (P.L.343, No.176), known as The Fiscal Code, or any other
44 process whatsoever, and shall be unassignable.

45 (a.1) Individual investment accounts and distributions.--No
46 participant or beneficiary, successor payee or alternate payee
47 of a participant shall have the ability to commute, sell,
48 assign, alienate, anticipate, mortgage, pledge, hypothecate,
49 commutate or otherwise transfer or convey any benefit or
50 interest in an individual investment account or rights to
51 receive or direct distributions under this part or under

1 agreements entered into under this part except as otherwise
2 provided in this part and in the case of either a member or a
3 participant.

4 (b) Forfeiture.--

5 (1) Rights under this part shall be subject to
6 forfeiture as provided by the act of July 8, 1978 (P.L.752,
7 No.140), known as the Public Employee Pension Forfeiture Act.
8 Forfeitures under this subsection or under any other
9 provision of law may not be applied to increase the benefits
10 that any member would otherwise receive under this part.

11 (2) In accordance with section 16(b) of Article V of the
12 Constitution of Pennsylvania and notwithstanding paragraph
13 (1), the Public Employee Pension Forfeiture Act or 42 Pa.C.S.
14 § 3352 (relating to pension rights), the accumulated
15 mandatory participant contributions and accumulated voluntary
16 contributions standing to the credit of a participant shall
17 not be forfeited but shall be available for payment of fines
18 and restitution as provided by law. Amounts in the trust that
19 have been ordered to be distributed to an alternate payee as
20 the result of an equitable distribution of marital property
21 as part of an approved domestic relations order entered
22 before the date of the order or action in a court or other
23 tribunal resulting in a forfeiture of a participant's
24 interest in the trust shall not be subject to the Public
25 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
26 accumulated employer defined contributions forfeited as a
27 result of this subsection or other law shall be retained by
28 the board and used for the payment of expenses of the plan.

29 * * *

30 (d) Direct rollover.--Effective with distributions made on
31 or after January 1, 1993, and notwithstanding any other
32 provision of this part to the contrary, a distributee may elect,
33 at the time and in the manner prescribed by the board, to have
34 any portion of an eligible rollover distribution paid directly
35 to an eligible retirement plan by way of a direct rollover. For
36 purposes of this subsection, a "distributee" includes a member
37 [and], a participant, a member's surviving spouse [and], a
38 participant's surviving spouse, a member's former spouse who is
39 an alternate payee under an approved domestic relations
40 order[.], a participant's former spouse who is an alternate
41 payee under an approved domestic relations order and anyone else
42 authorized under IRC and the plan terms approved by the board to
43 have an eligible rollover distribution paid directly to an
44 eligible retirement plan by way of a direct rollover. For
45 purposes of this subsection, the term "eligible rollover
46 distribution" has the meaning given such term by IRC § 402(f)(2)
47 (A) and "eligible retirement plan" has the meaning given such
48 term by IRC § 402(c)(8)(B), except that a qualified trust shall
49 be considered an eligible retirement plan only if it accepts the
50 distributee's eligible rollover distribution; however, in the
51 case of an eligible rollover distribution to a surviving spouse,

1 an eligible retirement plan is an "individual retirement
2 account" or an "individual retirement annuity" as those terms
3 are defined in IRC § 408(a) and (b).

4 Section 119. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)
5 of Title 24 are amended to read:

6 § 8533.1. Approval of domestic relations orders.

7 (a) Certification regarding members.--A domestic relations
8 order pertaining to a member of the system shall be certified as
9 an approved domestic relations order by the secretary of the
10 board, or his designated representative, only if such order
11 meets all of the following:

12 (1) Requires the system to provide any type or form of
13 benefit or any option applicable to members already provided
14 under this part.

15 (2) Requires the system to provide no more than the
16 total amount of benefits than the member would otherwise
17 receive (determined on the basis of actuarial value) unless
18 increased benefits are paid to the member or alternate payee
19 based upon cost-of-living increases or increases based on
20 other than actuarial value.

21 (3) Specifies the amount or percentage of the member's
22 benefits to be paid by the system to each such alternate
23 payee or the manner in which the amount or percentage is to
24 be determined.

25 (4) Specifies the retirement option to be selected by
26 the member upon retirement or states that the member may
27 select any retirement option offered by this part upon
28 retirement.

29 (5) Specifies the name and last known mailing address,
30 if any, of the member and the name and last known mailing
31 address of each alternate payee covered by the order and
32 states that it is the responsibility of each alternate payee
33 to keep a current mailing address on file with the system.

34 (6) Does not grant an alternate payee any of the rights,
35 options or privileges of a member under this part.

36 (7) Requires the member to execute an authorization
37 allowing each alternate payee to monitor the member's
38 compliance with the terms of the domestic relations order
39 through access to information concerning the member
40 maintained by the system. An authorization granted under this
41 section shall be construed as an authorization for the
42 alternate payee to receive information concerning the
43 administration, calculation and payment of the alternate
44 payee's share of the benefits payable under this part and not
45 as an authorization to exercise the rights afforded to
46 members or obtain information that is not related to the
47 administration, calculation and payment of alternate payee's
48 share of the benefits payable under this part.

49 (a.1) Certification regarding participants.--A domestic
50 relations order pertaining to a participant shall be certified
51 as an approved domestic relations order by the secretary of the

1 board, or his designated representative, only if that order
2 meets all of the following:

3 (1) Does not require the plan to provide any type or
4 form of benefit or any option applicable to members of the
5 system or participants in the plan.

6 (2) Does not require the segregation of the alternate
7 payee's share of the participant's individual investment
8 account into a subaccount or newly established individual
9 account titled in the name of the alternate payee.

10 (3) Does not require the plan to recover or distribute
11 any funds that were distributed to the participant or at the
12 participant's direction prior to the approval of the domestic
13 relations order by the secretary of the board or his
14 designated representative.

15 (4) Requires the plan to pay to the alternate payee no
16 more than the lesser of the vested amount of the
17 participant's individual investment account specified by the
18 domestic relations order or the vested amount of the
19 participant's individual investment account as of the date of
20 the transfer of the alternate payee's share to the alternate
21 payee.

22 (5) States that the plan shall not be required to recoup
23 or make good for losses in value to the participant's
24 individual investment account incurred between the date of
25 the valuation of the account used for equitable distribution
26 purposes and the date of distribution to the alternate payee.

27 (6) Specifies the amount or percentage of the
28 participant's individual investment account to be paid to the
29 alternate payee and the date upon which such valuation is
30 based.

31 (7) Specifies the name and last known mailing address,
32 if any, of the participant and the name and last known
33 mailing address of each alternate payee covered by the order
34 and states that it is the responsibility of each alternate
35 payee to keep a current mailing address on file with the
36 plan.

37 (8) Does not grant an alternate payee the rights,
38 privileges or options available to a participant.

39 (9) Requires the participant to execute an authorization
40 allowing each alternate payee to monitor the participant's
41 compliance with the terms of the domestic relations order
42 through access to information concerning the participant
43 maintained by the plan. Any authorization granted under this
44 section shall be construed as an authorization for the
45 alternate payee to receive information concerning the
46 participant that relates to the administration, calculation
47 and payment of the alternate payee's share of the
48 participant's account and not as an authorization to exercise
49 the rights afforded to participants or obtain information
50 that is not related to the administration, calculation and
51 payment of alternate payee's share of the participant's

1 individual investment account.

2 (10) Requires the immediate distribution of the
3 alternate payee's share of the participant's individual
4 investment account, which may be made by direct payment,
5 eligible rollover or trustee-to-trustee transfer to another
6 eligible plan or qualified account owned by the alternate
7 payee.

8 (11) In the case of a participant who is currently
9 receiving distributions from the plan as of the date the
10 domestic relations order is approved by the secretary of the
11 board or his designated representative, may not order the
12 board to pay the alternate payee more than the vested balance
13 available in the participant's individual investment account
14 as of the date the order is approved or require that
15 distributions continue to the alternate payee after the death
16 of the participant and final settlement of the participant's
17 individual investment account.

18 (b) Determination by secretary.--Within a reasonable period
19 of time after receipt of a domestic relations order, the
20 secretary of the board, or his designated representative, shall
21 determine whether this order is an approved domestic relations
22 order and notify the member or participant and each alternate
23 payee of this determination. Notwithstanding any other provision
24 of law, the exclusive remedy of any member, participant or
25 alternate payee aggrieved by a decision of the secretary of the
26 board, or his designated representative, shall be the right to
27 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to
28 practice and procedure) with appeal therefrom to the
29 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial
30 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals
31 from government agencies).

32 (c) Other orders.--The requirements for approval identified
33 in [subsection (a)] subsections (a) and (a.1) shall not apply to
34 any domestic relations order which is an order for support as
35 that term is defined in 23 Pa.C.S. § 4302 (relating to
36 definitions) or an order for the enforcement of arrearages as
37 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
38 arrearages). These orders shall be approved to the extent that
39 they do not attach moneys in excess of the limits on attachments
40 as established by the laws of this Commonwealth and the United
41 States[.], require distributions of benefits in a manner that
42 would violate the laws of the United States, any other state or
43 this Commonwealth or require the distribution of funds for
44 support or enforcement of arrearages against any participant who
45 is not receiving distributions from the plan at the time the
46 order is entered. These orders may be approved notwithstanding
47 any other provision of this part or the plan that would
48 otherwise require a distribution of accumulated employer defined
49 contributions in the form of an annuity or to require the
50 purchase of an annuity.

51 (d) Obligation discharged.--Only the requirements of this

1 part and any regulations promulgated hereunder shall be used to
2 govern the approval or disapproval of a domestic relations
3 order. Therefore, if the secretary of the board, or his
4 designated representative, acts in accordance with the
5 provisions of this part and any promulgated regulations in
6 approving or disapproving a domestic relations order, then the
7 obligations of the system or plan with respect to such approval
8 or disapproval shall be discharged.

9 § 8533.2. Irrevocable beneficiary.

10 Notwithstanding any other provision of this part, a domestic
11 relations order may provide for an irrevocable beneficiary. A
12 domestic relations order requiring the nomination of an
13 irrevocable beneficiary shall be deemed to be one that requires
14 a member or participant to nominate an alternate payee as a
15 beneficiary and that prohibits the removal or change of that
16 beneficiary without approval of a court of competent
17 jurisdiction, except by operation of law. Such a domestic
18 relations order may be certified as an approved domestic
19 relations order by the secretary of the board, or his designated
20 representative, after the member or participant makes such
21 nomination, in which case the irrevocable beneficiary so ordered
22 by the court cannot be changed by the member or participant
23 without approval by the court.

24 § 8533.3. Irrevocable survivor annuitant.

25 Notwithstanding any other provisions of this part, a domestic
26 relations order may provide for an irrevocable survivor
27 annuitant pertaining to a member. A domestic relations order
28 requiring the designation of an irrevocable survivor annuitant
29 of a member of the fund shall be deemed to be one that requires
30 a member to designate an alternate payee as a survivor annuitant
31 and that prohibits the removal or change of that survivor
32 annuitant for benefits payable from the fund without approval of
33 a court of competent jurisdiction, except by operation of law.
34 Such a domestic relations order may be certified as an approved
35 domestic relations order by the secretary of the board, or his
36 designated representative, in which case the irrevocable
37 survivor annuitant so ordered by the court cannot be changed by
38 the member without approval by the court. A person ineligible to
39 be designated as a survivor annuitant may not be designated an
40 irrevocable survivor annuitant.

41 § 8533.4. Amendment of approved domestic relations orders.

42 (a) Deceased alternate payee.--In the event that the
43 alternate payee predeceases the member or participant and there
44 are benefits payable to the alternate payee, the divorce court
45 may amend the approved domestic relations order to substitute a
46 person for the deceased alternate payee to receive any benefits
47 payable to the deceased alternate payee.

48 * * *

49 Section 120. Title 24 is amended by adding a section to
50 read:

51 § 8533.5. Irrevocable successor payee.

1 (a) Condition.--Notwithstanding any other provisions of this
2 part, a domestic relations order pertaining to a participant may
3 provide for an irrevocable successor payee only if the
4 participant is receiving a payment under a payment option
5 provided by the board that allows for a successor payee.

6 (b) Determination.--A domestic relations order requiring the
7 designation of an irrevocable successor payee shall be deemed to
8 be one that requires a participant who is receiving payments
9 from an annuity or other distribution option to designate an
10 alternate payee as a successor payee and that prohibits the
11 removal or change of that successor payee without approval of a
12 court of competent jurisdiction, except by operation of law.

13 (c) Certification.--A domestic relations order under
14 subsection (b) may be certified as an approved domestic
15 relations order by the secretary of the board, or his designated
16 representative, in which case the irrevocable successor payee so
17 ordered by the court cannot be changed by the participant
18 without approval by the court.

19 (d) Ineligibility.--A person ineligible to be designated as
20 a successor payee may not be designated as an irrevocable
21 successor payee. A court may not name an irrevocable successor
22 payee if the alternate payee is eligible to receive a lump sum
23 distribution of the alternate payee's portion of the marital
24 portion of the pension benefit.

25 Section 121. Sections 8534 and 8535 of Title 24 are amended
26 to read:

27 § 8534. Fraud and adjustment of errors.

28 (a) Penalty for fraud.--Any person who shall knowingly make
29 any false statement or shall falsify or permit to be falsified
30 any record or records of this system or plan in any attempt to
31 defraud the system or plan as a result of such act shall be
32 guilty of a misdemeanor of the second degree.

33 (b) Adjustment of errors.--Should any change or mistake in
34 records result in any member, participant, beneficiary, [or]
35 survivor annuitant or successor payee receiving from the system
36 or plan more or less than he would have been entitled to receive
37 had the records been correct, then regardless of the intentional
38 or unintentional nature of the error and upon the discovery of
39 such error, the board shall correct the error and if the error
40 affects contributions to or payments from the system, then so
41 far as practicable shall adjust the payments which may be made
42 for and to such person in such a manner that the actuarial
43 equivalent of the benefit to which he was correctly entitled
44 shall be paid. If the error affects contributions to or payments
45 from the plan, the board shall take such action as shall be
46 provided for in the plan document.

47 § 8535. Payments to school entities by Commonwealth.

48 For each school year beginning with the 1995-1996 school year
49 and ending with the 2017-2018 school year, each school entity
50 shall be paid by the Commonwealth for contributions based upon
51 school service of active members of the system after June 30,

1 1995, as follows:

2 (1) The Commonwealth shall pay each school entity for
3 contributions made to the Public School Employees' Retirement
4 Fund based upon school service of all active members,
5 including members on activated military service leave, whose
6 effective dates of employment with their school entities are
7 after June 30, 1994, and who also had not previously been
8 employed by any school entity within this Commonwealth an
9 amount equal to the amount certified by the Public School
10 Employees' Retirement Board as necessary to provide, together
11 with the members' contributions, reserves on account of
12 prospective annuities, supplemental annuities and the premium
13 assistance program as provided in this part in accordance
14 with section 8328 (relating to actuarial cost method),
15 multiplied by the market value/income aid ratio of the school
16 entity. For no school year shall any school entity receive
17 less than the amount that would result if the market
18 value/income aid ratio as defined in section 2501(14.1) of
19 the Public School Code [of 1949] was 0.50.

20 (2) The Commonwealth shall pay each school entity for
21 contributions made to the Public School Employees' Retirement
22 Fund based upon school service of all active members,
23 including members on activated military service leave, who
24 are not described in paragraph (1), one-half of the amount
25 certified by the Public School Employees' Retirement Board as
26 necessary to provide, together with the members'
27 contributions, reserves on account of prospective annuities,
28 supplemental annuities and the premium assistance program as
29 provided in this part in accordance with section 8328.

30 (3) School entities shall have up to five days after
31 receipt of the Commonwealth's portion of the employer's
32 liability to [make] forward the payment to the Public School
33 Employees' Retirement Fund. School entities are expected to
34 make the full payment to the Public School Employees'
35 Retirement Fund in accordance with section 8327 (relating to
36 payments by employers) in the event the receipt of the
37 Commonwealth's portion of the employer's liability is delayed
38 because of delinquent salary reporting or other conduct by
39 the school entities.

40 Section 122. Title 24 is amended by adding sections to read:

41 § 8535.1. Payments to school entities by Commonwealth
42 commencing with the 2018-2019 school year.

43 For each school year, beginning with the 2018-2019 school
44 year, each school entity shall be paid by the Commonwealth for
45 contributions based upon school service of active members of the
46 system and active participants of the plan after June 30, 2017,
47 as follows:

48 (1) The Commonwealth shall pay each school entity for
49 contributions made to the fund or the trust based upon school
50 service of all active members or active participants,
51 including members or participants on activated or USERRA

1 military service leave, whose effective dates of employment
2 with their school entities are after June 30, 1994, and who
3 also had not previously been employed by any school entity
4 within this Commonwealth, an amount equal to the amount
5 certified by the board as necessary to provide, together with
6 the members' and participants' contributions, reserves on
7 account of prospective annuities, supplemental annuities and
8 the premium assistance program as provided in this part in
9 accordance with section 8328 (relating to actuarial cost
10 method), multiplied by the market value/income aid ratio of
11 the school entity. For no school year shall any school entity
12 receive less than the amount that would result if the market
13 value/income aid ratio as defined in section 2501(14.1) of
14 the Public School Code was 0.50.

15 (2) The Commonwealth shall pay each school entity for
16 contributions made to the fund or the trust based upon school
17 service of all active members or active participants,
18 including members or participants on activated military
19 service leave, and active participants of the plan who are
20 not described in paragraph (1) one-half of the amount
21 certified by the board as necessary to provide, together with
22 the members' and participants' contributions, reserves on
23 account of prospective annuities, supplemental annuities and
24 the premium assistance program as provided in this part in
25 accordance with section 8328.

26 (3) School entities shall have up to five days after
27 receipt of the Commonwealth's portion of the employer's
28 liability to forward the payment to the fund or the trust.
29 School entities are expected to make the full payment to the
30 fund or the trust in accordance with section 8327 (relating
31 to payments by employers) in the event the receipt of the
32 Commonwealth's portion of the employer's liability is delayed
33 because of delinquent salary reporting or other conduct by
34 the school entities.

35 (4) Employers whose payments to the Public School
36 Employees' Retirement Fund are delinquent shall be charged
37 interest by the Public School Employees' Retirement Fund at
38 the annual interest rate adopted by the board under section
39 8328 (relating to actuarial cost method) in effect in the
40 fiscal year in which the payments are required to be paid.
41 § 8537. Internal Revenue Code limitations.

42 Notwithstanding any provisions of this part to the contrary,
43 no contribution or benefit related to the School Employees'
44 Defined Contribution Plan may be made or payable to the extent
45 that the contribution or benefit exceeds a limitation under IRC
46 § 415 in effect with respect to a "governmental plan" as defined
47 in IRC § 414(d) on the date the contribution or benefit payment
48 becomes effective. An increase in a limitation under IRC § 415
49 shall be applicable to all current and future participants.

50 § 8538. Public Pension Management and Asset Investment Review
51 Commission.

1 (a) Establishment.--A Public Pension Management and Asset
2 Investment Review Commission shall be established, which shall
3 be composed of five appointees, one appointed by each of the
4 following:

5 (1) The Governor.

6 (2) The President pro tempore of the Senate.

7 (3) The Minority Leader of the Senate.

8 (4) The Speaker of the House of Representatives.

9 (5) The Minority Leader of the House of Representatives.

10 The appointees shall be investment professionals and retirement
11 advisors and shall be appointed within 90 days of the effective
12 date of this section.

13 (b) Duties.--The duties of the Public Pension Management and
14 Asset Investment Review Commission are as follows:

15 (1) Study the performance of current investment
16 strategies and procedures of the Public School Employees'
17 Retirement System, comparing realized rates of return to
18 established benchmarks and considering associated fees paid
19 for active and passive management.

20 (2) Study the costs and benefits of both active and
21 passive investment strategies in relation to future
22 investment activities of the Public School Employees'
23 Retirement System.

24 (3) Study alternative future investment strategies with
25 available assets of the Public School Employees' Retirement
26 System that will maximize future rates of return net of fees.

27 (3.1) The commission shall evaluate and make
28 recommendations on:

29 (i) Improving investment fee transparency on
30 alternative investments as specified in the Standardized
31 Reporting Guidelines of the Institutional Limited
32 Partners Association.

33 (ii) Implementing the recommendations of the Society
34 of Actuaries Blue Ribbon Panel on stress testing, to test
35 the ability of the plan to withstand a period of
36 investment returns above or below the level of assumed
37 return.

38 (4) Publish extensive and detailed findings online,
39 including findings about:

40 (i) Assets.

41 (ii) Returns.

42 (iii) Financial managers.

43 (iv) Consultants.

44 (v) Requests for proposals.

45 (vi) Investment performance measured against
46 benchmarks.

47 (5) Report its findings and recommendations to the
48 Governor and the General Assembly within six months of its
49 first organizational meeting.

50 (c) Quorum.--A majority of appointed members shall
51 constitute a quorum for the purpose of conducting business. The

1 members shall select one of their number to be chairperson and
2 another to be vice chairperson.

3 (d) Transparency and ethics.--The Public Pension Management
4 and Asset Investment Review Commission shall be subject to the
5 following laws:

6 (1) The act of February 14, 2008 (P.L.6, No.3), known as
7 the Right-to-Know Law.

8 (2) The former act of July 3, 1986 (P.L.388, No.84),
9 known as the Sunshine Act.

10 (3) The act of October 4, 1978 (P.L.883, No.170), known
11 as the Public Official and Employee Ethics Law.

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

14 (e) Information gathering.--The Public Pension Management
15 and Asset Investment Review Commission may conduct hearings and
16 otherwise gather pertinent information and analysis that it
17 considers appropriate and necessary to fulfill its duties.

18 (f) Logistical and other support.--The Public Pension
19 Management and Asset Investment Review Commission shall receive
20 logistical and other support from the Joint State Government
21 Commission and may employ additional temporary staff as needed.

22 (g) Reimbursement.--The members of the Public Pension
23 Management and Asset Investment Review Commission shall be
24 reimbursed for reasonable expenses.

25 (h) Expiration.--The Public Pension Management and Asset
26 Investment Review Commission shall expire 60 days after delivery
27 of its report in accordance with subsection (b) (5). Any unspent
28 appropriation shall lapse back to the General Fund.

29 Section 123. The definition of "eligible person" in section
30 8702(a) of Title 24 is amended to read:

31 § 8702. Definitions.

32 (a) General rule.--Subject to additional definitions
33 contained in subsequent provisions of this part which are
34 applicable to specific provisions of this part, the following
35 words and phrases when used in this part shall have the meanings
36 given to them in this section unless the context clearly
37 indicates otherwise:

38 "Eligible person." An individual who is:

39 (1) an annuitant or survivor annuitant or the spouse or
40 dependent of an annuitant or survivor annuitant[.]; or

41 (2) a participant receiving distributions or a successor
42 payee, or the spouse or dependent of a participant receiving
43 distributions or a successor payee.

44 * * *

45 ARTICLE II

46 Section 201. Section 7306(a) introductory paragraph of Title
47 51 is amended and the section is amended by adding a subsection
48 to read:

49 § 7306. Retirement rights.

50 (a) Options available to employees.--Any employee who is a
51 member of a retirement system other than an active member or

1 inactive member on leave without pay of the State Employees'
2 Retirement System [or], an active participant or inactive
3 participant on leave without pay of the State Employees' Defined
4 Contribution Plan, an active or inactive member of the Public
5 School Employees' Retirement System or an active or inactive
6 participant of the School Employees' Defined Contribution Plan
7 at the time he is granted a military leave of absence shall be
8 entitled to exercise any one of the following options in regard
9 thereto:

10 * * *

11 (f) Participant of a defined contribution plan.--

12 (1) An employee who is an active or inactive participant
13 of the School Employees' Defined Contribution Plan at the
14 time the employee is granted a military leave of absence
15 shall be entitled to make contributions to the School
16 Employees' Defined Contribution Trust for the leave as
17 provided in 24 Pa.C.S. Pt. IV (relating to retirement for
18 school employees).

19 (2) An employee who is an active participant or inactive
20 participant on leave without pay of the State Employees'
21 Defined Contribution Plan at the time he is granted a
22 military leave of absence shall be entitled to make
23 contributions to the State Employees' Defined Contribution
24 Trust for the leave as provided in 71 Pa.C.S. Pt. XXV
25 (relating to retirement for State employees and officers).

26 ARTICLE III

27 Section 301. (Reserved).

28 Section 302. The definitions of "alternate payee," "average
29 noncovered salary," "beneficiary," "class of service
30 multiplier," "compensation," "creditable nonstate service,"
31 "credited service," "date of termination of service,"
32 "distribution," "domestic relations order," "eligibility
33 points," "final average salary," "inactive member," "intervening
34 military service," "irrevocable beneficiary," "reemployed from
35 USERRA leave," "regular member contributions," "required
36 beginning date," "retirement counselor," "salary deductions,"
37 "shared-risk member contributions," "special vestee," "standard
38 single life annuity," "State employee," "superannuation age,"
39 "valuation interest" and "vestee" in section 5102 of Title 71
40 are amended and the section is amended by adding definitions to
41 read:

42 § 5102. Definitions.

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

46 * * *

47 "Accumulated employer defined contributions." The total of
48 the employer defined contributions paid into the trust on
49 account of a participant's State service together with any
50 investment earnings and losses and adjustment for fees, costs
51 and expenses credited or charged thereon and reduced by any

1 distributions.

2 "Accumulated mandatory participant contributions." The total
3 of the mandatory pickup participant contributions paid into the
4 trust on account of a participant's State service together with
5 any investment earnings and losses and adjustments for fees,
6 costs and expenses credited or charged thereon and reduced by
7 any distributions.

8 "Accumulated total defined contributions." The total of the
9 accumulated mandatory participant contributions, accumulated
10 employer defined contributions and accumulated voluntary
11 contributions standing to the credit of a participant in an
12 individual investment account in the trust.

13 "Accumulated voluntary contributions." The total of
14 voluntary contributions paid into the trust by a participant and
15 any amounts rolled over by a participant or transferred by a
16 direct trustee-to-trustee transfer into the trust together with
17 any investment earnings and losses and adjustment for fees,
18 costs and expenses credited or charged thereon and reduced by
19 any distributions.

20 * * *

21 "Active participant." A State employee for whom mandatory
22 pickup participant contributions are being made to the trust or
23 for whom contributions otherwise required for State service
24 required to be credited in the plan are not being made solely by
25 reason of any provision of this part relating to the limitations
26 under section 401(a)(17) or 415 of the Internal Revenue Code of
27 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415).

28 * * *

29 "Alternate payee." Any spouse, former spouse, child or
30 dependent of a member or participant who is recognized by a
31 domestic relations order as having a right to receive all or a
32 portion of the moneys payable to that member or participant
33 under this part.

34 * * *

35 "Average noncovered salary." The average of the amounts of
36 compensation received as an active member each calendar year
37 since January 1, 1956, exclusive of the amount which was or
38 could have been covered by the Federal Social Security Act[, 42
39 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et seq.), during that
40 portion of the member's service since January 1, 1956, for which
41 he has received social security integration credit.

42 * * *

43 "Beneficiary." [The] In the case of the system, the person
44 or persons last designated in writing to the board by a member
45 to receive his accumulated deductions or a lump sum benefit upon
46 the death of such member. In the case of the plan, the person or
47 persons last designated in writing to the board by the
48 participant to receive the participant's vested accumulated
49 total defined contributions or a lump sum benefit upon the death
50 of the participant.

51 * * *

1 "Class A-5 exempt employee." Any of the following:

2 (1) A sworn police officer.

3 (2) An enforcement officer.

4 (3) A wildlife conservation officer or other
5 commissioned law enforcement personnel employed by the
6 Pennsylvania Game Commission who has and exercises the same
7 law enforcement powers as a wildlife conservation officer.
8 The term shall not include a deputy wildlife conservation
9 officer.

10 (4) A Delaware River Port Authority policeman.

11 (5) A park ranger.

12 (6) A Capitol Police officer.

13 (7) A campus police officer employed by a State-owned
14 educational institution, community college or The
15 Pennsylvania State University.

16 (8) An installation police officer at Fort Indiantown
17 Gap or other designated Commonwealth military installation or
18 facility commissioned under 51 Pa.C.S. § 711 (relating to
19 installation of police officers for Fort Indiantown Gap and
20 other designated Commonwealth military installations and
21 facilities).

22 (9) A correction officer.

23 "Class of service multiplier."

24	Class of Service		Multiplier
25	A		1
26	AA	for all purposes	
27		except	
28		calculating	
29		regular member	
30		contributions on	
31		compensation	
32		paid prior to	
33		January 1, 2002	1.25
34	AA	for purposes of	
35		calculating	
36		regular member	
37		contributions	
38		on compensation	
39		paid prior to	
40		January 1, 2002	1
41	A-3	for all purposes	
42		except the	
43		calculation of	
44		regular member	
45		contributions	
46		and	
47		contributions	
48		for creditable	
49		nonstate service	1
50	A-3	for purposes of	
51		calculating	

1		regular member	
2		contributions	
3		and	
4		contributions	
5		for creditable	
6		nonstate service	1.25
7	A-4	for all purposes	
8		except the	
9		calculation of	
10		regular member	
11		contributions	1.25
12	A-4	for purposes of	
13		calculating	
14		regular member	
15		contributions	1.86
16	<u>A-5</u>	<u>for all purposes</u>	
17		<u>except the</u>	
18		<u>calculation of</u>	
19		<u>regular member</u>	
20		<u>contributions</u>	<u>.625</u>
21	<u>A-5</u>	<u>for purposes of</u>	
22		<u>calculating</u>	
23		<u>regular member</u>	
24		<u>contributions</u>	<u>1</u>
25	<u>A-6</u>	<u>for all purposes</u>	
26		<u>except the</u>	
27		<u>calculation of</u>	
28		<u>regular member</u>	
29		<u>contributions</u>	<u>.5</u>
30	<u>A-6</u>	<u>for purposes of</u>	
31		<u>calculating</u>	
32		<u>regular member</u>	
33		<u>contributions</u>	<u>.8</u>
34	B		.625
35	C		1
36	D		1.25
37	D-1	prior to January	
38		1, 1973	1.875
39	D-1	on and	
40		subsequent to	
41		January 1, 1973	1.731
42	D-2	prior to January	
43		1, 1973	2.5
44	D-2	on and	
45		subsequent to	
46		January 1, 1973	1.731
47	D-3	prior to January	
48		1, 1973	3.75
49	D-3	on and	
50		subsequent to	
51		January 1, 1973	1.731

except prior to

1				December 1, 1974
2				as applied to
3				any additional
4				legislative
5				compensation as
6				an officer of
7				the General
8				Assembly
9			3.75	
10	D-4	for all purposes		
11		except		
12		calculating		
13		regular member		
14		contributions		
15		on compensation		
16		paid prior to		
17		July 1, 2001	1.5	
18	D-4	for purposes of		
19		calculating		
20		regular member		
21		contributions on		
22		compensation		
23		paid prior to		
24		July 1, 2001	1	
25	E, E-1	prior to January		
26		1, 1973	2	for each of the
27				first ten years
28				of judicial
29				service, and
30			1.5	for each
31				subsequent year
32				of judicial
33				service
34	E, E-1	on and		
35		subsequent to		
36		January 1, 1973	1.50	for each of the
37				first ten years
38				of judicial
39				service and
40			1.125	for each
41				subsequent year
42				of judicial
43				service
44	E-2	prior to		
45		September 1,		
46		1973	1.5	
47	E-2	on and		
48		subsequent to		
49		September 1,		
50		1973	1.125	
51	G		0.417	

1	H	0.500
2	I	0.625
3	J	0.714
4	K	0.834
5	L	1.000
6	M	1.100
7	N	1.250
8	T-C (Public School	
9	Employees'	
10	Retirement Code)	1
11	T-E (Public School	
12	Employees'	
13	Retirement Code)	1
14	T-F (Public School	
15	Employees'	
16	Retirement Code)	1
17	<u>T-G (Public School</u>	
18	<u>Employees'</u>	
19	<u>Retirement Code)</u>	<u>1</u>
20	<u>T-H (Public School</u>	
21	<u>Employees'</u>	
22	<u>Retirement Code)</u>	<u>1</u>

23 * * *

24 "Compensation." Pickup contributions and mandatory pickup
25 participant contributions plus remuneration actually received as
26 a State employee excluding refunds for expenses, contingency and
27 accountable expense allowances; excluding any severance payments
28 or payments for unused vacation or sick leave; and excluding
29 payments for military leave and any other payments made by an
30 employer while on USERRA leave, leave of absence granted under
31 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
32 government employees), military leave of absence granted under
33 51 Pa.C.S. § 7302 (relating to granting military leaves of
34 absence) or other types of military leave, including other types
35 of leave payments, stipends, differential wage payments as
36 defined in IRC § 414(u) (12) and any other payments: Provided,
37 however, That for purposes of determining member and employer
38 contributions to the system and for calculating annuities and
39 benefits from the system resulting from service performed as a
40 Class A-5 exempt employee who first became a member on or after
41 January 1, 2018, compensation shall not include remuneration
42 received in any pay period for voluntary overtime service or
43 duty that exceeds 10% of a Class A-5 exempt employee's base
44 salary or wages in that pay period: Provided further, That
45 compensation received prior to January 1, 1973, shall be subject
46 to the limitations for retirement purposes in effect December
47 31, 1972, if any: Provided further, That the limitation under
48 section 401(a) (17) of the Internal Revenue Code of 1986 (Public
49 Law 99-514, 26 U.S.C. § 401(a) (17)) taken into account for the
50 purpose of member contributions, including any additional member
51 contributions in addition to regular or joint coverage member

1 contributions and Social Security integration contributions,
2 regardless of class of service, shall apply to each member who
3 first became a member of the State Employees' Retirement System
4 on or after January 1, 1996, and who by reason of such fact is a
5 noneligible member subject to the application of the provisions
6 of section 5506.1(a) (relating to annual compensation limit
7 under IRC § 401(a) (17)) and shall apply to each participant
8 pertaining to his participation in the plan.

9 * * *

10 "Creditable nonstate service." Service for which an active
11 member may obtain credit in the system, other than:

12 (1) service as a State employee;

13 (2) service converted to State service pursuant to
14 section 5303.1 (relating to election to convert county
15 service to State service); or

16 (3) school service converted to State service pursuant
17 to section 5303.2 (relating to election to convert school
18 service to State service) [for which an active member may
19 obtain credit].

20 "Credited service." State or creditable nonstate service for
21 which the required contributions have been made to the fund or
22 for which the contributions otherwise required for such service
23 were not made solely by reason of section 5502.1 (relating to
24 waiver of regular member contributions and Social Security
25 integration member contributions) or any provision of this part
26 relating to the limitations under section 401(a) (17) or 415 of
27 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
28 § 401(a) (17) or 415), except as otherwise provided in this part,
29 or for which salary deductions or lump sum payments to the
30 system have been agreed upon in writing.

31 "Date of termination of service." The latest of the
32 following dates:

33 (1) the last day of service for which pickup
34 contributions are made for an active member or for which the
35 contributions otherwise required for such service are not
36 made solely by reason of any provision of this part relating
37 to the limitations under section 401(a) (17) or 415 of the
38 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
39 401(a) (17) or 415);

40 (2) in the case of an inactive member on leave without
41 pay or an inactive participant on leave without pay, the date
42 of his resignation or the date his employment is formally
43 discontinued by his employer[.]; or

44 (3) mandatory pickup participant contributions are made
45 for an active participant.

46 * * *

47 "Distribution." Payment of all or any portion of a person's
48 interest in either the State Employees' Retirement Fund or the
49 State Employees' Defined Contribution Trust, or both, which is
50 payable under this part.

51 "Domestic relations order." Any judgment, decree or order,

1 including approval of a property settlement agreement, entered
2 on or after the effective date of this definition by a court of
3 competent jurisdiction pursuant to a domestic relations law
4 which relates to the marital property rights of the spouse or
5 former spouse of a member or participant, including the right to
6 receive all or a portion of the moneys payable to that member or
7 participant under this part in furtherance of the equitable
8 distribution of marital assets. The term includes orders of
9 support as that term is defined by 23 Pa.C.S. § 4302 (relating
10 to definitions) and orders for the enforcement of arrearages as
11 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
12 arrearages).

13 * * *

14 "Eligibility points." Points which are accrued by an active
15 member, active participant or a multiple service member who is
16 an active member in the Public School Employees' Retirement
17 System for credited service or a member who has been reemployed
18 from USERRA leave or a member who dies while performing USERRA
19 leave and are used in the determination of eligibility for
20 benefits.

21 "Employer defined contributions." Contributions equal to a
22 percentage of an active participant's compensation that are made
23 by the Commonwealth or other employer to the trust to be
24 credited in an active participant's individual investment
25 account as follows:

26 (1) 2% of compensation for service credited as a Class
27 A-5 member;

28 (2) 2% of compensation for service credited as a Class
29 A-6 member; and

30 (3) 3.5% of compensation for service performed solely as
31 a participant.

32 * * *

33 "Final average salary." [The] As follows:

34 (1) For members with an effective date of retirement
35 before January 1, 2018, and for purposes of calculating
36 standard single life annuities and benefits resulting from
37 credited service other than Class A-5 service and Class A-6
38 service regardless of the effective date of retirement, the
39 highest average compensation received as a member during any
40 three nonoverlapping periods of four consecutive calendar
41 quarters during which the member was a State employee, with
42 the compensation for part-time service being annualized on
43 the basis of the fractional portion of the year for which
44 credit is received; except if the employee was not a member
45 for three nonoverlapping periods of four consecutive calendar
46 quarters, the total compensation received as a member,
47 annualized in the case of part-time service, divided by the
48 number of nonoverlapping periods of four consecutive calendar
49 quarters of membership[;].

50 (2) For purposes of calculating standard single life
51 annuities and benefits from the system attributable to

1 service as a member of Class A-5 or Class A-6, the highest
2 average compensation received as a member during any five
3 calendar years during which the member was a State employee,
4 with the compensation for part-time service or for any
5 partial year of credit annualized on the basis of the
6 fractional portion of the year for which credit is received;
7 except if the employee was not a member during five calendar
8 years, the average of the number of calendar years during
9 which the employee was an active member.

10 (3) For all members and for the calculation of all
11 standard single life annuities without regard to class of
12 membership and credited service, in the case of a member with
13 multiple service, the final average salary shall be
14 determined on the basis of the compensation received by him
15 as a [State employee or as a school employee] member of the
16 system or as a member of the Public School Employees'
17 Retirement System, or both[;], and, in the case of a member
18 with [Class A-3 or Class A-4 service and] service in more
19 than one [or more other classes] class of service, the final
20 average salary for purposes of calculating annuities and
21 benefits from all classes of service shall be determined on
22 the basis of the compensation received by him in all classes
23 of State service credited in the system; and, in the case of
24 a member who first became a member on or after January 1,
25 1996, the final average salary shall be determined as
26 hereinabove provided but subject to the application of the
27 provisions of section 5506.1(a) (relating to annual
28 compensation limit under IRC § 401(a)(17)). Final average
29 salary shall be determined by including in compensation
30 payments deemed to have been made to a member reemployed from
31 USERRA leave to the extent member contributions have been
32 made as provided in section 5302(f)(2) (relating to credited
33 State service) and payments made to a member on leave of
34 absence under 51 Pa.C.S. § 4102 (relating to leaves of
35 absence for certain government employees) as provided in
36 section 5302(f)(6).

37 * * *

38 "Inactive member." A member for whom no pickup contributions
39 are being made to the fund, except in the case of an active
40 member for whom such contributions otherwise required for
41 current State service are not being made solely by reason of
42 section 5502.1 (relating to waiver of regular member
43 contributions and Social Security integration member
44 contributions) or any provision of this part relating to the
45 limitations under section 401(a)(17) or 415 of the Internal
46 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
47 or 415), but who has accumulated deductions standing to his
48 credit in the fund and who is not eligible to become or has not
49 elected to become a vestee or has not filed an application for
50 an annuity.

51 "Inactive member on leave without pay." The term does not

1 include a State employee who is performing service solely as a
2 participant in the plan unless the participant concurrently is
3 employed as a Class A-5 exempt employee and on leave without
4 pay.

5 "Inactive participant." A participant for whom no mandatory
6 pickup participant contributions are being made to the trust,
7 except in the case of an active participant for whom such
8 contributions otherwise required for current State service are
9 not being made solely by reason of any provision of this part
10 relating to limitations under section 401(a) (17) or 415 of the
11 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
12 401(a) (17) or 415), but who has vested accumulated total defined
13 contributions standing to his credit in the trust and who has
14 not filed an application for a distribution.

15 "Inactive participant on leave without pay." The term does
16 not include a Class A-5 exempt employee who is an active member
17 on leave without pay unless the Class A-5 exempt employee
18 concurrently is employed in an office or position in which the
19 Class A-5 exempt employee is a participant in the plan and on
20 leave without pay.

21 "Individual investment account." The account in the trust to
22 which are credited the amounts of the contributions made by a
23 participant and the participant's employer in accordance with
24 the provisions of this part, together with all interest and
25 investment earnings after deduction for fees, costs, expenses
26 and investment losses and charges for distributions.

27 "Intervening military service." Active military service of a
28 member who was a State employee and active member of the system
29 immediately preceding his induction into the armed services or
30 forces of the United States in order to meet a military
31 obligation excluding any voluntary extension of such service and
32 who becomes a State employee within 90 days of the expiration of
33 such service.

34 * * *

35 "Irrevocable beneficiary." The person or persons permanently
36 designated by a member or participant in writing to the State
37 Employees' Retirement Board pursuant to an approved domestic
38 relations order to receive all or a portion of the accumulated
39 deductions, vested accumulated total defined contributions or
40 lump sum benefit payable upon the death of such member or
41 participant.

42 "Irrevocable successor payee." The person permanently
43 designated by a participant receiving distributions in writing
44 to the board pursuant to an approved domestic relations order to
45 receive one or more distributions from the plan upon the death
46 of the participant.

47 * * *

48 "Mandatory pickup participant contributions." Contributions
49 equal to a percentage of compensation that are made by the
50 Commonwealth or other employer for active participants for
51 current State service that are picked up by the employer and

1 credited in the plan as follows:

2 (1) 3.5% of compensation for service credited as a Class
3 A-5 member;

4 (2) 3.5% of compensation for service credited as a Class
5 A-6 member; and

6 (3) 7.5% of compensation for service performed solely as
7 a participant.

8 * * *

9 "Member's annuity." The single life annuity which is
10 actuarially equivalent, at the effective date of retirement and
11 taking into account any delay in the receipt of the portion of
12 the annuity based on Class A-5 service or Class A-6 service, if
13 the effective date of retirement is under the age at which the
14 member can receive a withdrawal annuity based on Class A-5
15 service or Class A-6 service, to the sum of the regular
16 accumulated deductions, shared-risk accumulated deductions, the
17 additional accumulated deductions and the social security
18 integration accumulated deductions standing to the member's
19 credit in the members' savings account.

20 * * *

21 "Participant." An active participant, inactive participant
22 or participant receiving distributions.

23 "Participant receiving distributions." A participant in the
24 plan who has commenced receiving distributions from his
25 individual investment account but who has not received a total
26 distribution of his vested interest in the individual investment
27 account.

28 * * *

29 "Plan." The State Employees' Defined Contribution Plan as
30 established under the provisions of this part and the board.

31 "Plan document." The documents created by the board under
32 section 5802 (relating to plan document) that contain the terms
33 and provisions of the plan and trust as established by the board
34 regarding the establishment, administration and investment of
35 the plan and trust.

36 * * *

37 "Reemployed from USERRA leave." Resumption of active
38 membership or active participation as a State employee after a
39 period of USERRA leave, provided, however, that the resumption
40 of active membership or active participation was within the time
41 period and under conditions and circumstances such that the
42 State employee was entitled to reemployment rights under 38
43 U.S.C. Ch. 43 (relating to employment and reemployment rights of
44 members of the uniformed services).

45 * * *

46 "Regular member contributions." The product of the basic
47 contribution rate, the class of service multiplier [if greater
48 than one] and the compensation of the member[.], subject to any
49 adjustment under section 5501.1(c) (relating to shared-risk
50 member contributions and shared-gain adjustments to regular
51 member contributions).

1 "Required beginning date." The latest date by which
2 distributions of a member's interest or a participant's interest
3 in his individual investment account must commence under section
4 401(a)(9) of the Internal Revenue Code of 1986 (Public Law 99-
5 514, 26 U.S.C. § 401(a)(9)).

6 "Retirement counselor." The State Employees' Retirement
7 [System] Board employee whose duty it shall be to advise each
8 employee of his rights and duties as a member of the system or
9 as a participant of the plan.

10 "Salary deductions." The amounts certified by the board,
11 deducted from the compensation of an active member or active
12 participant, or the school service compensation of a multiple
13 service member who is an active member of the Public School
14 Employees' Retirement System, and paid into the fund or trust.

15 "School Employees' Defined Contribution Plan." The defined
16 contribution plan for school employees established under 24
17 Pa.C.S. Pt. IV (relating to retirement for school employees).

18 * * *

19 "Shared-risk member contributions." The product of the
20 applicable shared-risk contribution rate and the compensation of
21 a member [for service credited as Class A-3 or Class A-4] who is
22 required to make shared-risk member contributions.

23 * * *

24 "Special vestee." An employee of The Pennsylvania State
25 University who is a member of the State Employees' Retirement
26 System with five or more but less than ten eligibility points
27 and who has a date of termination of service from The
28 Pennsylvania State University of June 30, 1997, because of the
29 transfer of his job position or duties to a controlled
30 organization of the Penn State Geisinger Health System or
31 because of the elimination of his job position or duties due to
32 the transfer of other job positions or duties to a controlled
33 organization of the Penn State Geisinger Health System, provided
34 that:

35 (1) subsequent to termination of State service as an
36 employee of The Pennsylvania State University, the member has
37 not returned to State service in any other capacity or
38 position as a State employee;

39 (2) The Pennsylvania State University certifies to the
40 board that the member is eligible to be a special vestee;

41 (3) the member files an application to vest the member's
42 retirement rights under section 5907(f) (relating to rights
43 and duties of State employees [and], members and
44 participants) on or before September 30, 1997; and

45 (4) the member elects to leave the member's total
46 accumulated deductions in the fund and to defer receipt of an
47 annuity until attainment of superannuation age or the
48 member's required beginning date.

49 "Standard single life annuity." An annuity equal to 2% of
50 the final average salary, multiplied by the total number of
51 years and fractional part of a year of credited service of a

1 member in each class of service.

2 "State employee." Any person holding a State office or
3 position under the Commonwealth, employed by the State
4 Government of the Commonwealth, in any capacity whatsoever,
5 except an independent contractor or any person compensated on a
6 fee basis or any person paid directly by an entity other than a
7 State Employees' Retirement System employer, and shall include
8 members of the General Assembly, and any officer or employee of
9 the following:

- 10 (1) (i) The Department of Education.
11 (ii) State-owned educational institutions.
12 (iii) Community colleges.
13 (iv) The Pennsylvania State University, except an
14 employee in the College of Agriculture who is paid wholly
15 from Federal funds or an employee who is participating in
16 the Federal Civil Service Retirement System. The
17 university shall be totally responsible for all employer
18 contributions under section 5507 (relating to
19 contributions to the system by the Commonwealth and other
20 employers) and all employer defined contributions to the
21 trust under section 5806 (relating to employer defined
22 contributions).

23 (2) The Pennsylvania Turnpike Commission, the Delaware
24 River Port Authority, the Port Authority Transit Corporation,
25 the Philadelphia Regional Port Authority, the Delaware River
26 Joint Toll Bridge Commission, the State Public School
27 Building Authority, The General State Authority, the State
28 Highway and Bridge Authority, the Delaware Valley Regional
29 Planning Commission, the Interstate Commission of the
30 Delaware River Basin, and the Susquehanna River Basin
31 Commission any time subsequent to its creation, provided the
32 commission or authority agrees to contribute and does
33 contribute to the fund or trust, from time to time, the
34 moneys required to build up the reserves necessary for the
35 payment of the annuities or other benefits of such officers
36 and employees without any liability on the part of the
37 Commonwealth to make appropriations for such purposes, and
38 provided in the case of employees of the Interstate
39 Commission of the Delaware River Basin, that the employee
40 shall have been a member of the system for at least ten years
41 prior to January 1, 1963.

42 (3) Any separate independent public corporation created
43 by statute, not including any municipal or quasi-municipal
44 corporation, so long as he remains an officer or employee of
45 such public corporation, and provided that such officer or
46 employee of such public corporation was an employee of the
47 Commonwealth immediately prior to his employment by such
48 corporation, and further provided such public corporation
49 shall agree to contribute and contributes to the fund or
50 trust, from time to time, the moneys required to build up the
51 reserves necessary for the payment of the annuities or other

1 benefits of such officers and employees without any liability
2 on the part of the Commonwealth to make appropriations for
3 such purposes.

4 * * *

5 "Successor payee." The person or persons last designated in
6 writing to the board by a participant receiving distributions to
7 receive one or more distributions upon the death of the
8 participant.

9 "Superannuation age." For classes of service in the system
10 other than Class A-3 [and], Class A-4, Class A-5 and Class A-6,
11 any age upon accrual of 35 eligibility points or age 60, except
12 for a member of the General Assembly who has no service as a
13 member of the General Assembly in Class A-3, Class A-4, Class A-
14 5 or Class A-6, an enforcement officer, a correction officer, a
15 psychiatric security aide, a Delaware River Port Authority
16 policeman or an officer of the Pennsylvania State Police, age
17 50, and, except for a member with Class G, Class H, Class I,
18 Class J, Class K, Class L, Class M or Class N service, age 55
19 upon accrual of 20 eligibility points. For Class A-3 and Class
20 A-4 service, any age upon attainment of a superannuation score
21 of 92, provided the member has accrued 35 eligibility points, or
22 age 65, or for park rangers or capitol police officers, age 55
23 with 20 years of service as a park ranger or capitol police
24 officer, except for a member of the General Assembly whose
25 service as a member of the General Assembly is rendered as a
26 Class A-3 or Class A-4 member, an enforcement officer, a
27 correction officer, a psychiatric security aide, a Delaware
28 River Port Authority policeman or an officer of the Pennsylvania
29 State Police, age 55. For Class A-5 and Class A-6 service, age
30 67. A vestee with Class A-3 or Class A-4 service credit attains
31 superannuation age on the birthday the vestee attains the age
32 resulting in a superannuation score of 92, provided that the
33 vestee has at least 35 eligibility points, or attains another
34 applicable superannuation age, whichever occurs first.

35 * * *

36 "Sworn police officer." A State police officer who is
37 employed and serving as an officer of the Pennsylvania State
38 Police.

39 * * *

40 "Trust." The State Employees' Defined Contribution Trust
41 established under Chapter 58 (relating to State Employees'
42 Defined Contribution Plan).

43 * * *

44 "Valuation interest." Interest at 5 1/2% per annum
45 compounded annually and applied to all accounts of the fund
46 other than the members' savings account.

47 "Vestee." A member with:

48 (1) five or more eligibility points in a class of
49 service other than Class A-3 [or], Class A-4, Class A-5 or
50 Class A-6 or Class T-E or Class T-F in the Public School
51 Employees' Retirement System[, a member with];

1 (2) Class G, Class H, Class I, Class J, Class K, Class
2 L, Class M or Class N service with five or more eligibility
3 points[, or a member with]; or

4 (3) Class A-3 [or], Class A-4, Class A-5 or Class A-6
5 service with ten or more eligibility points
6 and who has terminated State service and has elected to leave
7 his total accumulated deductions in the fund and to defer
8 receipt of an annuity.

9 "Voluntary contributions." Contributions made by a
10 participant to the trust and credited to his individual
11 investment account in excess of his mandatory pickup participant
12 contributions, either by salary deductions paid through the
13 Commonwealth or other employer, or through an eligible rollover
14 or through a direct trustee-to-trustee transfer.

15 Section 303. Section 5103 of Title 71 is amended to read:
16 § 5103. Notice to members and participants.

17 Notice by publication, including, without being limited to,
18 newsletters, newspapers, forms, first class mail, letters,
19 manuals and, to the extent authorized by a policy adopted by the
20 board, electronically, including, without being limited to, e-
21 mail or [World Wide Web sites] Internet websites, distributed or
22 made available to members and participants in a manner
23 reasonably calculated to give actual notice of [those sections
24 of the State Employees' Retirement Code] the provisions of this
25 part that require notice to members or participants shall be
26 deemed sufficient notice for all purposes.

27 Section 304. Title 71 is amended by adding a section to
28 read:

29 § 5104. Reference to State Employees' Retirement System.

30 (a) Construction.--As of the effective date of this section,
31 unless the context clearly indicates otherwise, any reference to
32 the State Employees' Retirement System in a statutory provision
33 other than this part and 24 Pa.C.S. Pt. IV (relating to
34 retirement for school employees) shall include a reference to
35 the State Employees' Defined Contribution Plan and any reference
36 to the State Employees' Retirement Fund shall include a
37 reference to the State Employees' Defined Contribution Trust.

38 (b) Agreement.--The agreement of an employer listed in the
39 definition of "State employee" or any other law to make
40 contributions to the fund or to enroll its employees as members
41 in the system shall be deemed to be an agreement to make
42 contributions to the trust or to enroll its employees in the
43 plan.

44 Section 305. Section 5301 heading, (a), (b), (c) and (d) of
45 Title 71 are amended and the section is amended by adding
46 subsections to read:

47 § 5301. Mandatory and optional membership in the system and
48 participation in the plan.

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

- 1 (1) Governor.
- 2 (2) Lieutenant Governor.
- 3 (3) Members of the General Assembly.
- 4 (4) Heads or deputy heads of administrative departments.
- 5 (5) Members of any independent administrative board or
- 6 commission.
- 7 (6) Members of any departmental board or commission.
- 8 (7) Members of any advisory board or commission.
- 9 (8) Secretary to the Governor.
- 10 (9) Budget Secretary.
- 11 (10) Legislative employees.
- 12 (11) School employees who have elected membership in the
- 13 Public School Employees' Retirement System.
- 14 (12) School employees who have elected membership in an
- 15 independent retirement program approved by the employer,
- 16 provided that in no case, except as hereinafter provided,
- 17 shall the employer contribute on account of such elected
- 18 membership at a rate greater than the employer normal
- 19 contribution rate as determined in section 5508(b) (relating
- 20 to actuarial cost method). For the fiscal year 1986-1987 an
- 21 employer may contribute on account of such elected membership
- 22 at a rate which is the greater of 7% or the employer normal
- 23 contribution rate as determined in section 5508(b) and for
- 24 the fiscal year 1992-1993 and all fiscal years after that at
- 25 a rate of 9.29%.
- 26 (13) Persons who have elected to retain membership in
- 27 the retirement system of the political subdivision by which
- 28 they were employed prior to becoming eligible for membership
- 29 in the State Employees' Retirement System.
- 30 (14) Persons who are not members of the system and are
- 31 employed on a per diem or hourly basis for less than 100 days
- 32 or 750 hours in a [12-month period] calendar year.
- 33 (15) Employees of the Philadelphia Regional Port
- 34 Authority who have elected to retain membership in the
- 35 pension plan or retirement system in which they were enrolled
- 36 as employees of the predecessor Philadelphia Port Corporation
- 37 prior to the creation of the Philadelphia Regional Port
- 38 Authority.
- 39 (16) Employees of the Juvenile Court Judges' Commission
- 40 who, before the effective date of this paragraph, were
- 41 transferred from the State System of Higher Education to the
- 42 Juvenile Court Judges' Commission as a result of an
- 43 interagency transfer of staff approved by the Office of
- 44 Administration and who, while employees of the State System
- 45 of Higher Education, had elected membership in an independent
- 46 retirement program approved by the employer.
- 47 (17) State employees, other than any Class A-5 exempt
- 48 employees performing service as Class A-5 exempt employees,
- 49 whose first period of State service starts on or after
- 50 January 1, 2018.
- 51 (a.1) Mandatory participation in the plan.--A State employee

1 who is a member of the system as a member of Class A-5 or Class
2 A-6 shall be a mandatory participant in the plan for that same
3 service as of the effective date of Class A-5 or Class A-6
4 membership in the system except for service as a Class A-5
5 exempt employee. A State employee who elected to be solely a
6 participant in the plan shall be a mandatory participant in the
7 plan for all service except for service as a Class A-5 exempt
8 employee.

9 (b) Optional membership in the system.--The State employees
10 listed in subsection (a) (1) through (11) shall have the right to
11 elect membership in the system; once such election is exercised,
12 membership shall continue until the termination of State
13 service. State employees listed in subsection (a) (17) shall have
14 the right to elect membership in Class A-5 or Class A-6 provided
15 they have not previously elected to be solely participants in
16 the plan.

17 (b.1) Optional participation in the plan.--The State
18 employees who are optional members of the system as a member of
19 Class A-5 or Class A-6 also are optional participants in the
20 plan. The State employees who elect membership in the system as
21 members of Class A-5 or Class A-6 also automatically elect
22 participation in the plan as of the date they elect membership
23 in the system, except for service as a Class A-5 exempt
24 employee. A State employee can elect participation in the plan
25 without also electing membership in the system under section
26 5306.4 (relating to election to become a Class A-6 member or
27 solely a participant in the plan).

28 (c) Prohibited membership in the system.--The State
29 employees listed in subsection (a) (12), (13), (14) and (15)
30 shall not have the right to elect membership in the system.

31 (c.1) Prohibited participation in the plan.--The State
32 employees listed in subsection (a) (11), (12), (13), (14) and
33 (15) or who first become a member of the system before January
34 1, 2018, or who could have elected membership in the system but
35 did not do so in the required time period shall not be eligible
36 to be active participants in the plan. Class A-5 exempt
37 employees shall not be eligible to participate in the plan for
38 service performed as a Class A-5 exempt employee. State
39 employees who are not mandatory participants in the plan under
40 subsection (a.1) or eligible for optional participation in the
41 plan under subsection (b.1) shall not be eligible to participate
42 in the plan.

43 (d) Return to service.--

44 (1) An annuitant who returns to service as a State
45 employee before January 1, 2018, or returns to State service
46 as a Class A-5 exempt employee after December 31, 2017, shall
47 resume active membership in the system as of the effective
48 date of employment, except as otherwise provided in section
49 5706(a) (relating to termination of annuities), regardless of
50 the optional membership category of the position.

51 (2) An annuitant or a participant receiving

1 distributions who returns to service as a State employee on
2 or after January 1, 2018, shall resume active membership in
3 the system and, if an active member of Class A-5 or Class A-
4 6, shall be an active participant in the plan as of the
5 effective date of employment, except as otherwise provided in
6 section 5706(a), regardless of the optional membership or
7 participation category of the position: Provided, however,
8 That a participant or former participant who previously
9 elected to be solely a participant under section 5306.4 shall
10 be a participant in the plan except for service as a Class A-
11 5 exempt employee.

12 * * *

13 Section 306. Sections 5302(a), (b), (e) and (f), 5303(b)(1)
14 and (2), (d)(1) and (e)(1) and (4), 5303.2(a), 5304(a) and (b),
15 5305(b) and 5305.1 of Title 71 are amended to read:

16 § 5302. Credited State service.

17 (a) Computation of credited service.--In computing credited
18 State service of a member for the determination of benefits, a
19 full-time salaried State employee, including any member of the
20 General Assembly, shall receive credit for service in each
21 period for which contributions as required are made to the fund,
22 or for which contributions otherwise required for such service
23 were not made to the fund solely by reason of section 5502.1
24 (relating to waiver of regular member contributions and Social
25 Security integration member contributions) or any provision of
26 this part relating to the limitations under IRC § 401(a)(17) or
27 415, except as otherwise provided in this part, but in no case
28 shall he receive more than one year's credit for any 12
29 consecutive months or 26 consecutive biweekly pay periods. A per
30 diem or hourly State employee shall receive one year of credited
31 service for each nonoverlapping period of 12 consecutive months
32 or 26 consecutive biweekly pay periods in which he is employed
33 and for which contributions are made to the fund or would have
34 been made to the fund but for such waiver under section 5502.1
35 or limitations under the IRC for at least 220 days or 1,650
36 hours of employment. If the member was employed and
37 contributions were made to the fund for less than 220 days or
38 1,650 hours, he shall be credited with a fractional portion of a
39 year determined by the ratio of the number of days or hours of
40 service actually rendered and for which contributions are or
41 would have been made to the fund except for the waiver under
42 section 5502.1 or limitations under the IRC to 220 days or 1,650
43 hours, as the case may be. A part-time salaried employee shall
44 be credited with the fractional portion of the year which
45 corresponds to the number of hours or days of service actually
46 rendered in relation to 1,650 hours or 220 days, as the case may
47 be. In no case shall a member who has elected multiple service
48 receive an aggregate in the two systems of more than one year of
49 credited service for any 12 consecutive months.

50 (b) Creditable leaves of absence.--

51 (1) A member on leave without pay who is studying under

1 a Federal grant approved by the head of his department or who
2 is engaged up to a maximum of two years of temporary service
3 with the United States Government, another state or a local
4 government under the Intergovernmental Personnel Act of 1970
5 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
6 be eligible for credit for such service: Provided, That
7 contributions are made in accordance with sections 5501
8 (relating to regular member contributions for current
9 service), 5501.1 (relating to shared-risk member
10 contributions [for Class A-3 and Class A-4 service] and
11 shared-gain adjustments to regular member contributions),
12 5505.1 (relating to additional member contributions) and 5507
13 (relating to contributions to the system by the Commonwealth
14 and other employers), the member returns from leave without
15 pay to active State service as a member of the system for a
16 period of at least one year, and he is not entitled to
17 retirement benefits for such service under a retirement
18 system administered by any other governmental agency.

19 (2) An active member or active participant on paid leave
20 granted by an employer for purposes of serving as an elected
21 full-time officer for a Statewide employee organization which
22 is a collective bargaining representative under the act of
23 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
24 and Firemen Collective Bargaining Act, or the act of July 23,
25 1970 (P.L.563, No.195), known as the Public Employe Relations
26 Act, and up to 14 full-time business agents appointed by an
27 employee organization that represents correction officers
28 employed at State correctional institutions: Provided, That
29 for elected full-time officers such leave shall not be for
30 more than three consecutive terms of the same office and for
31 up to 14 full-time business agents appointed by an employee
32 organization that represents correction officers employed at
33 State correctional institutions no more than three
34 consecutive terms of the same office; that the employer shall
35 fully compensate the member or participant, including, but
36 not limited to, salary, wages, pension and retirement
37 contributions and benefits, other benefits and seniority, as
38 if he were in full-time active service; and that the
39 Statewide employee organization shall fully reimburse the
40 employer for all expenses and costs of such paid leave,
41 including, but not limited to, contributions and payment in
42 accordance with sections 5501, 5501.1, 5505.1 [and], 5507,
43 5804 (relating to participant contributions), 5805 (relating
44 to mandatory pickup participant contributions) and 5806
45 (relating to employer defined contributions), if the employee
46 organization either directly pays, or reimburses the
47 Commonwealth or other employer for, contributions made in
48 accordance with [section 5507] sections 5507, 5804, 5805 and
49 5806.

50 * * *

51 (e) Cancellation of credited service.--

1 (1) All credited service in the system shall be
2 cancelled if a member withdraws his total accumulated
3 deductions, except that a member with Class A-3 [or], Class
4 A-4, Class A-5 or Class A-6 service credit and one or more
5 other classes of service credit shall not have his service
6 credit as a member of any classes of service other than as a
7 member of Class A-3 [or], Class A-4, Class A-5 or Class A-6
8 cancelled when the member receives a lump sum payment of
9 accumulated deductions resulting from Class A-3 [or], Class
10 A-4, Class A-5 or Class A-6 service pursuant to section
11 5705.1 (relating to payment of accumulated deductions
12 resulting from [Class A-3 and Class A-4] more than one class
13 of service).

14 (2) A partial or total distribution of accumulated total
15 defined contributions to a participant who also is a member
16 shall not cancel service credited in the system.

17 (f) Credit for military service.--A State employee who has
18 performed USERRA leave may receive credit in the system or
19 participate in the plan as follows:

20 (1) For purposes of determining whether a member is
21 eligible to receive credited service in the system for a
22 period of active military service, other than active duty
23 service to meet periodic training requirements, rendered
24 after August 5, 1991, and that began before the effective
25 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
26 (relating to military leave of absence) shall apply to all
27 individuals who were active members of the system when the
28 period of military service began, even if not defined as an
29 employee pursuant to 51 Pa.C.S. § 7301 (relating to
30 definitions).

31 (1.1) State employees may not receive service credit in
32 the system or exercise the options under 51 Pa.C.S. § 7306
33 (relating to retirement rights) for military leaves that
34 begin on or after the effective date of this subsection,
35 except as otherwise provided by this subsection.

36 (1.2) State employees may not participate in the plan or
37 exercise the options under 51 Pa.C.S. § 7306 for military
38 leaves that begin on or after the effective date of this
39 paragraph, except as otherwise provided by this subsection.

40 (2) A State employee who has performed USERRA leave may
41 receive credit in the system as provided by this paragraph.
42 The following shall apply:

43 (i) A State employee who is reemployed from USERRA
44 leave as an active member of the system shall be treated
45 as not having incurred a break in State service by reason
46 of the USERRA leave and shall be granted eligibility
47 points as if the State employee had not been on the
48 USERRA leave. If a State employee who is reemployed from
49 USERRA leave as an active member of the system
50 subsequently makes regular member contributions,
51 additional member contributions, Social Security

1 integration member contributions, shared-risk member
2 contributions and any other member contributions in the
3 amounts and in the time periods required by 38 U.S.C. Ch.
4 43 (relating to employment and reemployment rights of
5 members of the uniformed services) and IRC § 414(u) as if
6 the State employee had continued in State office or
7 employment and performed State service and was
8 compensated during the period of USERRA leave, then the
9 State employee shall be granted State service credit for
10 the period of USERRA leave. The State employee shall have
11 the State employee's benefits, rights and obligations
12 determined under this part as if the State employee was
13 an active member who performed creditable State service
14 during the USERRA leave in the job position that the
15 State employee would have held had the State employee not
16 been on USERRA leave and received the compensation on
17 which the member contributions to receive State service
18 credit for the USERRA leave were determined.

19 (ii) For purposes of determining whether a State
20 employee has made the required employee contributions for
21 State service credit for USERRA leave, if an employee who
22 is reemployed from USERRA leave as an active member of
23 the system terminates State service or dies in State
24 service before the expiration of the allowed payment
25 period, then State service credit for the USERRA leave
26 will be granted as if the required member contributions
27 were paid the day before termination or death. The amount
28 of the required member contributions will be treated as
29 an incomplete payment subject to the provisions of
30 section 5506 (relating to incomplete payments). Upon a
31 subsequent return to State service or to school service
32 as a multiple service member, the required member
33 contributions treated as incomplete payments shall be
34 treated as member contributions that were either
35 withdrawn in a lump sum at termination or paid as a lump
36 sum pursuant to section 5705(a)(4) or (a.1) (relating to
37 member's options), as the case may be.

38 (iii) A State employee who is reemployed from USERRA
39 leave as an active member of the system who does not make
40 the required member contributions or makes only part of
41 the required member contributions within the allowed
42 payment period shall not be granted credited service for
43 the period of USERRA leave for which the required member
44 contributions were not timely made, shall not be eligible
45 to subsequently make contributions and shall not be
46 granted either State service credit or nonstate service
47 credit for the period of USERRA leave for which the
48 required member contributions were not timely made.

49 (2.1) (i) A participant who is reemployed from USERRA
50 leave shall be treated as not having incurred a break in
51 State service by reason of the USERRA leave and shall be

1 granted eligibility points as if the participant had not
2 been on USERRA leave. If a participant who is reemployed
3 from USERRA leave subsequently makes mandatory pickup
4 participant contributions in the amounts and in the time
5 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
6 if the participant had continued in his State office or
7 employment and performed State service and been
8 compensated during the period of USERRA leave, the
9 participant's employer shall make the corresponding
10 employer defined contributions. The employee shall have
11 his contributions, benefits, rights and obligations
12 determined under this part as if he were an active
13 participant who performed State service during the USERRA
14 leave in the job position that he would have held had he
15 not been on USERRA leave and received the compensation on
16 which the mandatory pickup participant contributions to
17 receive State service credit for the USERRA leave were
18 determined.

19 (ii) A participant who is reemployed from USERRA
20 leave who does not make the mandatory pickup participant
21 contributions or makes only part of the mandatory pickup
22 participant contributions within the allowed payment
23 period shall not be eligible to make mandatory pickup
24 participant contributions or voluntary contributions at a
25 later date for the period of USERRA leave for which the
26 mandatory pickup participant contributions were not
27 timely made.

28 (3) A State employee who is a member of the system and
29 performs USERRA leave from which the employee could have been
30 reemployed from USERRA leave had the State employee returned
31 to State service in the time frames required by 38 U.S.C. Ch.
32 43 for reemployment rights, but did not do so, shall be able
33 to receive creditable nonstate service as nonintervening
34 military service for the period of USERRA leave should the
35 employee later return to State service as an active member of
36 the system and is otherwise eligible to purchase the service
37 as nonintervening military service.

38 (3.1) A State employee who is a participant in the plan
39 and performs USERRA leave from which the employee could have
40 been reemployed from USERRA leave had the employee returned
41 to State service in the time frames required by 38 U.S.C. Ch.
42 43 for reemployment rights, but did not do so, shall not be
43 eligible to make mandatory pickup participant contributions
44 or voluntary contributions for the period of USERRA leave
45 should the employee later return to State service and be a
46 participant in the plan.

47 (4) [A State employee] An active member or inactive
48 member on leave without pay who on or after the effective
49 date of this subsection is granted a leave of absence under
50 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
51 government employees) or a military leave under 51 Pa.C.S.

1 Ch. 73, that is not USERRA leave shall be able to receive
2 creditable nonstate service as nonintervening military
3 service should the employee return to State service as an
4 active member of the system and is otherwise eligible to
5 purchase the service as nonintervening military service.

6 (4.1) An active participant or inactive participant on
7 leave without pay who on or after the effective date of this
8 paragraph is granted a leave of absence under 51 Pa.C.S. §
9 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
10 USERRA leave shall not be able to make mandatory pickup
11 participant contributions or voluntary contributions during
12 or for the leave of absence or military leave and shall not
13 have employer defined contributions made during such leave,
14 without regard to whether or not the State employee received
15 salary, wages, stipends, differential wage payments or other
16 payments from his employer during the leave, notwithstanding
17 any provision to the contrary under 51 Pa.C.S. § 4102 or 51
18 Pa.C.S. Ch. 73.

19 (5) If a member dies while performing USERRA leave, then
20 the beneficiaries or survivor annuitants, as the case may be,
21 of the deceased member are entitled to any additional
22 benefits, including eligibility points, other than benefit
23 accruals relating to the period of qualified military
24 service, provided under this part had the member resumed and
25 then terminated employment on account of death.

26 (5.1) If a participant dies while performing USERRA
27 leave, the beneficiaries or successor payees of the deceased
28 participant are entitled to any additional benefits, other
29 than benefit accruals relating to the period of qualified
30 military service, provided under this part had the
31 participant resumed and then terminated employment on account
32 of death.

33 (6) A State employee who is on a leave of absence from
34 his duties as a State employee for which 51 Pa.C.S. § 4102
35 provides that he is not to suffer a loss of pay, time or
36 efficiency rating shall not be an active member, receive
37 service credit or make member contributions for the leave of
38 absence, except as provided for in this part. Notwithstanding
39 this paragraph, any pay the member receives pursuant to 51
40 Pa.C.S. § 4102 shall be included in the determination of
41 final average salary and other calculations in the system
42 utilizing compensation as if the payments were compensation
43 under this part.

44 § 5303. Retention and reinstatement of service credits.

45 * * *

46 (b) Eligibility points for prospective credited service.--

47 (1) Every active member of the system or a multiple
48 service member who is a school employee and a member of the
49 Public School Employees' Retirement System on or after the
50 effective date of this part shall receive eligibility points
51 in accordance with section 5307 for current State service,

1 previous State service, or creditable nonstate service upon
2 compliance with sections 5501 (relating to regular member
3 contributions for current service), 5501.1 (relating to
4 shared-risk member contributions [for Class A-3 and Class A-4
5 service] and shared-gain adjustments to regular member
6 contributions), 5504 (relating to member contributions for
7 the purchase of credit for previous State service or to
8 become a full coverage member), 5505 (relating to
9 contributions for the purchase of credit for creditable
10 nonstate service), 5505.1 (relating to additional member
11 contributions) or 5506 (relating to incomplete payments).
12 Subject to the limitations in sections 5306.1 (relating to
13 election to become a Class AA member) and 5306.2 (relating to
14 elections by members of the General Assembly), the class or
15 classes of service in which the member may be credited for
16 previous State service prior to the effective date of this
17 part shall be the class or classes in which he was or could
18 have at any time elected to be credited for such service,
19 except that a State employee who first becomes a member of
20 the system on or after January 1, 2011, or on or after
21 December 1, 2010, as a member of the General Assembly and:

22 (i) is credited with Class A-3 service for such
23 membership and is not a member of Class A-5, shall be
24 credited only with Class A-3 service for previous State
25 service performed before January 1, 2011, that was not
26 previously credited in the system; [or]

27 (ii) is credited with Class A-4 service for such
28 membership and is not a member of Class A-5, shall be
29 credited only with Class A-4 service for previous State
30 service performed before January 1, 2011, that was not
31 previously credited in the system[.];

32 (iii) is credited with Class A-5 service for such
33 membership, shall be credited only with Class A-5 service
34 for previous State service, performed before January 1,
35 2018, other than service as a Class A-5 exempt employee,
36 that was not previously credited in the system; or

37 (iv) is credited with Class A-6 service for such
38 membership, shall be credited only with Class A-6 service
39 for previous State service, performed before January 1,
40 2018, other than service as a Class A-5 exempt employee,
41 which was not previously credited in the system.

42 The class of service in which a member shall be credited for
43 service subsequent to the effective date of this part shall
44 be determined in accordance with section 5306 (relating to
45 classes of service).

46 * * *

47 (2) A special vestee or person otherwise eligible to be
48 a special vestee who returns to State service, other than
49 solely as a participant in the plan, or withdraws his
50 accumulated deductions pursuant to section 5311 (relating to
51 eligibility for refunds) or 5701 (relating to return of total

1 accumulated deductions) shall receive or retain eligibility
2 points in accordance with paragraph (1) but upon subsequent
3 termination of State service shall only be eligible to be an
4 annuitant vestee or inactive member without regard to
5 previous status as a special vestee and without regard to the
6 provisions of this part providing for special vestees.

7 * * *

8 (d) Transfer of certain pension service credit.--

9 (1) Any person who was an employee of any county in this
10 Commonwealth on the personal staff of an appellate court
11 judge prior to September 9, 1985, and who had that employment
12 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
13 (relating to local chamber facilities) shall be a member of
14 the system for all service rendered as an employee of the
15 Commonwealth on the personal staff of an appellate court
16 judge subsequent to the date of the transfer unless
17 specifically prohibited pursuant to section 5301(c) (relating
18 to mandatory and optional membership in the system and
19 participation in the plan). The employee shall be entitled to
20 have any prior service credit in that county or other
21 municipal pension plan or retirement system transferred to
22 the system and deemed to be State service for all purposes
23 under this part. However, for those employees who were in
24 continuous county employment which commenced prior to July
25 22, 1983, section 5505.1 shall not apply. The transfer of
26 prior service credit to the system shall occur upon the
27 transfer, by the member, county or other municipal pension
28 plan or retirement system, to the system of the amount of
29 accumulated member contributions, pick-up contributions and
30 credited interest standing in the employee's county or
31 municipal pension plan or retirement system account as of the
32 date that these funds are transferred to the system. In the
33 event that these funds have been refunded to the member, the
34 transfer of service credit shall occur when the member
35 transfers an amount equal to either the refund which the
36 member received from the county or municipal pension plan or
37 retirement system or the amount due under section 5504, if
38 less. In the case of a transfer by the member, the transfer
39 shall occur by December 31, 1987, in order for the member to
40 receive credit for the prior service. In the case of a
41 transfer by the county or other municipal pension plan or
42 retirement system, the transfer shall also occur by December
43 31, 1987. If the amount transferred to the system by the
44 member of a county or municipal pension plan or retirement
45 system is greater than the amount that would have accumulated
46 in the member's account if the employee had been a member of
47 the system, all excess funds shall be returned to the
48 employee within 90 days of the date on which such funds are
49 credited to the member's account in the system. Within 60
50 days of receipt of written notice that an employee has
51 elected to transfer credits under the provisions of this

1 subsection, the county or other municipal pension plans or
2 retirement systems shall be required to transfer to the
3 system an amount, excluding contributions due under section
4 5504(a), equal to the liability of the prior service in
5 accordance with county or other municipal pension plan or
6 retirement system benefit provisions, multiplied by the ratio
7 of system actuarial value of assets for active members to the
8 system actuarial accrued liability for active members. The
9 Public Employee Retirement Study Commission shall determine
10 the appropriate amount of employer contributions to be
11 transferred to the system by the county or other municipal
12 pension plans or retirement systems.

13 * * *

14 (e) Transfer and purchase of certain pension service credit;
15 Philadelphia Regional Port Authority.--

16 (1) Any employee of the Philadelphia Regional Port
17 Authority who becomes a State employee, as defined in section
18 5102 (relating to definitions), and an active member of the
19 system shall be eligible to obtain retirement credit for
20 prior uncredited service with the Philadelphia Port
21 Corporation, a Pennsylvania not-for-profit corporation
22 ("predecessor corporation"), provided that the Commonwealth
23 does not incur any liability for the funding of the annuities
24 attributable to the prior, uncredited "predecessor
25 corporation" service, the cost of which shall be determined
26 according to paragraph (2).

27 * * *

28 (4) Any person who became employed by the Philadelphia
29 Regional Port Authority between July 10, 1989, and passage of
30 this act and who becomes a State employee, as defined in
31 section 5102, and an active member of the system shall be
32 eligible to obtain retirement credit for service from the
33 date of employment with the Philadelphia Regional Port
34 Authority, provided that the contributions are made in
35 accordance with sections 5501, 5504, 5505.1 and 5506.

36 * * *

37 § 5303.2. Election to convert school service to State service.

38 (a) Eligibility.--An active member or inactive member on
39 leave without pay who was an employee transferred from the
40 Department of Education to the Department of Corrections
41 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
42 No.175), known as The Administrative Code of 1929, and who on
43 the effective date of that transfer did not participate in an
44 independent retirement program approved by the Department of
45 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
46 and optional membership in the system and participation in the
47 plan) or section 5301(a)(12) (relating to mandatory and optional
48 membership in the system and participation in the plan),
49 notwithstanding any other provision of law or any collective
50 bargaining agreement, arbitration award, contract or term or
51 conditions of any retirement system or pension plan, may make a

1 one-time election to convert all service credited in the Public
2 School Employees' Retirement System as of June 30, 1999, and
3 transfer to the system all accumulated member contributions and
4 statutory interest credited in the members' savings account in
5 the Public School Employees' Retirement System as of June 30,
6 1999, plus statutory interest on that amount credited by the
7 Public School Employees' Retirement System from July 1, 1999, to
8 the date of transfer to the system.

9 * * *

10 § 5304. Creditable nonstate service.

11 (a) Eligibility.--

12 (1) An active member who first becomes an active member
13 before January 1, 2011, or before December 1, 2010, as a
14 member of the General Assembly, or a multiple service member
15 who first becomes an active member before January 1, 2011, or
16 before December 1, 2010, as a member of the General Assembly,
17 and who is a school employee and an active member of the
18 Public School Employees' Retirement System shall be eligible
19 for Class A service credit for creditable nonstate service as
20 set forth in subsections (b) and (c) except that intervening
21 military service shall be credited in the class of service
22 for which the member was eligible at the time of entering
23 into military service and for which he makes the required
24 contributions to the fund and except that a multiple service
25 member who is a school employee and an active member of the
26 Public School Employees' Retirement System shall not be
27 eligible to purchase service credit for creditable nonstate
28 service set forth in subsection (c) (5).

29 (2) An active member who first becomes an active member
30 on or after January 1, 2011, or on or after December 1, 2010,
31 as a member of the General Assembly and is an active member
32 of a class of service other than Class A-5 or Class A-6, or a
33 multiple service member who first becomes an active member on
34 or after January 1, 2011, or on or after December 1, 2010, as
35 a member of the General Assembly in a class of service other
36 than Class A-5 or Class A-6, and [who] is a school employee
37 and an active member of the Public School Employees'
38 Retirement System shall be eligible for Class A-3 service
39 credit for creditable nonstate service as set forth in
40 subsections (b) and (c) except that intervening military
41 service shall be credited in the class of service for which
42 the member was eligible at the time of entering into military
43 service and for which he makes the required contributions to
44 the fund and except that a multiple service member who is a
45 school employee and an active member of the Public School
46 Employees' Retirement System shall not be eligible to
47 purchase service credit for creditable nonstate service set
48 forth in subsection (c) (5).

49 (3) An active member of Class A-5 or Class A-6 or a
50 multiple service member who has service credited only as
51 Class A-5 or Class A-6 and is a school employee and an active

1 member of the Public School Employees' Retirement System
2 shall be eligible for Class A-5 service credit if a Class A-5
3 member and Class A-6 service credit if a Class A-6 member for
4 creditable nonstate service as set forth in subsections (b)
5 and (c) for which the member makes the required contributions
6 to the fund.

7 * * *

8 (b) Limitations on eligibility.--An active member or a
9 multiple service member who is a school employee and an active
10 member of the Public School Employees' Retirement System shall
11 be eligible as provided under subsection (a) to receive credit
12 for nonstate service provided that he does not have credit for
13 such service in the system or in the [school system] Public
14 School Employees' Retirement System and is not entitled to
15 receive, eligible to receive now or in the future, or is
16 receiving retirement benefits for such service in the system or
17 under a retirement system administered and wholly or partially
18 paid for by any other governmental agency or by any private
19 employer, or a retirement program approved by the employer in
20 accordance with section 5301(a)(12) (relating to mandatory and
21 optional membership in the system and participation in the
22 plan), and further provided, that such service is certified by
23 the previous employer and contributions are agreed upon and made
24 in accordance with section 5505 (relating to contributions for
25 the purchase of credit for creditable nonstate service).

26 * * *

27 § 5305. Social security integration credits.

28 * * *

29 (b) Accrual of subsequent credits.--Any active member who
30 has social security integration accumulated deductions to his
31 credit or is receiving a benefit on account of social security
32 integration credits may accrue one social security integration
33 credit for each year of service as a State employee on or
34 subsequent to March 1, 1974, and a fractional credit for a
35 corresponding fractional year of service provided that
36 contributions are made to the fund, or would have been made to
37 the fund but for section 5502.1 (relating to waiver of regular
38 member contributions and Social Security integration member
39 contributions) or the limitations under IRC § 401(a)(17) or 415,
40 except as otherwise provided in this part, in accordance with
41 section 5502 (relating to Social Security integration member
42 contributions), and he:

43 (1) continues subsequent to March 1, 1974, as an active
44 member in either the [State or school] system or, if a
45 multiple service member, as an active member in the Public
46 School Employees' Retirement System;

47 (2) terminates such continuous service in the [State or
48 school] system or the Public School Employees' Retirement
49 System and returns to active membership in the [State] system
50 within six months; or

51 (3) terminates his status as a vestee or an annuitant

1 and returns to State service as an active member of the
2 system.

3 * * *

4 § 5305.1. Eligibility for actuarial increase factor.

5 A person who is:

6 (1) an active member;

7 (2) an inactive member on leave without pay; [or]

8 (3) a multiple service member who is a school employee
9 and an active member of the Public School Employees'

10 Retirement System; or

11 (4) an active participant or an inactive participant on
12 leave without pay;

13 who terminates State service or school service, as the case may
14 be, after attaining age 70 and who applies for a superannuation
15 annuity with an effective date of retirement the day after the
16 date of termination of State service or school service shall
17 have that person's maximum single life annuity calculated
18 pursuant to section 5702(a.1) (relating to maximum single life
19 annuity).

20 Section 307. Section 5306(a), (a.1), (a.2), (a.3) and (b)(2)
21 of Title 71 are amended, subsection (a) is amended by adding a
22 paragraph and the section is amended by adding subsections to
23 read:

24 § 5306. Classes of service.

25 (a) Class A and Class A-3 membership.--

26 (1) A State employee who is a member of Class A on the
27 effective date of this part or who first becomes a member of
28 the system subsequent to the effective date of this part and
29 before January 1, 2011, or before December 1, 2010, as a
30 member of the General Assembly, shall be classified as a
31 Class A member and receive credit for Class A service upon
32 payment of regular and additional member contributions for
33 Class A service, provided that the State employee does not
34 become a member of Class AA pursuant to subsection (a.1) or a
35 member of Class D-4 pursuant to subsection (a.2).

36 (2) A State employee who first becomes a member of the
37 system on or after January 1, 2011, or on or after December
38 1, 2010, as a member of the General Assembly and before
39 January 1, 2018, shall be classified as a Class A-3 member
40 and receive credit for Class A-3 service upon payment of
41 regular member contributions and shared-risk member
42 contributions for Class A-3 service provided that the State
43 employee does not become a member of Class A-4 pursuant to
44 subsection (a.3), except that a member of the judiciary shall
45 be classified as a member of such other class of service for
46 which the member of the judiciary is eligible, shall elect
47 and make regular member contributions.

48 (3) A State employee who first becomes a member of the
49 system on or after January 1, 2011, or on or after December
50 1, 2010, as a member of the General Assembly, and a Class A-5
51 exempt employee on or after January 1, 2018, shall receive

1 credit for all service as a Class A-5 exempt employee as a
2 member of Class A-3 upon payment of the required member
3 contributions and shall not be eligible to be a member of
4 Class A-5 or Class A-6 or a participant in the plan for such
5 service. All other State service shall be credited in the
6 system or in the plan as otherwise provided under this part.
7 Class A-3 service provided for under this paragraph shall be
8 subject to an election to be credited as Class A-4 provided
9 that the State employee has not previously had the
10 opportunity to elect Class A-3 service and failed to do so.

11 (a.1) Class AA membership.--

12 (1) A person who becomes a State employee and an active
13 member of the system after June 30, 2001, and who first
14 became an active member before January 1, 2011, or before
15 December 1, 2010, as a member of the General Assembly, and
16 who is not a State police officer and not employed in a
17 position for which a class of service other than Class A is
18 credited or could be elected shall be classified as a Class
19 AA member and receive credit for Class AA State service upon
20 payment of regular member contributions for Class AA service
21 and, subject to the limitations contained in paragraph (7),
22 if previously a member of Class A or previously employed in a
23 position for which Class A service could have been earned,
24 shall have all Class A State service (other than State
25 service performed as a State police officer or for which a
26 class of service other than Class A was earned or could have
27 been elected) classified as Class AA service.

28 (2) A person who is a State employee on June 30, 2001,
29 and July 1, 2001, but is not an active member of the system
30 because membership in the system is optional or prohibited
31 pursuant to section 5301 (relating to mandatory and optional
32 membership in the system and participation in the plan) and
33 who first becomes an active member after June 30, 2001, and
34 before January 1, 2011, or before December 1, 2010, as a
35 member of the General Assembly, and who is not a State police
36 officer and not employed in a position for which a class of
37 service other than Class A is credited or could be elected
38 shall be classified as a Class AA member and receive credit
39 for Class AA State service upon payment of regular member
40 contributions for Class AA service and, subject to the
41 limitations contained in paragraph (7), if previously a
42 member of Class A or previously employed in a position for
43 which Class A service could have been earned, shall have all
44 Class A State service (other than State service performed as
45 a State Police officer or for which a class of service other
46 than Class A was earned or could have been elected)
47 classified as Class AA service.

48 (3) Provided that an election to become a Class AA
49 member is made pursuant to section 5306.1 (relating to
50 election to become a Class AA member), a State employee,
51 other than a State employee who is a State police officer on

1 or after July 1, 1989, who on June 30, 2001, and July 1,
2 2001, is:

3 (i) a member of Class A, other than a member of
4 Class A who could have elected membership in a Class C,
5 Class D-3, Class E-1 or Class E-2; or

6 (ii) an inactive member on a leave without pay from
7 a position in which the State employee would be a Class A
8 active member if the employee was not on leave without
9 pay, other than a position in which the State employee
10 could elect membership in Class C, Class D-3, Class E-1
11 or Class E-2;

12 shall be classified as a Class AA member and receive
13 credit for Class AA State service performed after June 30,
14 2001, upon payment of regular member contributions for Class
15 AA service and, subject to the limitations contained in
16 paragraph (7), shall receive Class AA service credit for all
17 Class A State service, other than State service performed as
18 a State police officer or as a State employee in a position
19 for which the member could have elected membership in Class
20 C, Class D-3, Class E-1 or Class E-2, performed before July
21 1, 2001.

22 (4) Provided that an election to become a Class AA
23 member is made pursuant to section 5306.1, a former State
24 employee, other than a former State employee who was a State
25 police officer on or after July 1, 1989, who on June 30,
26 2001, and July 1, 2001, is a multiple service member and a
27 school employee and a member of the Public School Employees'
28 Retirement System, subject to the limitations contained in
29 paragraph (7), shall receive Class AA service credit for all
30 Class A State service, other than State service performed as
31 a State police officer or as a State employee in a position
32 in which the former State employee could have elected a class
33 of service other than Class A, performed before July 1, 2001.

34 (5) A former State employee who first becomes a member
35 before January 1, 2011, or before December 1, 2010, as a
36 member of the General Assembly, other than a former State
37 employee who was a State police officer on or after July 1,
38 1989, who is a school employee and who on or after July 1,
39 2001, becomes a multiple service member, subject to the
40 limitations contained in paragraph (7), shall receive Class
41 AA service credit for all Class A State service other than
42 State service performed as a State employee in a position in
43 which the former State employee could have elected a class of
44 service other than Class A.

45 (6) A State employee who after June 30, 2001, becomes a
46 State police officer or [who is employed in a position in
47 which the member could elect membership in a class of service
48 other than Class AA or Class D-4] a member of the judiciary
49 shall retain any Class AA service credited prior to becoming
50 a State police officer or being so employed but shall be
51 ineligible to receive Class AA credit thereafter and instead

1 shall receive Class A credit for service as a member of the
2 judiciary if the State employee first becomes a member of the
3 system before January 1, 2018, or if he first became a member
4 before January 1, 2011, or December 1, 2010, as a member of
5 the General Assembly, or Class A-3 credit for service other
6 than as a member of the judiciary and he first became a
7 member on or after January 1, 2011, or December 1, 2010, as a
8 member of the General Assembly, if the nonjudicial service is
9 service as a Class A-5 exempt employee, or Class A-5 service
10 credit, Class A-6 service credit or solely as a participant
11 in the plan if the State employee first became a member on or
12 after January 1, 2018, and the service is not as a Class A-5
13 exempt employee, unless a class of membership other than
14 Class A is elected.

15 (7) (i) State service performed as Class A service
16 before July 1, 2001, and State service for which Class A
17 service could have been credited but was not credited
18 because membership in the system was optional or
19 prohibited pursuant to section 5301 shall be credited as
20 Class AA service only upon the completion of all acts
21 necessary for the State service to be credited as Class A
22 service had this subsection not been enacted and upon
23 payment of required Class AA member contributions as
24 provided in section 5504 (relating to member
25 contributions for the purchase of credit for previous
26 State service or to become a full coverage member).

27 (ii) A person who is not a State employee or a
28 school employee on June 30, 2001, and July 1, 2001, and
29 who has previous State service (except a disability
30 annuitant who returns to State service after June 30,
31 2001, upon termination of the disability annuity) shall
32 not receive Class AA service credit for State service
33 performed before July 1, 2001, until such person becomes
34 an active member, or an active member of the Public
35 School Employees' Retirement System and a multiple
36 service member, and earns three eligibility points by
37 performing credited State service or credited school
38 service after June 30, 2001.

39 (a.2) Class of membership for members of the General
40 Assembly.--

41 (1) A person who:

42 (i) becomes a member of the General Assembly and an
43 active member of the system after June 30, 2001, and
44 before December 1, 2010; or

45 (ii) is a member of the General Assembly on July 1,
46 2001, but is not an active member of the system because
47 membership in the system is optional pursuant to section
48 5301 and who becomes an active member after June 30,
49 2001, and before December 1, 2010;

50 and who was not a State police officer on or after July 1,
51 1989, shall be classified as a Class D-4 member and receive

1 credit as a Class D-4 member for all State service as a
2 member of the system as a member of the General Assembly upon
3 payment of regular member contributions for Class D-4 service
4 and, subject to the limitations contained in subsection (a.1)
5 (7), if previously a member of Class A or employed in a
6 position for which Class A service could have been earned,
7 shall receive Class AA service credit for all Class A State
8 service, other than State service performed as a State police
9 officer or for which a class of service other than Class A or
10 Class D-4 was or could have been elected or credited.

11 (2) Provided an election to become a Class D-4 member is
12 made pursuant to section 5306.2 (relating to elections by
13 members of the General Assembly), a State employee who was
14 not a State police officer on or after July 1, 1989, who on
15 July 1, 2001, is a member of the General Assembly and an
16 active member of the system and not a member of Class D-3
17 shall be classified as a Class D-4 member and receive credit
18 as a Class D-4 member for all State service as a member of
19 the system performed as a member of the General Assembly not
20 credited as another class other than Class A upon payment of
21 regular member contributions for Class D-4 service and,
22 subject to the limitations contained in paragraph (a.1)(7),
23 shall receive Class AA service credit for all Class A State
24 service, other than State service performed as a State police
25 officer or as a State employee in a position in which the
26 member could have elected a class of service other than Class
27 A, performed before July 1, 2001.

28 (3) A member of the General Assembly who after June 30,
29 2001, becomes a State police officer shall retain any Class
30 AA service or Class D-4 service credited prior to becoming a
31 State police officer or being so employed but shall be
32 ineligible to receive Class AA or Class D-4 credit thereafter
33 and instead shall receive Class A credit or Class A-3 credit
34 if he first becomes a member of the system on or after
35 January 1, 2011[.], and before January 1, 2018, or as a Class
36 A-5 exempt employee, and Class A-5 or Class A-6 credit if he
37 first becomes a member of the system on or after January 1,
38 2018, and is not a Class A-5 exempt employee.

39 (4) Notwithstanding the provisions of this subsection,
40 no service as a member of the General Assembly performed
41 before December 1, 2010, that is not credited as Class D-4
42 service on November 30, 2010, shall be credited as Class D-4
43 service, unless such service was previously credited in the
44 system as Class D-4 service and the member withdrew his total
45 accumulated deductions as provided in section 5311 (relating
46 to eligibility for refunds) or 5701 (relating to return of
47 total accumulated deductions). No service as a member of the
48 General Assembly performed on or after December 1, 2010,
49 shall be credited as Class D-4 service unless the member
50 previously was credited with Class D-4 service credits.

51 (a.3) Class A-4 membership.--Provided that an election to

1 become a Class A-4 member is made pursuant to section 5306.3
2 (relating to election to become a Class A-4 member), a State
3 employee who first becomes a member before January 1, 2018, or
4 is a Class A-5 exempt employee who otherwise would be a member
5 of Class A-3 shall be classified as a Class A-4 member and
6 receive Class A-4 credit for all creditable State service
7 performed after the effective date of membership in the system,
8 except as a member of the judiciary, and for all creditable
9 State service performed as a Class A-5 exempt employee if the
10 employee first becomes a member on or after January 1, 2018,
11 upon payment of regular member contributions and shared-risk
12 member contributions for Class A-4 service.

13 (a.4) Class A-5 membership.--A State employee who first
14 becomes a member of the system on or after January 1, 2018,
15 other than as a Class A-5 exempt employee, and who does not make
16 an election to be a member of Class A-6 or an election to be
17 solely a participant in the plan under section 5306.4 (relating
18 to election to become a Class A-6 member or solely a participant
19 in the plan), shall be classified as a Class A-5 member and
20 receive credit for Class A-5 service for service other than as a
21 Class A-5 exempt employee upon payment of regular member
22 contributions and shared-risk member contributions for Class A-5
23 service. A Class A-5 exempt employee who first becomes a member
24 of the system on or after January 1, 2018, shall be classified
25 in the applicable class other than Class A-5 for service
26 performed as a Class A-5 exempt employee and classified as a
27 Class A-5 member for any service performed in a position or
28 office other than as a Class A-5 exempt employee.

29 (a.5) Class A-6 membership.--Provided that an election to
30 become a Class A-6 member is made pursuant to section 5306.4, a
31 State employee who otherwise would be a member of Class A-5
32 shall be classified as a Class A-6 member and receive Class A-6
33 credit for all creditable State service performed after the
34 effective date of membership in the system, except as a Class A-
35 5 exempt employee, upon payment of regular member contributions
36 and shared-risk member contributions for Class A-6 service.

37 (b) Other class membership.--

38 * * *

39 (2) Notwithstanding any other provision of this section,
40 a State employee [who] whose first period of State service
41 began before January 1, 2018, is appointed [bail
42 commissioner] an arraignment court magistrate of the
43 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a) (5)
44 (relating to jurisdiction and venue) and is eligible to be a
45 member of the system as an arraignment court magistrate may,
46 within 30 days of the effective date of this sentence or
47 within 30 days of his initial appointment as [a bail
48 commissioner] an arraignment court magistrate, whichever is
49 later, elect Class E-2 service credit for service performed
50 as [a bail commissioner] an arraignment court magistrate
51 until the termination of State service. [This] The class of

1 service multiplier for E-2 service as [a bail commissioner]
2 an arraignment court magistrate shall be 1.5.

3 * * *

4 (e) Ineligibility for classes of service.--An individual who
5 is a State employee on January 1, 2018, but is not a member of
6 the system or who first becomes a State employee on or after
7 January 1, 2018, shall be ineligible for active membership in
8 the system other than as a member of Class A-5 or Class A-6, or
9 the several classes of State service for service performed as a
10 Class A-5 exempt employee as otherwise provided for under this
11 section. Any such State employee, if eligible, may be a
12 participant in the plan as a result of such State service.

13 Section 308. Sections 5306.1(c), 5306.2(b) and 5306.3(b),
14 (c) and (d) of Title 71 are amended to read:

15 § 5306.1. Election to become a Class AA member.

16 * * *

17 (c) Effect of election.--An election to become a Class AA
18 member shall become effective the later of July 1, 2001, or the
19 date when the election is filed with the board and shall remain
20 in effect until the termination of employment. Upon termination
21 and subsequent reemployment, the member's class of service shall
22 be credited in the class of service otherwise provided for in
23 this part and the State employee's eligibility for participation
24 in the plan shall be as provided in this part.

25 * * *

26 § 5306.2. Elections by members of the General Assembly.

27 * * *

28 (b) Effect of election.--Membership as a Class D-4 member
29 shall become effective on July 1, 2001, and shall remain in
30 effect until the termination of service as a member of the
31 General Assembly. Upon termination and a subsequent
32 reemployment, the member's class of service shall be credited in
33 the class of service otherwise provided for in this part and the
34 State employee's eligibility for participation in the plan shall
35 be as provided in this part.

36 * * *

37 § 5306.3. Election to become a Class A-4 member.

38 * * *

39 (b) Time for making election.--The election to become a
40 Class A-4 member must be made by the member filing written
41 notice with the board in a form and manner determined by the
42 board no later than 45 days after notice from the board of the
43 member's eligibility to elect Class A-4 membership. A State
44 employee who is eligible to elect to become a Class A-4 member
45 who begins USERRA leave during the election period without
46 having elected Class A-4 membership [may make the election
47 within 45 days after being reemployed from] shall have the
48 election period extended by the number of days on USERRA leave.

49 (c) Effect of election.--An election to become a Class A-4
50 member shall be irrevocable and shall become effective on the
51 effective date of membership in the system and shall remain in

1 effect for all future [creditable] State service creditable to
2 the system, other than service performed as a member of the
3 judiciary[.], but shall not apply to service not performed as a
4 Class A-5 exempt employee if the State employee first becomes a
5 member of the system on or after January 1, 2018. Payment of
6 regular member contributions and shared-risk member
7 contributions for Class A-4 State service performed prior to the
8 election of Class A-4 membership shall be made in a form, manner
9 and time determined by the board. Upon termination of State
10 service and subsequent reemployment, a member who elected Class
11 A-4 membership shall be credited as a Class A-4 member for
12 creditable State service performed after reemployment, except as
13 a member of the judiciary, provided that if the State employee
14 first becomes a member of the system on or after January 1,
15 2018, the reemployment is as a Class A-5 exempt employee,
16 regardless of termination of employment, termination of
17 membership by withdrawal of accumulated deductions or status as
18 an annuitant, vestee or inactive member after the termination of
19 service.

20 (d) Effect of failure to make election.--Failure to elect to
21 become a Class A-4 member within the election period set forth
22 in subsection (b) shall result in all of the member's State
23 service, other than service performed as a member of the
24 judiciary, or if the State employee first becomes a member of
25 the system on or after January 1, 2018, all service as a Class
26 A-5 exempt employee, being credited as Class A-3 service and not
27 subject to further election or crediting as Class A-4 service.
28 Upon termination and subsequent employment, a member who failed
29 to elect to become a Class A-4 member shall not be eligible to
30 make another election to become a Class A-4 member for either
31 past or future State service.

32 Section 309. Title 71 is amended by adding a section to
33 read:

34 § 5306.4. Election to become a Class A-6 member or solely a
35 participant in the plan.

36 (a) General rule.--A State employee who otherwise is
37 eligible for Class A-5 membership who has not previously elected
38 or declined to elect Class A-6 membership or to be solely a
39 participant in the plan may elect to become either a member of
40 Class A-6 or solely a participant in the plan.

41 (b) Time for making election.--The election to become a
42 Class A-6 member or solely a participant in the plan must be
43 made by the member filing written notice with the board in a
44 form and manner determined by the board no later than 45 days
45 after notice from the board of the member's eligibility to elect
46 Class A-6 membership or to be solely a participant in the plan.
47 This notice shall be given upon a State employee first beginning
48 State service in a position eligible to be a member of the
49 system that is not as a Class A-5 exempt employee. A State
50 employee who is eligible to elect to become a Class A-6 member
51 or solely a participant in the plan who begins USERRA leave

1 during the election period without having elected Class A-6
2 membership or to be solely a participant in the plan will have
3 the election period extended by the number of days on USERRA
4 leave.

5 (c) Effect of election to be a Class A-6 member.--An
6 election to become a Class A-6 member shall be irrevocable and
7 shall become effective on the effective date of membership in
8 the system and shall remain in effect for all future creditable
9 State service, other than service performed as a Class A-5
10 exempt employee. Payment of regular member contributions for
11 Class A-6 State service performed prior to the election of Class
12 A-6 membership shall be made in a form, manner and time
13 determined by the board. Upon termination and subsequent
14 reemployment, a member who elected Class A-6 membership shall be
15 credited as a Class A-6 member for creditable State service
16 performed after reemployment, except as a Class A-5 exempt
17 employee, regardless of termination of employment, termination
18 of membership by withdrawal of accumulated deductions or status
19 as an annuitant, vestee or inactive member after the termination
20 of service.

21 (d) Effect of election to be solely a participant in the
22 plan.--An election to become solely a participant in the plan
23 shall be irrevocable and shall become effective on the date that
24 membership in the system would have been effective had the
25 election not been made and shall remain in effect for all future
26 State service, other than service performed as a Class A-5
27 exempt employee. Payment of mandatory participant pickup
28 contributions for service solely as a participant in the plan
29 performed prior to the election shall be made in a form, manner
30 and time determined by the board. Upon termination and
31 subsequent reemployment, a State employee who elected to be
32 solely a participant in the plan shall resume active
33 participation for State service performed after reemployment,
34 except as a Class A-5 exempt employee, regardless of termination
35 of employment, termination of participation by a partial or
36 total distribution of vested total defined contributions or
37 status as an annuitant, vestee or inactive member of the system
38 as a Class A-5 exempt employee after the termination of service.

39 (e) Effect of failure to make election.--Failure to elect to
40 become a Class A-6 member or solely a participant in the plan
41 within the election period set forth in subsection (b) shall
42 result in all of the member's State service being credited as
43 Class A-5 service and not subject to further election or
44 crediting as Class A-6 service or solely as a participant in the
45 plan. Upon termination and subsequent employment, a member who
46 failed to elect to become a Class A-6 member or solely a
47 participant in the plan shall not be eligible to make another
48 election to become a Class A-6 member or solely a participant in
49 the plan for either past or future State service.

50 Section 310. Sections 5307, 5308, 5308.1 introductory
51 paragraph and (1), 5309, 5310, 5311(a), 5501.1, 5502, 5503.1(a)

1 and 5504 of Title 71 are amended to read:

2 § 5307. Eligibility points.

3 (a) General rule.--An active member of the system shall
4 accrue one eligibility point for each year of credited service
5 as a member of the [State or] system and if a multiple service
6 member as a member of the Public School Employees' Retirement
7 System. A member shall accrue an additional two-thirds of an
8 eligibility point for each year of Class D-3 credited service.
9 In the case of a fractional part of a year of credited service,
10 a member shall accrue the corresponding fractional portion of
11 eligibility points to which the class of service entitles him. A
12 State employee who is performing State service solely as a
13 participant in the plan shall accrue eligibility points at the
14 same rate and manner as if the State employee was performing
15 State service credited as a member of Class A-5. No eligibility
16 points shall accrue in the system or the plan for service as a
17 school employee credited as Class DC service in the Public
18 School Employees' Retirement System.

19 (a.1) USERRA leave.--A member of the system or participant
20 in the plan who is reemployed from USERRA leave or who dies
21 while performing USERRA leave shall be granted the eligibility
22 points that he would have accrued had he continued in his State
23 office or employment instead of performing USERRA leave. In the
24 event that a State employee who is reemployed from USERRA leave
25 makes the member contributions or mandatory pickup participant
26 contributions to be granted State service credit for the USERRA
27 leave, no additional eligibility points will be granted.

28 (b) Transitional rule.--

29 (1) In determining whether a member who is not a State
30 employee or school employee on June 30, 2001, and July 1,
31 2001, and who has previous State service (except a disability
32 annuitant who returns to State service after June 30, 2001,
33 upon termination of the disability annuity) has the five
34 eligibility points required by sections 5102 (relating to
35 definitions), 5308(b) (relating to eligibility for
36 annuities), 5309 (relating to eligibility for vesting),
37 5704(b) (relating to disability annuities) and 5705(a)
38 (relating to member's options), only eligibility points
39 earned by performing credited State service, USERRA leave or
40 credited school service as an active member of the Public
41 School Employees' Retirement System after June 30, 2001,
42 shall be counted until such member earns one eligibility
43 point by performing credited State service or, if a multiple
44 service member, credited school service after June 30, 2001,
45 at which time all eligibility points as determined pursuant
46 to subsection (a) shall be counted.

47 (2) Any member to whom paragraph (1) applies shall be
48 considered to have satisfied any requirement for five
49 eligibility points contained in this part if the member:

50 (i) has ten or more eligibility points as determined
51 pursuant to subsection (a); or

1 (ii) has Class G, Class H, Class I, Class J, Class
2 L, Class M or Class N service and has eight or more
3 eligibility points as determined pursuant to subsection
4 (a).

5 (c) Application of eligibility points.--Eligibility points
6 accrued for service as either member of the system or
7 participant in the plan may be used to determine the eligibility
8 for benefits from either the system or the plan unless the
9 provision is restricted to eligibility points accrued from
10 specific types of State service. Eligibility points accrued from
11 service as an active member of the Public School Employees'
12 Retirement System shall apply only if a State employee has
13 elected multiple service. Eligibility points accrued by a State
14 employee for service solely as a participant in the plan for
15 which he received a total distribution of accumulated total
16 defined contributions shall not apply when determining
17 eligibility for benefits from the system or the plan resulting
18 from any State service subsequently credited in the system or
19 performed after the total distribution.

20 § 5308. Eligibility for annuities.

21 (a) Superannuation annuity.--Attainment of superannuation
22 age by an active member [or], an inactive member on leave
23 without pay or a participant with service credited as a member
24 of the system with three or more eligibility points other than
25 eligibility points resulting from nonstate service or nonschool
26 service shall entitle him to receive a superannuation annuity
27 upon termination of State service and compliance with section
28 5907(f) (relating to rights and duties of State employees [and
29 members], members and participants).

30 (b) Withdrawal annuity.--

31 (1) Any vestee or any active member [or], inactive
32 member on leave without pay or participant with service
33 credited as a member of the system who terminates State
34 service having five or more eligibility points and who does
35 not have Class A-3 [or], Class A-4, Class A-5 or Class A-6
36 service credit or, if a multiple service member, Class T-E or
37 Class T-F service credit in the Public School Employees'
38 Retirement System, or who has Class G, Class H, Class I,
39 Class J, Class K, Class L, Class M or Class N service and
40 terminates State service having five or more eligibility
41 points, upon compliance with section 5907(f), (g) or (h)
42 shall be entitled to receive an annuity.

43 (2) Any vestee, active member [or], inactive member on
44 leave without pay or participant with service credited as a
45 member of the system who has Class A-3 [or], Class A-4, Class
46 A-5 or Class A-6 service credit or, if a multiple service
47 member, Class T-E or Class T-F service credit in the Public
48 School Employees' Retirement System who terminates State
49 service having ten or more eligibility points, upon
50 compliance with section 5907(f), (g) or (h), shall be
51 entitled to receive an annuity.

1 (3) Any vestee, active member or inactive member on
2 leave without pay or participant with service credited as a
3 member of the system who has either Class A-3 [or], Class A-
4 4, Class A-5 or Class A-6 service credit or, if a multiple
5 service member, Class T-E or Class T-F service credit in the
6 Public School Employees' Retirement System and also has
7 service credited in the system in one or more other classes
8 of service who has five or more, but fewer than ten,
9 eligibility points, upon compliance with section 5907(f), (g)
10 or (h), shall be eligible to receive an annuity calculated on
11 his service credited in classes of service other than Class
12 A-3 [or], Class A-4, Class A-5 or Class A-6, provided that
13 the member has five or more eligibility points resulting from
14 service in classes other than Class A-3 [or], Class A-4,
15 Class A-5 or Class A-6 or Class T-E or Class T-F service in
16 the Public School Employees' Retirement System.

17 (4) Notwithstanding paragraphs (2) and (3), no single
18 life annuity determined on service credited as Class A-5 or
19 Class A-6 shall be paid before a member attains age 62. In
20 the event that a member is eligible to receive an annuity on
21 service credited in classes other than Class A-5 or Class A-
22 6, the member may receive an annuity before attaining age 62
23 on classes of service other than Class A-5 and A-6, with
24 payment of an annuity on service credited in Class A-5 and
25 Class A-6, other than a payment of a lump sum under section
26 5705(a.1) (relating to member's options), deferred until the
27 annuitant attains age 62 as provided under sections 5702
28 (relating to maximum single life annuity) and 5705.

29 (c) Disability annuity.--An active member or inactive member
30 on leave without pay who has five or more eligibility points
31 other than eligibility points resulting from membership in the
32 Public School Employees' Retirement System or any active member
33 or inactive member on leave without pay who is an officer of the
34 Pennsylvania State Police or an enforcement officer shall, upon
35 compliance with section 5907(k), be entitled to a disability
36 annuity if he becomes mentally or physically incapable of
37 continuing to perform the duties for which he is employed and
38 qualifies in accordance with the provisions of section 5905(c)
39 (1) (relating to duties of the board regarding applications and
40 elections of members and participants).

41 (d) Required beginning date.--Members eligible for an
42 annuity must commence receiving the annuity by the member's
43 required beginning date.

44 § 5308.1. Eligibility for special early retirement.

45 Notwithstanding any provisions of this title to the contrary,
46 the following special early retirement provisions shall be
47 applicable to specified eligible members [as follows]:

48 (1) During the period of July 1, 1985, to September 30,
49 1991, an active member who has attained the age of at least
50 53 years and has accrued at least 30 eligibility points shall
51 be entitled, upon termination of State service and compliance

1 with section 5907(f) (relating to rights and duties of State
2 employees [and], members and participants), to receive a
3 maximum single life annuity calculated under section 5702
4 (relating to maximum single life annuity) without a reduction
5 by virtue of an effective date of retirement which is under
6 the superannuation age.

7 * * *

8 § 5309. Eligibility for vesting.

9 Any member who:

10 (1) Does not have Class A-3 [or], Class A-4, Class A-5
11 or Class A-6 service credit or, if a multiple service member,
12 Class T-E or Class T-F service credit in the Public School
13 Employees' Retirement System and terminates State service, or
14 if a multiple service member and an active member of the
15 Public School Employees' Retirement System terminates school
16 service, with five or more eligibility points, or any member
17 with Class G, Class H, Class I, Class J, Class K, Class L,
18 Class M or Class N service with five or more eligibility
19 points, shall be eligible until his required beginning date
20 to vest his retirement benefits.

21 (2) Has only Class A-3 [or], Class A-4, Class A-5 or
22 Class A-6 service credit [or] and, if a multiple service
23 member, only Class T-E or Class T-F service credit in the
24 Public School Employees' Retirement System and terminates
25 State service, or if a multiple service member and an active
26 member of the Public School Employees' Retirement System
27 terminates school service, with ten or more eligibility
28 points shall be eligible until his required beginning date to
29 vest his retirement benefits.

30 (3) Has either Class A-3 [or], Class A-4, Class A-5 or
31 Class A-6 service credit [or] and, if a multiple service
32 member, Class T-E or Class T-F service credit in the Public
33 School Employees' Retirement System, also has service
34 credited in the system in one or more other classes of
35 service and has five or more, but fewer than ten, eligibility
36 points and terminates State service, or if a multiple service
37 member and an active member of the Public School Employees'
38 Retirement System terminates school service, shall be
39 eligible until his required beginning date to vest his
40 retirement benefits calculated on his service credited in
41 classes of service other than Class A-3 [or], Class A-4,
42 Class A-5 or Class A-6 and to be credited with statutory
43 interest on total accumulated deductions, regardless of
44 whether or not any part of his accumulated deductions are a
45 result of Class A-3 [or], Class A-4, Class A-5 or Class A-6
46 service credit.

47 § 5310. Eligibility for death benefits.

48 In the event of the death of a member who is eligible for an
49 annuity in accordance with section 5308(a) or (b) (relating to
50 eligibility for annuities), his beneficiary shall be entitled to
51 a death benefit. For purposes of this section, a member with ten

1 or more eligibility points shall be considered eligible for an
2 annuity based on Class A-5 service or Class A-6 service even if
3 under superannuation age.

4 § 5311. Eligibility for refunds.

5 (a) Total accumulated deductions.--Any active member,
6 regardless of eligibility for benefits, may elect to receive his
7 total accumulated deductions by his required beginning date upon
8 termination of service in lieu of any benefit from the system to
9 which he is entitled.

10 * * *

11 § 5501.1. Shared-risk member contributions [for Class A-3 and
12 Class A-4 service] and shared-gain adjustments to
13 regular member contributions.

14 (a) General.--Shared-risk member contributions shall be made
15 to the fund on behalf of each member of Class A-3 [or], Class A-
16 4, Class A-5 or Class A-6 for current service credited [as Class
17 A-3 or Class A-4] in each such class of service as provided
18 under this section, except for any period of current service in
19 which the making of the contributions has ceased solely by
20 reason of any provision of this part relating to the limitations
21 under IRC § 401(a)(17) or 415. Shared-risk member contributions
22 shall be credited to the members' savings account. A shared-gain
23 adjustment to regular member contributions for Class A-3, Class
24 A-4, Class A-5 and Class A-6 shall be made as provided under
25 this section.

26 (b) Determination of shared-risk contribution rate[.--] for
27 Class A-3, Class A-4, Class A-5 and Class A-6 service.--The
28 shared-risk contribution for Class A-3, Class A-4, Class A-5 and
29 Class A-6 service shall be determined as follows:

30 (1) For the period from the effective date of this
31 section until June 30, 2014, the shared-risk contribution
32 rate for Class A-3, Class A-4, Class A-5 and Class A-6 shall
33 be zero.

34 (2) For the period from July 1, 2014, to June 30, 2017,
35 if the annual interest rate adopted by the board for use
36 during the period from January 1, 2011, to December 31, 2013,
37 for the calculation of the normal contribution rate is more
38 than 1% greater than the actual rate of return, net of fees,
39 of the investments of the fund based on market value over the
40 period, the shared-risk contribution rate shall be .5%. In
41 all other situations, the shared-risk contribution rate shall
42 be zero.

43 (3) For each subsequent three-year period, if the
44 shared-gain adjustment to regular member contributions is
45 zero, the shared-risk contribution rate shall be increased by
46 .5% if the annual interest rate adopted by the board for use
47 during the previous ten-year period for the calculation of
48 the normal contribution rate is more than 1% greater than the
49 actual rate of return, net of fees, of the investments of the
50 fund based on market value over the period. The shared-risk
51 contribution rate shall be decreased by .5% if the annual

1 interest rate adopted by the board for use during the
2 previous ten-year period for the calculation of the normal
3 contribution rate is equal to or less than the actual rate of
4 return, net of fees, of the investments of the fund based on
5 market value over that period.

6 (4) Notwithstanding paragraphs (2) and (3), the shared-
7 risk contribution rate shall not be less than zero and shall
8 not be more than the experience adjustment factor resulting
9 from investment gains or losses during the determination
10 period in effect on the first day when the new rate would be
11 applied, expressed as a percentage of member compensation,
12 and shall not be more than 2%. For the determination of the
13 shared-risk contribution rate to be effective July 1, 2017,
14 the determination period shall be January 1, 2011, through
15 December 31, 2016. For the determination of the shared-risk
16 contribution rate to be effective July 1, 2020, the
17 determination period shall be January 1, 2011, through
18 December 31, 2019.

19 (5) The shared-risk contribution rate and the factors
20 entering into its calculation shall be certified by the
21 actuary as part of the annual valuations and the actuarial
22 investigation and evaluation of the system conducted every
23 five years under section 5902(j) (relating to administrative
24 duties of the board).

25 (6) In the event that the annual interest rate adopted
26 by the board for the calculation is changed during the period
27 used to determine the shared-risk contribution rate, the
28 board, with the advice of the actuary, shall determine the
29 applicable rate during the entire period, expressed as an
30 annual rate.

31 (7) For any fiscal year in which the actual
32 contributions by the Commonwealth or an employer are lower
33 than those required to be made under section 5507(d)
34 (relating to contributions to the system by the Commonwealth
35 and other employers), the prospective shared-risk
36 contribution rate for those employees whose employers are not
37 making the contributions required by section 5507(d) shall be
38 zero and shall not subsequently be increased, except as
39 otherwise provided in this section.

40 (8) If the actuary certifies that the accrued liability
41 contributions calculated in accordance with the actuarial
42 cost method provided in section 5508(b) (relating to
43 actuarial cost method), as adjusted by the experience
44 adjustment factor, are zero or less, then the shared-risk
45 contribution rate for the next fiscal year shall be zero and
46 shall not subsequently be increased, except as otherwise
47 provided in this section.

48 (c) Determination of shared-gain adjustment to regular
49 member contributions for Class A-3, Class A-4, Class A-5 and
50 Class A-6 service.--The regular member contributions for Class
51 A-3, Class A-4, Class A-5 and Class A-6 service shall be

1 determined as follows:

2 (1) For the period from the effective date of this
3 section until June 30, 2017, the regular member contributions
4 for Class A-3, Class A-4, Class A-5 and Class A-6 service
5 shall be determined as otherwise provided in this part.

6 (2) For the period from July 1, 2017, to June 30, 2020,
7 if the shared-risk contribution rate for Class A-3, Class A-
8 4, Class A-5 and Class A-6 service is zero and annual
9 interest rate adopted by the board for use during the period
10 from January 1, 2011, to December 31, 2016, for the
11 calculation of the normal contribution rate is more than 1%
12 lower than the actual rate of return, net of fees, of the
13 investments of the fund based on market value over the
14 period, then the regular member contribution rate of each
15 member for Class A-3, Class A-4, Class A-5 or Class A-6
16 service shall be reduced by .5%. In all other situations, the
17 regular member contributions shall be determined as otherwise
18 provided in this part.

19 (3) For each subsequent three-year period, the regular
20 member contribution rate shall be decreased by .5% if the
21 annual interest rate adopted by the board for use during the
22 previous ten-year period for the calculation of the normal
23 contribution rate is more than 1% lower than the actual rate
24 of return, net of fees, of the investments of the fund based
25 on market value over the period. The regular member
26 contribution rate shall be increased by .5% if the annual
27 interest rate adopted by the board for use during the
28 previous ten-year period for the calculation of the normal
29 contribution rate is equal to or greater than the actual rate
30 of return, net of fees, of the investments of the fund based
31 on market value over that period.

32 (4) Notwithstanding paragraphs (2) and (3), the regular
33 member contribution rate may not be greater than the product
34 of the basic contribution rate and the class of service
35 multiplier; and the amount of the adjustment to a lower
36 regular member contribution rate may not be greater than the
37 reduction in the actuarially required contribution rate by
38 the experience adjustment factor resulting from investment
39 gains or losses during the determination period in effect on
40 the first day when the new rate would be applied, expressed
41 as a percentage of member compensation. In no event may the
42 adjustment to the regular member contribution rate be more
43 than 2%. For the determination of the regular member
44 contribution rate to be effective July 1, 2020, the
45 determination period shall be January 1, 2011, through
46 December 31, 2019.

47 (5) The shared-gain adjustment to the regular member
48 contribution rate and the factors entering into its
49 calculation shall be certified by the actuary as part of the
50 annual valuations and the actuarial investigation and
51 evaluation of the system conducted every five years under

1 section 5902(j).

2 (6) If the annual interest rate adopted by the board for
3 the calculation is changed during the period used to
4 determine the shared-gain adjustment to the regular member
5 contribution rate, the board, with the advice of the actuary,
6 shall determine the applicable rate during the entire period,
7 expressed as an annual rate.

8 (d) Calculation of regular member contribution rate.--For
9 purposes of this section, the regular member contribution rate
10 for each member is the product of the basic contribution rate
11 and the class of service multiplier used to determine the
12 regular member contributions for each member.

13 § 5502. Social Security integration member contributions.

14 Except for any period of current service in which the making
15 of regular member contributions has ceased solely by reason of
16 section 5502.1 (relating to waiver of regular member
17 contributions and Social Security integration member
18 contributions) or any provision of this part relating to
19 limitations under IRC § 401(a)(17) or 415, contributions shall
20 be made on behalf of [a] an active member of any class who prior
21 to March 1, 1974, has elected Social Security integration
22 coverage. The amount of such contributions shall be 6 1/4% of
23 that portion of his compensation as an active member in excess
24 of the maximum wages taxable under the provisions of the Social
25 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
26 addition to the regular member contributions which, after such
27 election, shall be determined on the basis of the basic
28 contribution rate of 5% and the additional member contribution
29 of 1 1/4%: Provided, That a member may elect to discontinue
30 Social Security integration coverage and shall thereafter be
31 ineligible to accrue any further Social Security integration
32 credits or any additional benefits on account of Social Security
33 integration membership.

34 § 5503.1. Pickup contributions.

35 (a) Treatment for purposes of IRC § 414(h).--All
36 contributions to the fund required to be made under sections
37 5501 (relating to regular member contributions for current
38 service), 5501.1 (relating to shared-risk member contributions
39 [for Class A-3 and Class A-4 service] and shared-gain
40 adjustments to regular member contributions), 5502 (relating to
41 Social Security integration member contributions), 5503
42 (relating to joint coverage member contributions) and [section]
43 5505.1 (relating to additional member contributions), with
44 respect to current State service rendered by an active member on
45 or after January 1, 1982, shall be picked up by the Commonwealth
46 or other employer and shall be treated as the employer's
47 contribution for purposes of IRC § 414(h).

48 * * *

49 § 5504. Member contributions for the purchase of credit for
50 previous State service or to become a full coverage
51 member.

1 (a) Amount of contributions for service in other than Class
2 G through N.--

3 (1) The contributions to be paid by an active member or
4 eligible school employee for credit in the system for the
5 portion of total previous State service other than service in
6 Class G, Class H, Class I, Class J, Class K, Class L, Class M
7 and Class N that a member is eligible to have credited or to
8 become a full coverage member shall be sufficient to provide
9 an amount equal to the regular accumulated deductions,
10 shared-risk accumulated deductions and additional accumulated
11 deductions which would have been standing to the credit of
12 the member for such service had regular accumulated
13 deductions, shared-risk accumulated deductions and additional
14 member contributions been made with full coverage in the
15 class of service and at the rate of contribution applicable
16 during such period of previous service and had his regular
17 and additional accumulated deductions been credited with
18 statutory interest during all periods of subsequent State and
19 school service up to the date of purchase.

20 (2) Notwithstanding paragraph (1), members [with Class
21 A-3 State service] who are performing State service credited
22 in Class A-3, Class A-4, Class A-5 or Class A-6 shall make
23 contributions and receive credit as if [the previous]
24 previously uncredited State service was [Class A-3 service,
25 and members with Class A-4 State service shall make
26 contributions and receive credit as if the previous State
27 service was Class A-4 service,] performed in the class in
28 which they are an active member at the time the service is
29 credited even if it would have been credited as a different
30 class of service had the State employee been a member of the
31 system at the time the service was performed unless it was
32 mandatory that the State employee be an active member of the
33 system and the previous State service is being credited as
34 the result of a mandatory active membership requirement.
35 Notwithstanding section 5303(b) (relating to retention and
36 reinstatement of service credits) a State employee who is an
37 active member of the system as a result of concurrently
38 performing service in more than one position or office at the
39 time previously uncredited State service is credited shall
40 elect which position or office is used for the determination
41 of required contributions and crediting and classification of
42 the previously uncredited service.

43 (a.1) Converted county service.--No contributions shall be
44 required to restore credit for previously credited State service
45 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
46 and Class N. Such service shall be restored upon the
47 commencement of payment of the contributions required to restore
48 credit in the system for all other previous State service.

49 (b) Certification and method of payment.--

50 (1) The amount payable shall be certified in each case
51 by the board in accordance with methods approved by the

1 actuary and shall be paid in a lump sum within 30 days or in
2 the case of an active member or eligible school employee who
3 is an active member of the Public School Employees'
4 Retirement System may be amortized with statutory interest
5 through salary deductions to the system in amounts agreed
6 upon by the member and the board. The salary deduction
7 amortization plans agreed to by members and the board may
8 include a deferral of payment amounts and statutory interest
9 until the termination of school service or State service as
10 the board in its sole discretion decides to allow. The board
11 may limit the salary deduction amortization plans to such
12 terms as the board in its sole discretion determines. In the
13 case of an eligible school employee who is an active member
14 of the Public School Employees' Retirement System, the agreed
15 upon salary deductions shall be remitted to the Public School
16 Employees' Retirement Board, which shall certify and transfer
17 to the board the amounts paid.

18 (2) No payments for service or coverage shall be allowed
19 for which the required contributions would cause a violation
20 of the limitation related to contributions applicable to
21 governmental plans contained in IRC § 415. In the event that
22 any service credit or coverage based on such disallowed
23 contributions is granted after the effective date of this
24 paragraph, then such service credit shall be canceled and
25 benefits calculated without regard to such service or
26 contributions and any member contributions in excess of the
27 limitations and statutory interest credited on those
28 contributions shall be refunded to the member by the board.

29 Section 311. Section 5505(b), (c), (d) and (i)(2) and (4) of
30 Title 71 are amended and the section is amended by adding a
31 subsection to read:

32 § 5505. Contributions for the purchase of credit for creditable
33 nonstate service.

34 * * *

35 (b) Nonintervening military service.--

36 (1) The amount due for the purchase of credit for
37 military service other than intervening military service
38 shall be determined by applying the member's basic
39 contribution rate, the additional contribution rate plus the
40 Commonwealth normal contribution rate for active members at
41 the time of entry, subsequent to such military service, of
42 the member into State service to his average annual rate of
43 compensation as a member of the system over the first three
44 years of such subsequent State service and multiplying the
45 result by the number of years and fractional part of a year
46 of creditable nonintervening military service being purchased
47 together with statutory interest during all periods of
48 subsequent State and school service to date of purchase. Upon
49 application for credit for such service, payment shall be
50 made in a lump sum within 30 days or in the case of an active
51 member or eligible school employee who is an active member of

1 the Public School Employees' Retirement System it may be
2 amortized with statutory interest through salary deductions
3 to the system in amounts agreed upon by the member and the
4 board. The salary deduction amortization plans agreed to by
5 members and the board may include a deferral of payment
6 amounts and statutory interest until the termination of
7 school service or State service as the board in its sole
8 discretion decides to allow. The board may limit salary
9 deduction amortization plans to such terms as the board in
10 its sole discretion determines. In the case of an eligible
11 school employee who is an active member of the Public School
12 Employees' Retirement System, the agreed upon salary
13 deductions shall be remitted to the Public School Employees'
14 Retirement Board, which shall certify and transfer to the
15 board the amounts paid. Application may be filed for all such
16 military service credit upon completion of three years of
17 subsequent State service as a member of the system and shall
18 be credited as Class A service except as provided in section
19 5304(a).

20 (1.1) In the case of an active member who is purchasing
21 the military service as Class A-3 service, for purposes of
22 paragraph (1), the Commonwealth normal contribution rate for
23 active members at the time of entry, subsequent to the
24 military service, shall be determined using only the average
25 new Class A-3 member.

26 (1.2) In the case of an active member who is purchasing
27 the military service as Class A-5 service, for purposes of
28 paragraph (1), the Commonwealth normal contribution rate for
29 active members at the time of entry, subsequent to the
30 military service, shall be determined using only the average
31 new Class A-5 member, and the member's basic contribution
32 rate shall be multiplied by the class of service multiplier
33 used to calculated regular member contributions for Class A-5
34 service.

35 (1.3) In the case of an active member who is purchasing
36 the military service as Class A-6 service, for purposes of
37 paragraph (1), the Commonwealth normal contribution rate for
38 active members at the time of entry, subsequent to the
39 military service, shall be determined using only the average
40 new Class A-6 member, and the member's basic contribution
41 rate shall be multiplied by the class of service multiplier
42 used to calculate regular member contributions for Class A-6
43 service.

44 (2) Applicants may purchase credit as follows:

45 (i) one purchase of the total amount of creditable
46 nonintervening military service; or

47 (ii) one purchase per 12-month period of a portion
48 of creditable nonintervening military service.

49 The amount of each purchase shall be not less than one year
50 of creditable nonintervening military service.

51 (c) Intervening military service.--Contributions on account

1 of credit for intervening military service shall be determined
2 by the member's regular contribution rate, shared-risk
3 contribution rate, Social Security integration contribution
4 rate, the additional contribution rate which shall be applied
5 only to those members who began service on or after the
6 effective date of this amendatory act and compensation as a
7 member of the system at the time of entry of the member into
8 active military service, together with statutory interest during
9 all periods of subsequent State and school service to date of
10 purchase. Upon application for such credit the amount due shall
11 be certified in the case of each member by the board in
12 accordance with methods approved by the actuary, and
13 contributions may be made by:

- 14 (1) regular monthly payments during active military
15 service; or
- 16 (2) a lump sum payment within 30 days of certification;
17 or
- 18 (3) salary deductions to the system in amounts agreed
19 upon by the member or eligible school employee who is an
20 active member of the Public School Employees' Retirement
21 System and the board.

22 The salary deduction amortization plans agreed to by members and
23 the board may include a deferral of payment amounts and
24 statutory interest until the termination of school service or
25 State service as the board in its sole discretion decides to
26 allow. The board may limit salary deduction amortization plans
27 to such terms as the board in its sole discretion determines. In
28 the case of an eligible school employee who is an active member
29 of the Public School Employees' Retirement System, the agreed
30 upon salary deductions shall be remitted to the Public School
31 Employees' Retirement Board, which shall certify and transfer to
32 the board the amounts paid.

33 (d) Nonmilitary and nonmagisterial service.--Contributions
34 on account of credit for creditable nonstate service other than
35 military and magisterial service by State employees who first
36 become members of the system before January 1, 2011, or before
37 December 1, 2010, as a member of the General Assembly shall be
38 determined by applying the member's basic contribution rate, the
39 additional contribution rate plus the Commonwealth normal
40 contribution rate for active members at the time of entry
41 subsequent to such creditable nonstate service of the member
42 into State service to his compensation as a member of the system
43 at the time of entry into State service and multiplying the
44 result by the number of years and fractional part of a year of
45 creditable nonstate service being purchased together with
46 statutory interest during all periods of subsequent State and
47 school service to the date of purchase. Upon application for
48 credit for such service payment shall be made in a lump sum
49 within 30 days or in the case of an active member or eligible
50 school employee who is an active member of the Public School
51 Employees' Retirement System it may be amortized with statutory

1 interest through salary deductions to the system in amounts
2 agreed upon by the member and the board. The salary deduction
3 amortization plans agreed to by members and the board may
4 include a deferral of payment amounts and statutory interest
5 until the termination of school service or State service as the
6 board in its sole discretion decides to allow. The board may
7 limit salary deduction amortization plans to such terms as the
8 board in its sole discretion determines. In the case of an
9 eligible school employee who is an active member of the Public
10 School Employees' Retirement System, the agreed upon salary
11 deduction shall be remitted to the Public School Employees'
12 Retirement Board, which shall certify and transfer to the board
13 the amounts paid.

14 * * *

15 (i) Purchases of nonstate service credit by State employees
16 who first became members of the system on or after December 1,
17 2010.--

18 * * *

19 (2) The full actuarial cost of the increased benefit
20 attributable to the purchased nonstate service credit shall
21 be the difference between:

22 (i) the present value of a standard single life
23 annuity, beginning at the earliest possible
24 superannuation age assuming Class A-3 service credit for
25 the nonstate service to be purchased[; and] by a member
26 of Class A-3 or Class A-4 who first becomes a member of
27 the system before January 1, 2018, and assuming Class A-5
28 service credit for the nonstate service to be purchased
29 by a member of Class A-5 and assuming Class A-6 service
30 credit for the nonstate service to be purchased by a
31 member of Class A-6; and

32 (ii) the present value of a standard single life
33 annuity, beginning at the earliest possible
34 superannuation age, excluding the nonstate service credit
35 to be purchased.

36 * * *

37 (4) The payment for credit purchased under this
38 subsection shall be certified in each case by the board in
39 accordance with methods approved by the actuary and shall be
40 paid in a lump sum within 30 days or in the case of an active
41 member or eligible school employee who is an active member of
42 the Public School Employees' Retirement System may be
43 amortized with statutory interest through salary deductions
44 to the system in amounts agreed upon by the member and the
45 board. The salary deduction amortization plans agreed to by
46 members and the board may include a deferral of payment
47 amounts and interest until the termination of school service
48 or State service as the board in its sole discretion decides
49 to allow. The board may limit the salary deduction
50 amortization plans to such terms as the board in its sole
51 discretion determines. In the case of an eligible school

1 employee who is an active member of the Public School
2 Employees' Retirement System, the agreed upon salary
3 deductions shall be remitted to the Public School Employees'
4 Retirement Board, which shall certify and transfer to the
5 board the amounts paid.

6 * * *

7 (k) Inapplicability of election and adjustments.--If a
8 member is purchasing creditable nonstate service, the regular
9 member contribution rate used to determine the contributions
10 necessary to purchase such credit shall be determined without
11 regard to any adjustments applicable under section 5501.1(c)
12 (relating to shared-risk member contributions and shared-gain
13 adjustments to regular member contributions).

14 Section 312. Section 5506.1(a) of Title 71 is amended to
15 read:

16 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

17 (a) General rule.--In addition to other applicable
18 limitations set forth in this part, and notwithstanding any
19 provision of this part to the contrary, the annual compensation
20 of each noneligible member and each participant, both before and
21 after any annualization, taken into account for benefit purposes
22 under this part shall not exceed the limitation under IRC §
23 401(a)(17). On and after January 1, 1996, any reference in this
24 part to the limitation under IRC § 401(a)(17) shall mean the
25 Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law
26 103-66, 107 Stat. 312) annual compensation limit set forth in
27 this subsection. The OBRA '93 annual compensation limit is
28 \$150,000, as adjusted by the commissioner for increases in the
29 cost of living in accordance with IRC § 401(a)(17)(B). The cost-
30 of-living adjustment in effect for a calendar year applies to
31 any determination period which is a period, not exceeding 12
32 months, over which compensation is determined, beginning in such
33 calendar year. If a determination period consists of fewer than
34 12 months, the OBRA '93 compensation limit will be multiplied by
35 a fraction, the numerator of which is the number of months in
36 the determination period and the denominator of which is 12.

37 * * *

38 Section 313. Section 5507(a), (b) and (d) of Title 71 are
39 amended and the section is amended by adding subsections to
40 read:

41 § 5507. Contributions to the system by the Commonwealth and
42 other employers.

43 (a) Contributions on behalf of active members.--The
44 Commonwealth and other employers whose employees are members of
45 the system or participants in the plan shall make contributions
46 to the fund on behalf of all active members in such amounts as
47 shall be certified by the board as necessary to provide,
48 together with the members' total accumulated deductions, annuity
49 reserves on account of prospective annuities other than those
50 provided in sections 5708 (relating to supplemental annuities),
51 5708.1 (relating to additional supplemental annuities), 5708.2

1 (relating to further additional supplemental annuities), 5708.3
2 (relating to supplemental annuities commencing 1994), 5708.4
3 (relating to special supplemental postretirement adjustment),
4 5708.5 (relating to supplemental annuities commencing 1998),
5 5708.6 (relating to supplemental annuities commencing 2002),
6 5708.7 (relating to supplemental annuities commencing 2003) and
7 5708.8 (relating to special supplemental postretirement
8 adjustment of 2002), in accordance with the actuarial cost
9 method provided in section 5508(a), (b), (c), (d) and (f)
10 (relating to actuarial cost method).

11 (b) Contributions on behalf of annuitants.--The Commonwealth
12 and other employers whose employees are members of the system or
13 participants in the plan shall make contributions on behalf of
14 annuitants in such amounts as shall be certified by the board as
15 necessary to fund the liabilities for supplemental annuities in
16 accordance with the actuarial cost method provided in section
17 5508(e) [(relating to actuarial cost method)].

18 (b.1) Payment of employer contributions to the system.--

19 (1) Payment of employer normal contributions shall be as
20 a percentage of compensation of active members.

21 (2) Payment of accrued liability contributions as
22 modified by the experience adjustment factor and supplemental
23 annuity contributions shall be as a percentage of
24 compensation of active members and active participants.

25 * * *

26 (d) Payment of final contribution rate.--Notwithstanding the
27 calculation of the actuarially required contribution rate and
28 the provisions of subsections (a) and (b), the Commonwealth and
29 other employers whose employees are members of the system or
30 participants in the plan shall make contributions to the fund on
31 behalf of all active members and annuitants in such amounts as
32 shall be certified by the board in accordance with section
33 5508(i).

34 * * *

35 (g) Payment of additional accrued liability contributions.--
36 In addition to all other contributions required under this
37 section and sections 5508 and 5941, the Commonwealth and other
38 employers whose employees are members of the system or
39 participants in the plan shall make contributions as certified
40 by the board as a percentage of the compensation of each member
41 and each participant as provided in this subsection, unless the
42 actuary certifies that the accrued liability contribution rate
43 determined under section 5508(c) is zero or less for that fiscal
44 year. Additional accrued liability contributions received by the
45 board as a result of this subsection shall be recognized as part
46 of the experience adjustment factor under section 5508(f).

<u>Fiscal year</u>	<u>Additional accrued liability</u>
<u>beginning date</u>	<u>contribution rate</u>
<u>July 1, 2017</u>	<u>0.00%</u>
<u>July 1, 2018</u>	<u>0.68%</u>
<u>July 1, 2019</u>	<u>0.64%</u>

1	<u>July 1, 2020</u>	<u>0.61%</u>
2	<u>July 1, 2021</u>	<u>0.58%</u>
3	<u>July 1, 2022</u>	<u>0.00%</u>
4	<u>July 1, 2023</u>	<u>0.00%</u>
5	<u>July 1, 2024</u>	<u>0.00%</u>
6	<u>July 1, 2025</u>	<u>0.00%</u>
7	<u>July 1, 2026</u>	<u>0.00%</u>
8	<u>July 1, 2027</u>	<u>0.00%</u>
9	<u>July 1, 2028</u>	<u>0.00%</u>
10	<u>July 1, 2029</u>	<u>0.00%</u>
11	<u>July 1, 2030</u>	<u>0.06%</u>
12	<u>July 1, 2031</u>	<u>0.19%</u>
13	<u>July 1, 2032</u>	<u>0.31%</u>
14	<u>July 1, 2033</u>	<u>0.42%</u>
15	<u>July 1, 2034</u>	<u>0.53%</u>
16	<u>July 1, 2035</u>	<u>0.63%</u>
17	<u>July 1, 2036</u>	<u>0.73%</u>
18	<u>July 1, 2037</u>	<u>0.82%</u>
19	<u>July 1, 2038</u>	<u>0.90%</u>
20	<u>July 1, 2039</u>	<u>0.98%</u>
21	<u>July 1, 2040</u>	<u>1.05%</u>

22 Section 314. Section 5508(a), (b), (c)(1), (e)(2), (f) and
23 (h) of Title 71 are amended and subsection (c) is amended by
24 adding a paragraph to read:
25 § 5508. Actuarial cost method.

26 (a) Employer contribution rate on behalf of active
27 members.--[The] For each fiscal year, the amount of the
28 Commonwealth and other employer contributions on behalf of all
29 active members shall be computed by the actuary as a percentage
30 of the total compensation of all active members during the
31 period for which the amount is determined and shall be so
32 certified by the board. The actuarially required contribution
33 rate on behalf of all active members shall consist of the
34 employer normal contribution rate, as defined in subsection (b),
35 and the accrued liability contribution rate as defined in
36 subsection (c). The actuarially required contribution rate on
37 behalf of all active members shall be modified by the experience
38 adjustment factor as calculated in subsection (f).

39 (b) Employer normal contribution rate.--The employer normal
40 contribution rate shall be determined after each actuarial
41 valuation on the basis of an annual interest rate and such
42 mortality and other tables as shall be adopted by the board in
43 accordance with generally accepted actuarial principles. The
44 employer normal contribution rate shall be determined as [a
45 level percentage of the compensation of the average new active
46 member, which percentage, if contributed on the basis of his
47 prospective compensation through his entire period of active
48 State service, would be sufficient to fund the liability for any
49 prospective benefit payable to him in excess of that portion
50 funded by his prospective member contributions, excluding
51 shared-risk member contributions.] follows:

1 (1) For fiscal years through fiscal year 2021-2022, as a
2 level percentage of the compensation of the average new
3 active member, which percentage, if contributed on the basis
4 of his prospective compensation through his entire period of
5 active State service, would be sufficient to fund the
6 liability for any prospective benefit payable to him in
7 excess of that portion funded by his prospective member
8 contributions, excluding shared-risk member contributions and
9 shared-gain adjustments to regular member contributions. In
10 no case shall the employer normal contribution rate in the
11 aggregate or for each class of service separately be less
12 than zero.

13 (2) For fiscal year 2022-2023 and each fiscal year
14 thereafter, as a level percentage of the compensation of all
15 active members, which percentage, if contributed from the
16 start of their employment on the basis of their prospective
17 compensation through their entire period of active State
18 service, would be sufficient to fund the liability for any
19 prospective benefit payable to them in excess of that portion
20 funded by their prospective member contributions, excluding
21 shared-risk member contributions and shared-gain adjustments
22 to regular member contributions. In no case shall the
23 employer normal contribution rate in the aggregate or for
24 each class of service separately be less than zero.

25 (c) Accrued liability contribution rate.--

26 (1) For the fiscal years beginning July 1, 2002, and
27 July 1, 2003, the accrued liability contribution rate shall
28 be computed as the rate of total compensation of all active
29 members which shall be certified by the actuary as sufficient
30 to fund over a period of ten years from July 1, 2002, the
31 present value of the liabilities for all prospective
32 benefits, except for the supplemental benefits as provided in
33 sections 5708 (relating to supplemental annuities), 5708.1
34 (relating to additional supplemental annuities), 5708.2
35 (relating to further additional supplemental annuities),
36 5708.3 (relating to supplemental annuities commencing 1994),
37 5708.4 (relating to special supplemental postretirement
38 adjustment), 5708.5 (relating to supplemental annuities
39 commencing 1998), 5708.6 (relating to supplemental annuities
40 commencing 2002), 5708.7 (relating to supplemental annuities
41 commencing 2003) and 5708.8 (relating to special supplemental
42 postretirement adjustment of 2002), in excess of the total
43 assets in the fund (calculated recognizing all investment
44 gains and losses over a five-year period), excluding the
45 balance in the supplemental annuity account, and the present
46 value of employer normal contributions and of member
47 contributions payable with respect to all active members on
48 December 31, 2001, and excluding contributions to be
49 transferred by county retirement systems or pension plans
50 pursuant to section 5507(c) (relating to contributions to the
51 system by the Commonwealth and other employers). The amount

1 of each annual accrued liability contribution shall be equal
2 to the amount of such contribution for the fiscal year
3 beginning July 1, 2002, except that, if the accrued liability
4 is increased by legislation enacted subsequent to June 30,
5 2002, but before July 1, 2003, such additional liability
6 shall be funded over a period of ten years from the first day
7 of July, coincident with or next following the effective date
8 of the increase. The amount of each annual accrued liability
9 contribution for such additional legislative liabilities
10 shall be equal to the amount of such contribution for the
11 first annual payment.

12 * * *

13 (4) For fiscal years beginning on or after July 1, 2017,
14 the accrued liability contribution rate shall be computed as
15 provided for under this section, except that the rate shall
16 be computed as a rate of total compensation of all active
17 members and active participants for the applicable period. If
18 the accrued liability is changed by legislation enacted
19 subsequent to December 31, 2015, such change in liability
20 shall be funded in equal dollar installments as a percentage
21 of compensation of all active members and active participants
22 over a period of ten years from the first day of July
23 following the valuation date coincident with or next
24 following the date such legislation is enacted. In addition
25 to any employer defined contributions made to the trust, the
26 Commonwealth and other employers of participants shall make
27 the accrued liability contributions to the fund certified by
28 the board.

29 * * *

30 (e) Supplemental annuity contribution rate.--

31 * * *

32 (2) For fiscal years beginning on or after July 1, 2010,
33 contributions from the Commonwealth and other employers whose
34 employees are members of the system required to provide for
35 the payment of supplemental annuities as provided in sections
36 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
37 and 5708.8 shall be paid as part of the accrued liability
38 contribution rate as provided for in subsection (c)(3), and
39 there shall not be a separate supplemental annuity
40 contribution rate attributable to those supplemental
41 annuities. In the event that supplemental annuities are
42 increased by legislation enacted subsequent to December 31,
43 2009, the additional liability for the increase in benefits
44 shall be funded in equal dollar installments as a percentage
45 of compensation of all active members and active participants
46 over a period of ten years from the first day of July
47 following the valuation date coincident with or next
48 following the date such legislation is enacted.

49 (f) Experience adjustment factor.--

50 (1) For each fiscal year after the establishment of the
51 accrued liability contribution rate and the supplemental

1 annuity contribution rate for the fiscal year beginning July
2 1, 2010, any increase or decrease in the unfunded accrued
3 liability and any increase or decrease in the liabilities and
4 funding for supplemental annuities, due to actual experience
5 differing from assumed experience (recognizing all realized
6 and unrealized investment gains and losses over a five-year
7 period), changes in contributions caused by the final
8 contribution rate being different from the actuarially
9 required contribution rate, State employees making shared-
10 risk member contributions or having shared-gain adjustments
11 to their regular member contributions, payment of additional
12 accrued liability contributions under section 5507 (g),
13 changes in actuarial assumptions or changes in the terms and
14 conditions of the benefits provided by the system by
15 judicial, administrative or other processes other than
16 legislation, including, but not limited to, reinterpretation
17 of the provisions of this part, shall be amortized in equal
18 dollar annual contributions as a percentage of compensation
19 of all active members and active participants over a period
20 of 30 years beginning with the July 1 succeeding the
21 actuarial valuation determining said increases or decreases.

22 (2) The actuarially required contribution rate shall be
23 the sum of the normal contribution rate, the accrued
24 liability contribution rate and the supplemental annuity
25 contribution rate, modified by the experience adjustment
26 factor as calculated in paragraph (1).

27 * * *

28 (h) Temporary application of collared contribution rate.--
29 The collared contribution rate for each fiscal year shall be
30 determined by comparing the actuarially required contribution
31 rate calculated without regard for costs added by legislation to
32 the prior year's final contribution rate. If, for any of the
33 fiscal years beginning July 1, 2011, July 1, 2012, and on or
34 after July 1, 2013, the actuarially required contribution rate
35 calculated without regard for costs added by legislation is more
36 than 3%, 3.5% and 4.5%, respectively, of the total compensation
37 of all active members greater than the prior year's final
38 contribution rate, then the collared contribution rate shall be
39 applied and be equal to the prior year's final contribution rate
40 increased by the respective percentage above of total
41 compensation of all active members. Otherwise, and for all
42 subsequent fiscal years, the collared contribution rate shall
43 not [be applicable] apply. In no case shall the collared
44 contribution rate be less than 4% of total compensation of all
45 active members.

46 * * *

47 Section 315. Section 5509 of Title 71 is amended to read:
48 § 5509. Appropriations and assessments by the Commonwealth.

49 (a) Annual submission of budget.--The board shall prepare
50 and submit annually an itemized budget consisting of the amounts
51 necessary to be appropriated by the Commonwealth out of the

1 General Fund and special operating funds and the amounts to be
2 assessed the other employers required to meet the separate
3 obligations to the fund and the trust accruing during the fiscal
4 period beginning the first day of July of the following year.

5 (b) Appropriation and payment.--The General Assembly shall
6 make an appropriation sufficient to provide for the separate
7 obligations of the Commonwealth to the fund and the trust. Such
8 amount shall be paid by the State Treasurer through the
9 Department of Revenue into the fund or trust in accordance with
10 requisitions presented by the board. The contributions to the
11 system by the Commonwealth on behalf of active members who are
12 officers of the Pennsylvania State Police shall be charged to
13 the General Fund and to the Motor License Fund in the same
14 ratios as used to apportion the appropriations for salaries of
15 members of the Pennsylvania State Police. The contributions to
16 the system by the Commonwealth on behalf of active members who
17 are enforcement officers and investigators of the Pennsylvania
18 Liquor Control Board shall be charged to the General Fund and to
19 the State Stores Fund.

20 (c) Contributions from funds other than General Fund.--The
21 amounts assessed other employers who are required to make the
22 necessary separate contributions to the fund and the trust out
23 of funds other than the General Fund shall be paid by such
24 employers into the fund or trust in accordance with requisitions
25 presented by the board. The General Fund of the Commonwealth
26 shall not be held liable to appropriate the moneys required to
27 build up the reserves in the fund necessary for the payment of
28 benefits from the system to employees or to make the employer
29 defined contributions for employees of such other employers. In
30 case any such other employer shall fail to provide to the fund
31 the moneys necessary for such purpose, then the service of such
32 members of the system for such period for which money is not so
33 provided shall be credited and pickup contributions with respect
34 to such members shall continue to be credited to the members'
35 savings account. The annuity to which such member is entitled
36 shall be determined as actuarially equivalent to the present
37 value of the maximum single life annuity of each such member
38 reduced by the amount of employer contributions to the system
39 payable on account and attributable to his compensation during
40 such service, except that no reduction shall be made as a result
41 of the failure of an employer to make contributions required for
42 a period of USERRA leave.

43 Section 316. Title 71 is amended by adding a section to
44 read:

45 § 5510. Employer funding mandate protection.

46 (a) Limited expansion of contractual right to funding.--
47 Commencing on the July 1 following the actuarial valuation in
48 which the actuary certifies that the final contribution rate is
49 the actuarially required contribution, each active member shall
50 have a contractual right to the timely payment of the annual
51 actuarially required contributions under sections 5508 (relating

1 to actuarial cost method) and 5902(k) (relating to
2 administrative duties of the board) by such member's employer.
3 The following apply:

4 (1) The failure of a member's employer to make the
5 annually required contribution to the fund will be deemed to
6 be an impairment of the contractual right of such member.

7 (2) Any claim of contract impairment shall be brought
8 against the employer of the member for whom contributions
9 were not paid, and neither the board nor the system or their
10 employees or agents shall be a defendant in any such action
11 or liable for any payments or damages arising from such
12 impairment.

13 (b) Jurisdiction of Supreme Court.--Notwithstanding any
14 provision of 2 Pa.C.S. (relating to administrative law and
15 procedure), 42 Pa.C.S. (relating to judiciary and judicial
16 procedure) or any other provision of law, the Pennsylvania
17 Supreme Court shall have exclusive jurisdiction to do as
18 follows:

19 (1) hear any claim of contract impairment for failure to
20 pay certified contributions;

21 (2) render a declaratory judgment or take such other
22 action as it deems appropriate, consistent with the Supreme
23 Court retaining jurisdiction over such matter; and

24 (3) find facts or expedite a final judgment in
25 connection with such a challenge or request for declaratory
26 relief.

27 (c) Sovereign immunity waived.--Sovereign immunity is hereby
28 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
29 matters affecting government units) or lack of jurisdiction by
30 the Supreme Court shall not be raised as a defense against a
31 claim brought against an employer under this section.

32 (d) Attorney fees.--A member who prevails in a claim brought
33 under this part may be awarded reasonable attorney fees.

34 (e) Limitation of contract right.--Nothing in this section
35 shall be construed to create a contract right or claim of
36 contract impairment in any member as to any benefit formula,
37 benefit payment option, or any other provision of this part
38 other than the funding mandate of the member's employer, or to
39 change the jurisdiction of the board or the courts regarding any
40 claim other than for payment of the annual actuarially required
41 contributions.

42 (f) Employer contributions.--Nothing in this section shall
43 be deemed to supersede or conflict with the rights and
44 obligations set forth in section 5509 (relating to
45 appropriations and assessments by the Commonwealth).

46 Section 317. Sections 5701 and 5701.1 of Title 71 are
47 amended to read:

48 § 5701. Return of total accumulated deductions.

49 Any member upon termination of service may, in lieu of all
50 benefits payable from the system under this chapter to which he
51 may be entitled, elect to receive his total accumulated

1 deductions by his required beginning date.

2 § 5701.1. Transfer of accumulated deductions.

3 When an employee of the Juvenile Court Judges' Commission
4 elects membership in an independent retirement program pursuant
5 to section 5301(f) (relating to mandatory and optional
6 membership in the system and participation in the plan), the
7 board shall transfer directly to the trustee or administrator of
8 the independent retirement program all accumulated deductions
9 resulting from service credited while an employee of the
10 Juvenile Court Judges' Commission.

11 Section 318. Sections 5702(a)(1), (4) and (6), (b) and (c),
12 5704(a), (c), (e) and (f) and 5705(a) of Title 71 are amended
13 and the sections are amended by adding subsections to read:
14 § 5702. Maximum single life annuity.

15 (a) General rule.--Any full coverage member who is eligible
16 to receive an annuity pursuant to the provisions of section
17 5308(a) or (b) (relating to eligibility for annuities) who
18 terminates State service, or if a multiple service member who is
19 a school employee who is an active member of the Public School
20 Employees' Retirement System who terminates school service,
21 before attaining age 70 shall be entitled to receive a maximum
22 single life annuity attributable to his credited service and
23 equal to the sum of the following single life annuities
24 beginning at the effective date of retirement:

25 (1) A single life annuity that is the sum of the
26 standard single life [annuity multiplied by the sum of the
27 products,] annuities determined separately for each class of
28 service[, obtained by multiplying] multiplied by the
29 appropriate class of service multiplier [by the ratio of
30 years of service credited in that class to the total credited
31 service] applicable to each standard single life annuity. In
32 case the member on the effective date of retirement is under
33 superannuation age for any service, a reduction factor
34 calculated to provide benefits actuarially equivalent to an
35 annuity starting at superannuation age shall be applied to
36 the product determined for that service[.]: Provided,
37 however, That any standard single life annuity resulting from
38 Class A-5 service or Class A-6 service shall be reduced by a
39 percentage determined by multiplying the number of months,
40 including a fraction of a month as a full month, by which the
41 effective date of retirement precedes superannuation age by
42 0.25% if the effective date of retirement is on or after the
43 date the member has attained age 62 and the member has 25 or
44 more eligibility points. The class of service multiplier for
45 any period of concurrent service shall be multiplied by the
46 proportion of total State and school compensation during such
47 period attributable to State service as a member of the
48 system. In the event a member has two multipliers for one
49 class of service [the class of service multiplier to be used
50 for calculating benefits for that class shall be the average
51 of the two multipliers weighted by the proportion of

1 compensation attributable to each multiplier during the three
2 years of highest annual compensation in that class of
3 service: Provided, That in the case of a member of Class E-1,
4 a portion but not all of whose three years of highest annual
5 judicial compensation is prior to January 1, 1973, two class
6 of service multipliers shall be calculated on the basis of
7 his entire judicial service, the one applying the judicial
8 class of service multipliers effective prior to January 1,
9 1973 and the second applying the class of service multipliers
10 effective subsequent to January 1, 1973. The average class of
11 service multiplier to be used for calculating benefits for
12 his judicial service shall be the average of the two
13 calculated multipliers weighted by the proportion of
14 compensation attributable to each of the calculated
15 multipliers during the three years of highest annual
16 compensation in that class of service.], separate standard
17 single life annuities shall be calculated for the portion of
18 service in such class applicable to each class of service
19 multiplier. In the case of a member with Class A-5 service
20 credit or Class A-6 service credit and credit in one or more
21 other classes of service who has not attained age 62 on the
22 effective date of retirement but who is otherwise eligible
23 for an annuity resulting from his Class A-5 service or Class
24 A-6 service, and who commences receipt of a superannuation
25 annuity or withdrawal annuity based on the other classes of
26 service, no annuity based on the member's Class A-5 service
27 credit or Class A-6 service credit shall be paid until the
28 attainment of age 62.

29 * * *

30 (4) If eligible, a single life annuity which is
31 actuarially equivalent to the amount by which his regular and
32 additional accumulated deductions attributable to any
33 credited service other than as a member of Class A-3, Class
34 A-4, Class A-5, Class A-6 and Class C are greater than one-
35 half of the actuarially equivalent value on the effective
36 date of retirement of the annuity as provided in paragraph
37 (1) attributable to service other than Class A-3, Class A-4,
38 Class A-5, Class A-6 and Class C for which regular or joint
39 coverage member contributions were made. [This paragraph
40 shall not apply to any member with State service credited as
41 Class A-3 or Class A-4.]

42 * * *

43 (6) If eligible, a single life annuity sufficient
44 together with the annuity provided for in paragraph (1) as a
45 Class A, Class AA, Class A-3 [and], Class A-4, Class A-5 or
46 Class A-6 member and the highest annuity provided for in
47 paragraph (2) to which he is entitled, or at his option could
48 have been entitled, to produce that percentage of [a] the
49 sums of the standard single life [annuity] annuities adjusted
50 by the application of the class of service multiplier for
51 Class A, Class AA, Class A-3 [or], Class A-4, Class A-5 or

1 Class A-6 as set forth in paragraph (1) in the case where any
 2 service is credited as a member of Class A, Class AA, Class
 3 A-3 [or], Class A-4, Class A-5 or Class A-6 on the effective
 4 date of retirement as determined by his total years of
 5 credited service as a member of Class A, Class AA, Class A-3
 6 [and], Class A-4, Class A-5 or Class A-6 and by the following
 7 table:

8 9 10 11 12 13 14 15	Total Years of Credited Service as a Member of Class A, Class AA, Class A-3 [and], <u>Class A-4, Class A-5</u> <u>and Class A-6</u>	Percentage of <u>Sums of</u> Standard Single Life [Annuity] <u>Annuities</u> Adjusted for Class A, Class AA, Class A-3 [and], <u>Class A-4,</u> <u>Class A-5 and Class A-6</u> Class of Service Multipliers
16	35-40	100%
17	41	102%
18	42	104%
19	43	106%
20	44	108%
21	45 or more	110%

22 * * *

23
 24 (b) Present value of annuity.--The present value of the
 25 maximum single life annuity as calculated in accordance with
 26 subsection (a) of this section shall be determined by
 27 multiplying the maximum single life annuity by the cost of a
 28 dollar annuity on the effective date of retirement[.], which
 29 shall take into account any delay in the receipt of the portion
 30 of the annuity based on Class A-5 service or Class A-6 service
 31 if the effective date of retirement is before the member attains
 32 age 62. Such present value shall be decreased only as required
 33 under the provisions of section 5506 (relating to incomplete
 34 payments), 5509(c) (relating to appropriations and assessments
 35 by the Commonwealth) or 5703 (relating to reduction of annuities
 36 on account of social security old-age insurance benefits).

37 (c) Limitation on amount of annuity.--The annuity paid to a
 38 member under subsection (a) and reduced in accordance with the
 39 option elected under section 5705 (relating to member's options)
 40 shall not exceed the highest compensation received as a member
 41 of the system during any period of twelve consecutive months of
 42 credited service. No limit on the total annuity paid to a member
 43 with Class D-3 service shall be applied in the case of a member
 44 who served as a constitutional officer of the General Assembly.

45 * * *

46 (e) Coordination of benefits.--The determination and payment
 47 of the maximum single life annuity under this section shall be
 48 in addition to any payments a member may be entitled to receive,
 49 has received or is receiving as a result of being a participant
 50 in the plan.

51 § 5704. Disability annuities.

1 (a) Amount of annuity.--A member who has made application
2 for a disability annuity and has been found to be eligible in
3 accordance with the provisions of section 5905(c)(1) (relating
4 to duties of the board regarding applications and elections of
5 members and participants) shall receive a disability annuity
6 payable from the effective date of disability as determined by
7 the board and continued until a subsequent determination by the
8 board that the annuitant is no longer entitled to a disability
9 annuity. [The] If the sum of the products of the number of years
10 and fractional part of a year of credited service in each class
11 and the appropriate class of service multiplier is greater than
12 16.667, the disability annuity shall be a single life annuity
13 that is equal to [a] the sum of the standard single life
14 [annuity] annuities determined separately for each class of
15 service multiplied by the appropriate class of service
16 multiplier [applicable to the class of service at the time of
17 disability if the product of such class of service multiplier
18 and the total number of years of credited service is greater
19 than 16.667, otherwise the], otherwise each standard single life
20 annuity shall be multiplied by the lesser of the following
21 ratios:

22 MY^*/Y or $16.667/Y$

23 [where] Where Y = total number of years of credited service[,];
24 Y^* = total years of credited service if the member were to
25 continue as a State employee until attaining superannuation age
26 as applicable to that class of service at the time of
27 disability, or if the member has attained superannuation age, as
28 applicable to that class of service at the time of disability,
29 then the number of years of credited service and M = the class
30 of service multiplier as applicable to that class of service at
31 the effective date of disability. A member of Class C shall
32 receive, in addition, any annuity to which he may be eligible
33 under section 5702(a)(3) (relating to maximum single life
34 annuity). The member shall be entitled to the election of a
35 joint and survivor annuity on that portion of the disability
36 annuity to which he is entitled under section 5702.

37 * * *

38 (c) Reduction on account of earned income.--Subsequent to
39 January 1, 1972, payments on account of disability shall be
40 reduced by that amount by which the earned income of the
41 annuitant, as reported in accordance with section 5908(b)
42 (relating to rights and duties of annuitants), for the preceding
43 calendar year together with the disability annuity payments
44 provided in this section other than subsection (b), for the
45 year, exceeds the product of:

46 [(i)] (1) the last year's salary of the annuitant as a
47 [State employee] member of the system; and

48 [(ii)] (2) the ratio of the current monthly payment to
49 the monthly payment at the effective date of disability;

50 Provided, That the annuitant shall not receive less than his
51 member's annuity or the amount to which he may be entitled under

1 section 5702 whichever is greater.

2 * * *

3 (e) Termination of State service.--Upon termination of
4 disability annuity payments in excess of an annuity calculated
5 in accordance with section 5702, a disability annuitant who[:

6 (1) does not have Class A-3 or Class A-4 service credit;

7 or

8 (2) has Class A-3 or Class A-4 service credit and fewer
9 than ten eligibility points;

10 and who] does not return to State service may file an
11 application with the board for an amount equal to the excess, if
12 any, of the sum of the shared-risk accumulated deductions plus
13 the regular and additional accumulated deductions standing to
14 his credit at the effective date of disability over one-third of
15 the total disability annuity payments received. If the annuitant
16 on the date of termination of service was eligible for an
17 annuity as provided in section 5308(a) or (b) (relating to
18 eligibility for annuities), he may file an application with the
19 board for an election of an optional modification of his
20 annuity.

21 (f) Supplement for service connected disability.--

22 (1) If a member has been found to be eligible for a
23 disability annuity and if the disability has been found to be
24 a service connected disability and if the member is receiving
25 workers' compensation payments for other than medical
26 benefits, such member shall receive a supplement equal to
27 [70% of his final average salary] the amount determined under
28 paragraph (2) less the sum of the annuity as determined under
29 subsection (a) and any payments paid or payable on account of
30 such disability under the act of June 2, 1915 (P.L.736,
31 No.338), known as the Workers' Compensation Act, the act of
32 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
33 Occupational Disease Act, and the Social Security Act (49
34 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
35 continue as long as he is determined to be disabled and is
36 receiving workers' compensation payments for other than
37 medical benefits on account of his service connected
38 disability in accordance with the Workers' Compensation Act
39 or The Pennsylvania Occupational Disease Act. If the member
40 has received a lump sum workers' compensation payment in lieu
41 of future weekly compensation payments, the length in weeks
42 and calculation of the service connected disability
43 supplement shall be determined by dividing the lump sum
44 payment by the average weekly wage as determined by the
45 Workers' Compensation Board.

46 (2) For a member who does not have Class A-5 or Class A-
47 6 service, the amount to be used to determine eligibility for
48 the supplement under paragraph (1) shall be 70% of the
49 member's final average salary. For a member who has Class A-5
50 or Class A-6 service, the amount to be used to determine
51 eligibility for the supplement under paragraph (1) shall be

1 calculated according to the following formula:

$$2 \quad A = .7[(Y^W \text{ MULTIPLIED BY FAS}^W) + (Y^P \text{ MULTIPLIED BY FAS}^P)]$$
$$3 \quad \frac{Y^T}{Y^T}$$

4 (3) The following apply to the formula in paragraph (2):

5 (i) A equals the amount used to determine the
6 supplement;

7 (ii) Y^T equals total years of credited service;

8 (iii) Y^W equals years of credited service that are
9 not Class A-5 or Class A-6 service;

10 (iv) FAS^W equals final average salary calculated for
11 credited service other than Class A-5 or Class A-6
12 service;

13 (v) Y^P equals years of service credited as Class A-5
14 or Class A-6 service; and

15 (vi) FAS^P equals final average salary calculated for
16 service credited as Class A-5 or Class A-6 service.

17 * * *

18 (h) Coordination of benefits.--The determination and payment
19 of a disability annuity under this section is in addition to any
20 payments a member may be entitled to receive, has received or is
21 receiving as a result of being a participant in the plan.

22 § 5705. Member's options.

23 (a) General rule.--Any special vestee [who has attained
24 superannuation age, any vestee who does not have Class A-3 or
25 Class A-4 service credit having five or more eligibility points
26 for service other than Class T-E or Class T-F service in the
27 Public School Employees' Retirement System, or vestee who has
28 Class A-3 or Class A-4 service credit having ten or more
29 eligibility points, any member with Class G, Class H, Class I,
30 Class J, Class K, Class L, Class M or Class N service having
31 five or more eligibility points or any other eligible member
32 upon termination of State service who has not withdrawn his
33 total accumulated deductions as provided in section 5701
34 (relating to return of total accumulated deductions)], vestee or
35 any other member upon termination of State service who is
36 eligible to receive an annuity as provided in section 5308(a) or

37 (b) (relating to eligibility for annuities) may apply for and
38 elect to receive either a maximum single life annuity, as
39 calculated in accordance with the provisions of section 5702
40 (relating to maximum single life annuity), or a reduced annuity
41 certified by the actuary to be actuarially equivalent to the
42 maximum single life annuity payable after reduction under
43 subsection (a.1) and in accordance with one of the following
44 options; except that no member shall elect an annuity payable to
45 one or more survivor annuitants other than his spouse or
46 alternate payee of such a magnitude that the present value of
47 the annuity payable to him for life plus any lump sum payment
48 under this subsection and subsection (a.1) he may have elected
49 to receive is less than 50% of the present value of his maximum
50 single life annuity and no member may elect a payment option
51 that would provide benefits that do not satisfy the minimum

1 distribution requirements or would violate the incidental death
2 benefit rules of IRC § 401(a)(9):

3 (1) Option 1.--A life annuity to the member with a
4 guaranteed total payment equal to the present value of the
5 maximum single life annuity on the effective date of
6 retirement with the provision that, if, at his death, he has
7 received less than such present value, the unpaid balance
8 shall be payable to his beneficiary.

9 (2) Option 2.--A joint and survivor annuity payable
10 during the lifetime of the member with the full amount of
11 such annuity payable thereafter to his survivor annuitant, if
12 living at his death.

13 (3) Option 3.--A joint and fifty percent (50%) survivor
14 annuity payable during the lifetime of the member with one-
15 half of such annuity payable thereafter to his survivor
16 annuitant, if living at his death.

17 (4) Option 4.--Some other benefit which shall be
18 certified by the actuary to be actuarially equivalent to the
19 maximum single life annuity, subject to the following
20 restrictions:

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

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

27 (iii) a portion of the benefit may be payable as a
28 lump sum, except that such lump sum payment shall not
29 exceed an amount equal to the total accumulated
30 deductions standing to the credit of the member that are
31 not the result of contributions and statutory interest
32 made or credited as a result of Class A-3 [or], Class A-
33 4, Class A-5 or Class A-6 service. The balance of the
34 present value of the maximum single life annuity adjusted
35 in accordance with section 5702(b) shall be paid in the
36 form of an annuity with a guaranteed total payment, a
37 single life annuity, or a joint and survivor annuity or
38 any combination thereof but subject to the restrictions
39 of subparagraphs (i) and (ii) under this option.

40 (a.1) Additional lump sum withdrawal.--The following shall
41 apply:

42 (1) If a member has an effective date of retirement
43 after December 31, 2017, and has elected to have the full
44 amount allowed under subsection (a)(4)(iii) paid in lump sum,
45 or is not eligible to have any money paid under subsection
46 (a)(4)(iii), then the member may elect to receive an
47 additional amount payable in a lump sum at the same time as
48 the payment elected under subsection (a)(4)(iii), if any.

49 (2) The additional amount payable in a lump sum may not
50 exceed an amount equal to total accumulated deductions
51 standing to the credit of the member on the effective date of

1 retirement related to service credited as Class A-3, Class A-
2 4, Class A-5 or Class A-6.

3 (3) If a member elects to be paid an additional lump sum
4 amount under this subsection, then the maximum single life
5 annuity calculated under section 5702 and payable under
6 subsection (a) shall be reduced by the additional amount
7 withdrawn divided by the cost of a dollar annuity on the
8 effective date of retirement computed on the basis of the
9 annual interest rate adopted for that fiscal year by the
10 board for the calculation of the employer normal contribution
11 rate under section 5508(b) (relating to actuarial cost
12 method) and the mortality tables adopted by the board for the
13 determination of actuarially equivalent benefits under this
14 part. The reduction in the maximum single life annuity under
15 this paragraph shall apply before the election and
16 calculation of any reduced annuities payable under subsection
17 (a).

18 * * *

19 Section 319. Sections 5705.1 and 5706(a), (a.2), (a.5), (b)
20 and (c.1) of Title 71 are amended to read:

21 § 5705.1. Payment of accumulated deductions resulting from
22 [Class A-3 and Class A-4] more than one class of
23 service.

24 Any superannuation or withdrawal annuitant who:

25 (1) has Class A-3 [or], Class A-4, Class A-5 or Class A-
26 6 service credit;

27 (2) has service credited in one or more classes of
28 service; and

29 (3) because he has five or more, but fewer than ten,
30 eligibility points is not eligible to receive an annuity on
31 his Class A-3 [or], Class A-4, Class A-5 or Class A-6 service
32 shall receive in a lump sum at the time of his retirement, in
33 addition to any other annuity or lump sum payment which he may
34 elect, his accumulated deductions resulting from his Class A-3
35 [or], Class A-4, Class A-5 or Class A-6 service credit. Payment
36 of these accumulated deductions resulting from Class A-3 [or],
37 Class A-4, Class A-5 or Class A-6 service credit shall not be
38 eligible for installment payments pursuant to section 5905.1
39 (relating to installment payments of accumulated deductions) but
40 shall be considered a lump sum payment for purposes of section
41 5905.1(d).

42 § 5706. Termination of annuities.

43 (a) General rule.--

44 (1) If the annuitant returns to State service or enters
45 or has entered school service and elects multiple service
46 membership, any annuity payable to him under this part shall
47 cease effective upon the date of his return to State service
48 or entering school service without regard to whether he is a
49 mandatory, optional or prohibited member of the system or
50 participant in the plan or, if a multiple service member,
51 whether he is a mandatory, optional or prohibited member or

1 participant of the Public School Employees' Retirement System
2 or School Employees' Defined Contribution Plan; and, in the
3 case of an annuity other than a disability annuity the
4 present value of such annuity, adjusted for full coverage in
5 the case of a joint coverage member who makes the appropriate
6 back contributions for full coverage, shall be frozen as of
7 the date such annuity ceases. An annuitant who is credited
8 with an additional 10% of Class A and Class C service as
9 provided in section 5302(c) (relating to credited State
10 service) and who returns to State service shall forfeit such
11 credited service and shall have his frozen present value
12 adjusted as if his 10% retirement incentive had not been
13 applied to his account. In the event that the cost-of-living
14 increase enacted December 18, 1979 occurred during the period
15 of such State or school employment, the frozen present value
16 shall be increased, on or after the member attains
17 superannuation age, by the percent applicable had he not
18 returned to service.

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

21 (i) may render services to the Commonwealth in the
22 capacity of an independent contractor; or

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

26 (A) as a member of an independent board or
27 commission or as a member of a departmental
28 administrative or advisory board or commission when
29 such members of independent or departmental boards or
30 commissions are compensated on a per diem basis for
31 not more than 150 days per calendar year; or

32 (B) as a member of an independent board or
33 commission requiring appointment by the Governor,
34 with advice and consent of the Senate, where the
35 annual salary payable to the member does not exceed
36 \$35,000 and where the member has been an annuitant
37 for at least six months immediately preceding the
38 appointment.

39 * * *

40 (a.2) Return of benefits.--In the event an annuitant whose
41 annuity from the system ceases pursuant to this section receives
42 any annuity payment, including a lump sum payment pursuant to
43 section 5705 (relating to member's options) on or after the date
44 of his return to State service or entering school service, the
45 annuitant shall return to the board the amount so received from
46 the system plus statutory interest. The amount payable shall be
47 certified in each case by the board in accordance with methods
48 approved by the actuary and shall be paid in a lump sum within
49 30 days or in the case of an active member or school employee
50 who is an active member of the Public School Employees'
51 Retirement System may be amortized with statutory interest

1 through salary deductions to the system in amounts agreed upon
2 by the member and the board. The salary deduction amortization
3 plans agreed to by the member and the board may include a
4 deferral of payment amounts and statutory interest until the
5 termination of school service or State service as the board in
6 its sole discretion decides to allow. The board may limit salary
7 deduction amortization plans to such terms as the board in its
8 sole discretion determines. In the case of a school employee who
9 is an active member of the Public School Employees' Retirement
10 System, the agreed upon salary deductions shall be remitted to
11 the Public School Employees' Retirement Board, which shall
12 certify and transfer to the board the amounts paid.

13 * * *

14 (a.5) No contributions or credited service.--The service of
15 an annuitant whose annuity does not cease upon his return to
16 State or school service shall not be subject to member
17 contributions or eligible for qualification as creditable State
18 service[.] and shall not be eligible for participation in the
19 plan, mandatory pickup participant contributions, voluntary
20 contributions or employer defined contributions.

21 (b) Subsequent discontinuance of service.--Upon subsequent
22 discontinuance of service, such [member] terminating State
23 employee other than a former annuitant who had the effect of his
24 frozen present value eliminated in accordance with subsection
25 (c) or a former disability annuitant shall be entitled to an
26 annuity which is actuarially equivalent to [the sum of] the
27 present value as determined under subsection (a) [and] to which
28 shall be added, if the service after reemployment was as a
29 member of the system, the present value of a maximum single life
30 annuity based on years of service credited subsequent to reentry
31 in the system and his final average salary computed by reference
32 to his compensation as a member of the system or as a member of
33 the Public School Employees' Retirement System during his entire
34 period of State and school service.

35 (c) Elimination of the effect of frozen present value.--

36 (1) An annuitant who returns to State service as an
37 active member of the system and earns three eligibility
38 points as a member of the system by performing credited State
39 service following the most recent period of receipt of an
40 annuity under this part, or an annuitant who enters school
41 service other than as a Class DC participant and:

42 (i) is a multiple service member; or

43 (ii) who elects multiple service membership, and
44 earns three eligibility points by performing credited State
45 service as a member of the system or credited school service
46 following the most recent period of receipt of an annuity
47 under this part, and who had the present value of his annuity
48 frozen in accordance with subsection (a), shall qualify to
49 have the effect of the frozen present value resulting from
50 all previous periods of retirement eliminated, provided that
51 all lump sum payments under Option 4 or under section

1 5705(a.1) and annuity payments payable during previous
2 periods of retirement plus interest as set forth in paragraph
3 (3) shall be returned to the fund in the form of an actuarial
4 adjustment to his subsequent benefits or in such form as the
5 board may otherwise direct.

6 * * *

7 Section 320. Sections 5707(a), (b) and (f) and 5709 heading,
8 (a) and (b) of Title 71 are amended and the sections are amended
9 by adding subsections to read:

10 § 5707. Death benefits.

11 (a) Members eligible for annuities.--Any active member,
12 inactive member [on leave without pay], vestee or current or
13 former State employee performing USERRA leave who dies and was
14 eligible for an annuity in accordance with section 5308(a) or
15 (b) (relating to eligibility for annuities) or special vestee
16 who has attained superannuation age and dies before applying for
17 a superannuation annuity shall be considered as having applied
18 for an annuity to become effective the day before his death and
19 in the event he has not elected an option or such election has
20 not been approved prior to his death, it shall be assumed that
21 he elected Option 1. For purposes of this subsection, a member
22 with Class A-5 service or Class A-6 service who has ten or more
23 eligibility points shall be considered eligible for an annuity
24 based on Class A-5 or Class A-6 service even if the member had
25 not attained age 62.

26 (b) Members ineligible for annuities.--In the event of the
27 death of a special vestee, an active member, an inactive member
28 [on leave without pay] or a current or former State employee
29 performing USERRA leave who is not entitled to a death benefit
30 as provided in subsection (a), his designated beneficiary shall
31 be paid the full amount of his total accumulated deductions.

32 (b.1) Members eligible for annuities in some classes of
33 service and ineligible in other classes of service.--In the
34 event of the death of a member who is eligible for an annuity
35 based on service credited in some classes of service and
36 ineligible for an annuity for service credited in other classes
37 of service, a benefit shall be paid under subsection (a) based
38 on the service for which an annuity is deemed payable in
39 addition to payment under subsection (b) of the accumulated
40 deductions attributable to service for which the member was not
41 eligible for an annuity.

42 * * *

43 (f) Members subject to limitations under section 5702(c).--
44 Subject to the limitations contained in section 401(a)(9) of the
45 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
46 401(a)(9)), the present value of any annuity in excess of that
47 payable under section 5702 (relating to maximum single life
48 annuity) that is not subject to the limitations under section
49 415(b) of the Internal Revenue Code of 1986 shall be paid in a
50 lump sum to the beneficiary designated by the member after the
51 death of the member. A beneficiary receiving a benefit under

1 this subsection shall not be able to elect a payment method
2 otherwise allowed under section 5709(b)(2) and (3) (relating to
3 payment of benefits from the system).

4 * * *

5 § 5709. Payment of benefits from the system.

6 (a) Annuities.--Any annuity granted under the provisions of
7 this part and paid from the fund shall be paid in equal monthly
8 installments.

9 (b) Death benefits.--If the amount of a death benefit
10 payable from the fund to a beneficiary of a member under section
11 5707 (relating to death benefits) or under the provisions of
12 Option 1 of section 5705(a)(1) (relating to member's options) is
13 \$10,000 or more, such beneficiary may elect to receive payment
14 according to one of the following options:

15 (1) a lump sum payment;

16 (2) an annuity actuarially equivalent to the amount
17 payable; or

18 (3) a lump sum payment and an annuity such that the
19 annuity is actuarially equivalent to the amount payable less
20 the lump sum payment specified by the beneficiary.

21 * * *

22 (e) Members with Class A-5 or Class A-6 service and service
23 in one or more other classes of service.--An annuitant whose
24 receipt of the portion of his annuity attributable to Class A-5
25 service or Class A-6 service has been delayed to the attainment
26 of age 62 shall have his annuity increased upon attainment of
27 the applicable superannuation age under the terms and conditions
28 of the annuity payment option selected at the time of retirement
29 or if applicable under section 5907(j) (relating to rights and
30 duties of State employees, members and participants). In the
31 event such a member selected a joint and survivor annuity and
32 died prior to attaining age 62, the annuity of his survivor
33 annuitant, if surviving, will be increased at the time the
34 member would have attained age 62.

35 Section 321. Title 71 is amended by adding a chapter to
36 read:

37 CHAPTER 58

38 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

39 Sec.

40 5801. Establishment.

41 5802. Plan document.

42 5803. Individual investment accounts.

43 5804. Participant contributions.

44 5805. Mandatory pickup participant contributions.

45 5806. Employer defined contributions.

46 5807. Eligibility for benefits.

47 5808. Death benefits.

48 5809. Vesting.

49 5810. Termination of distributions.

50 5811. (Reserved).

51 5812. Powers and duties of board.

1 5813. Responsibility for investment loss.
2 5814. Investments based on participant's investment allocation
3 choices.
4 5815. Expenses.
5 5816. Tax qualification.
6 § 5801. Establishment.
7 (a) State Employees' Defined Contribution Plan.--The State
8 Employees' Defined Contribution Plan is established. The board
9 shall administer and manage the plan which shall be a defined
10 contribution plan exclusively for the benefit of those State
11 employees who participate in the plan and their beneficiaries
12 within the meaning of and in conformity with IRC § 401(a). The
13 board shall determine the terms and provisions of the plan not
14 inconsistent with this part, the IRC or other applicable law and
15 shall provide for the plan's administration.
16 (b) State Employees' Defined Contribution Trust.--The State
17 Employees' Defined Contribution Trust is established as part of
18 the plan. The trust shall be comprised of the individual
19 investment accounts and all assets and money in those accounts,
20 and any assets and money held by the board as part of the plan
21 that are not allocated to individual investment accounts. The
22 members of the board shall be the trustees of the trust, which
23 shall be administered exclusively for the benefit of those State
24 employees who participate in the plan and their beneficiaries
25 within the meaning of and in conformity with IRC § 401(a). The
26 board shall determine the terms and provisions of the trust not
27 inconsistent with this part, the IRC or other applicable law and
28 shall provide for the investment and administration of the
29 trust.
30 (c) Assets held in trust.--All assets and income in the plan
31 that have been or shall be withheld or contributed by the
32 participants, the Commonwealth and other employers in accordance
33 with this part shall be held in trust in any funding vehicle
34 permitted by the applicable provisions of the IRC for the
35 exclusive benefit of the participants and their beneficiaries
36 until such time as the funds are distributed to the participants
37 or their beneficiaries in accordance with the terms of the plan
38 document. The assets of the plan held in trust for the exclusive
39 benefit of the participants and their beneficiaries may be used
40 for the payment of the fees, costs and expenses related to the
41 administration and investment of the plan and the trust.
42 (d) Name for transacting business.--All of the business of
43 the plan shall be transacted, the trust invested, all
44 requisitions for money drawn and payments made and all of its
45 cash and securities and other property shall be held by the name
46 of the "State Employees' Defined Contribution Plan."
47 Notwithstanding any other law to the contrary, the board may
48 establish a nominee registration procedure for the purpose of
49 registering securities to facilitate the purchase, sale or other
50 disposition of securities under the provisions of this part.
51 § 5802. Plan document.

1 The board shall set forth the terms and provisions of the
2 plan and trust in a document containing the terms and conditions
3 of the plan and in a trust declaration that shall be published
4 in the Pennsylvania Bulletin. Any amendments to the plan and
5 trust declaration also shall be published. The creation of the
6 document containing the terms and conditions of the plan and the
7 trust declaration and the establishment of the terms and
8 provisions of the plan and the trust need not be promulgated by
9 regulation or formal rulemaking and shall not be subject to the
10 act of July 31, 1968 (P.L.769, No.240), referred to as the
11 Commonwealth Documents Law. A reference in this part or other
12 law to the plan shall include the plan document unless the
13 context clearly indicates otherwise.

14 § 5803. Individual investment accounts.

15 The board shall establish in the trust an individual
16 investment account for each participant in the plan. All
17 contributions by a participant or an employer for or on behalf
18 of a participant shall be credited to the participant's
19 individual investment account, together with all interest and
20 investment earnings and losses. Investment and administrative
21 fees, costs and expenses shall be charged to the participants'
22 individual investment accounts except as otherwise provided
23 under this part or as the General Assembly otherwise provides by
24 appropriations from the General Fund. Employer defined
25 contributions shall be recorded and accounted for separately
26 from participant contributions, but all interest, investment
27 earnings and losses, and investment and administrative fees,
28 costs and expenses shall be allocated proportionately.

29 § 5804. Participant contributions.

30 (a) Mandatory contributions.--A participant shall make
31 mandatory pickup participant contributions through payroll
32 deductions to the participant's individual investment account
33 equal to 3.5% of compensation for current State service credited
34 as a Class A-5 member or as a Class A-6 member and 7.5% of
35 compensation for current service performed solely as a
36 participant. The employer shall cause those contributions for
37 current service to be made and deducted from each payroll or on
38 such schedule as established by the board.

39 (b) Voluntary contributions.--A participant may make
40 voluntary contributions through payroll deductions, through
41 direct trustee-to-trustee transfers, or through transfers of
42 money received in an eligible rollover into the trust to the
43 extent allowed by IRC § 402. The rollovers shall be made in a
44 form and manner as determined by the board, shall be credited to
45 the participant's individual investment account and shall be
46 separately accounted for by the board.

47 (c) Prohibited contributions.--No contributions may be
48 allowed that would cause a violation of the limitations related
49 to contributions applicable to governmental plans contained in
50 IRC § 415 or in other provisions of law. In the event that any
51 disallowed contributions are made, any participant contributions

1 in excess of the limitations and investment earnings on those
2 contributions, but minus investment fees and administrative
3 charges, shall be refunded to the participant by the board.
4 § 5805. Mandatory pickup participant contributions.

5 (a) Treatment for purposes of IRC § 414(h).--The
6 contributions to the trust required to be made under section
7 5804(a) (relating to participant contributions) with respect to
8 State service rendered by an active participant shall be picked
9 up by the Commonwealth or other employer and shall be treated as
10 the employer's contribution for purposes of IRC § 414(h). After
11 the effective date of this section, an employer employing a
12 participant in the plan shall pick up the required mandatory
13 participant contributions by a reduction in the compensation of
14 the participant.

15 (b) Treatment for other purposes.--For all other purposes
16 under this part and otherwise, mandatory pickup participant
17 contributions shall be treated as contributions made by a
18 participant in the same manner and to the same extent as if the
19 contributions were made directly by the participant and not
20 picked up.

21 § 5806. Employer defined contributions.

22 (a) Contributions for service.--The Commonwealth or other
23 employer of an active participant shall make employer defined
24 contributions for service of an active participant that shall be
25 credited to the active participant's individual investment
26 account. Employer defined contributions shall be recorded and
27 accounted for separately from participant contributions.

28 (b) Contributions resulting from participants reemployed
29 from USERRA leave.--When a State employee reemployed from USERRA
30 leave makes the mandatory pickup participant contributions
31 permitted to be made for the USERRA leave, the Commonwealth or
32 other employer by whom the State employee is employed at the
33 time the participant contributions are made shall make whatever
34 employer defined contributions would have been made under this
35 section had the employee making the participant contributions
36 continued to be employed in the participant's State office or
37 position instead of performing USERRA leave. The employer
38 defined contributions shall be placed in the participant's
39 individual investment account as otherwise provided by this
40 part.

41 (c) Limitations on contributions.--No contributions may be
42 allowed that would cause a violation of the limitations related
43 to contributions applicable to governmental plans contained in
44 IRC § 415 or in other provisions of law. In the event that any
45 disallowed contributions are made, any employer defined
46 contributions in excess of the limitations and investment
47 earnings on the contributions, but minus investment fees and
48 administrative charges, shall be refunded to the employer by the
49 board.

50 § 5807. Eligibility for benefits.

51 (a) Termination of service.--A participant who terminates

1 State service shall be eligible to withdraw the vested
2 accumulated total defined contributions standing to the
3 participant's credit in the participant's individual investment
4 account or a lesser amount as the participant may request.
5 Payment shall be made in a lump sum unless the board has
6 established other forms of distribution in the plan document. A
7 participant who withdraws his vested accumulated total defined
8 contributions shall no longer be a participant in the plan,
9 notwithstanding that the former State employee may continue to
10 be a member of the system or may have contracted to receive an
11 annuity or other form of payment from a provider retained by the
12 board for such purposes.

13 (b) Required distributions.--All payments under this section
14 shall start and be made in compliance with the minimum
15 distribution requirements and incidental death benefit rules of
16 IRC § 401(a)(9). The board shall take any action and make any
17 distributions it may determine are necessary to comply with
18 those requirements.

19 (c) (Reserved).

20 (d) Prohibited distributions.--A State employee must be
21 terminated from all positions that result in either membership
22 in the system or participation in the plan to be eligible to
23 receive a distribution. No distribution shall be allowed that
24 would be an in-service distribution prohibited by the IRC.

25 (e) Loans.--Loans or other distributions, including hardship
26 or unforeseeable emergency distributions, from the plan to State
27 employees who have not terminated State service are not
28 permitted, except as required by law.

29 (f) Small individual investment accounts.--A participant who
30 terminates State service and whose vested accumulated total
31 defined contributions are below the threshold established by law
32 as of the date of termination of service may be paid the vested
33 accumulated total defined contributions in a lump sum as
34 provided in IRC § 401(a)(31).
35 § 5808. Death benefits.

36 (a) General rule.--In the event of the death of an active
37 participant or inactive participant, the board shall pay to the
38 participant's beneficiary the vested balance in the
39 participant's individual investment account in a lump sum or in
40 such other manner as the board may establish in the plan
41 document.

42 (b) Death of participant receiving distributions.--In the
43 event of the death of a participant receiving distributions, the
44 board shall pay to the participant's beneficiary the vested
45 balance in the participant's individual investment account in a
46 lump sum or in such other manner as the board may establish in
47 the plan document or, if the board has established alternative
48 methods of distribution in the plan document under which the
49 participant was receiving distributions, to the participant's
50 beneficiary or successor payee, as the case may be, as provided
51 in the plan document.

1 (c) Contracts.--The board may contract with financial
2 institutions, insurance companies or other types of third-party
3 providers to allow a participant, beneficiary or successor payee
4 who receives a lump sum distribution to receive payments and
5 death benefits in a form and manner as provided by the contract.
6 § 5809. Vesting.

7 (a) Participant and voluntary contributions.--Subject to the
8 forfeiture and attachment provisions of section 5953 (relating
9 to taxation, attachment and assignment of funds) or otherwise as
10 provided by law, a participant shall be vested immediately with
11 respect to all mandatory pickup participant contributions and
12 voluntary contributions paid by or on behalf of the participant
13 to the trust in addition to interest and investment gains or
14 losses on the participant contributions but minus investment
15 fees and administrative charges.

16 (b) Employer defined contributions.--

17 (1) Subject to the forfeiture and attachment provisions
18 of section 5953 or otherwise as provided by law, a
19 participant shall be vested with respect to all employer
20 defined contributions paid to the participant's individual
21 investment account in the trust in addition to interest and
22 investment gains and losses on the employer defined
23 contributions but minus investment fees and administrative
24 charges according to the following schedule:

25 (i) Until such time as a participant has earned
26 three eligibility points as a member of the system or
27 participant in the plan, 0%;

28 (ii) At and after the attainment of three
29 eligibility points as a member of the system or
30 participant in the plan, 100%.

31 (2) For purposes of this subsection, all eligibility
32 points credited to a member of the system in any class of
33 service shall be used for determining vested status in the
34 plan even if the employee was not a participant in the plan
35 at the time the eligibility points were earned.

36 (3) Nonvested employer defined contributions and the
37 interest and investment gains and losses on the nonvested
38 employer defined contributions that are forfeited when a
39 participant terminates State service before accruing three
40 eligibility points as provided under section 5307(c) (3)
41 (relating to eligibility points) are credited to the
42 participant's most recent employer's future obligation
43 assessed under section 5509 (relating to appropriations and
44 assessments by the Commonwealth).

45 (c) USERRA leave and eligibility points.--A participant in
46 the plan who is reemployed from USERRA leave or who dies while
47 performing USERRA leave shall receive eligibility points under
48 this section for the State service that would have been
49 performed had the member not performed USERRA leave.
50 § 5810. Termination of distributions.

51 (a) Return to State service.--

1 (1) A participant receiving distributions or an inactive
2 participant who returns to State service shall cease
3 receiving distributions and shall not be eligible to receive
4 distributions until the participant subsequently terminates
5 State service, without regard to whether the participant is a
6 mandatory, optional or prohibited member of the system or
7 participant in the plan.

8 (2) This subsection shall not apply to distributions
9 that the participant has received or used to purchase an
10 annuity from a provider contracted by the board.

11 (b) Return of benefits paid during USERRA leave.--

12 (1) If a former State employee is reemployed from USERRA
13 leave and received any distributions from the plan during the
14 USERRA leave, the employee shall return to the board the
15 amount so received plus interest as provided in the plan
16 document.

17 (2) The amount payable shall be certified in each case
18 by the board in accordance with methods approved by the
19 actuary and shall be paid in a lump sum within 30 days or in
20 the case of an active participant may be amortized with
21 interest as provided in the plan document through salary
22 deductions to the trust in amounts agreed upon by the active
23 participant and the board, but for not longer than a period
24 that starts with the date of reemployment and continues for
25 up to three times the length of the active participant's
26 immediate past period of USERRA leave. The repayment period
27 shall not exceed five years.

28 § 5811. (Reserved).

29 § 5812. Powers and duties of board.

30 The board, in addition to its powers and duties set forth in
31 Chapter 59 (relating to administration, funds, accounts, general
32 provisions), shall have the following powers and duties to
33 establish the plan and trust and administer the provisions of
34 this chapter and part:

35 (1) The board may commingle or pool assets with the
36 assets of other persons or entities.

37 (2) The board shall pay all administrative fees, costs
38 and expenses of managing, investing and administering the
39 plan, the trust and the individual investment accounts from
40 the balance of such individual investment accounts except as
41 otherwise provided under this part or as the General Assembly
42 otherwise provides by appropriations from the General Fund.

43 (3) The board may establish investment guidelines and
44 limits on the types of investments that participants may
45 make, consistent with the board's fiduciary obligations.

46 (4) The board shall have the power to change the terms
47 of the plan as may be necessary to maintain the tax-qualified
48 status of the plan.

49 (5) The board may establish a process for election to
50 participate in the plan by those State employees eligible to
51 do so for whom participation is not mandatory.

1 (6) The board may perform an annual or more frequent
2 review of any qualified fund manager for the purpose of
3 assuring that the fund manager continues to meet all
4 standards and criteria established.

5 (7) The board may allow for eligible rollovers and
6 direct trustee-to-trustee transfers into the trust from
7 qualified plans of other employers, regardless of whether the
8 employers are private employers or public employers.

9 (8) The board may allow an inactive participant to
10 maintain the participant's individual investment account
11 within the plan.

12 (9) The board shall administer or ensure the
13 administration of the plan in compliance with the
14 qualifications and other rules of the IRC.

15 (10) The board may establish procedures to provide for
16 the lawful payment of benefits, including, but not limited
17 to, alternate payees as set forth in sections 5953 (relating
18 to taxation, attachment and assignment of funds) through
19 5953.6 (relating to irrevocable successor payee).

20 (11) The board shall determine, after reviewing
21 applicable law, what constitutes a termination of State
22 service.

23 (12) The board may establish procedures for
24 distributions of small accounts as required or permitted by
25 the IRC.

26 (13) The board may establish procedures in the plan
27 document or promulgate rules and regulations as it deems
28 necessary for the administration and management of the plan,
29 including, but not limited to, establishing:

30 (i) Procedures for eligible participants to change
31 voluntary contribution amounts or their investment
32 choices on a periodic basis or make other elections
33 regarding their participation in the plan.

34 (ii) Procedures for deducting mandatory pickup
35 participant contributions and voluntary contributions
36 from a participant's compensation.

37 (iii) Procedures for rollovers and trustee-to-
38 trustee transfers allowed under the IRC and permitted as
39 part of the plan.

40 (iv) Standards and criteria for providing not less
41 than ten options which are offered by three or more
42 providers of investment options to eligible individuals
43 regarding investments of amounts deferred under the plan.
44 The standards and criteria must provide for a variety of
45 investment options and shall be reviewed in accordance
46 with criteria established by the board.

47 (v) Standards and criteria for disclosing to the
48 participants the anticipated and actual income
49 attributable to amounts invested, property rights and all
50 fees, costs and expenses to be made against amounts
51 deferred to cover the fees, costs and expenses of

1 administering and managing the plan or trust.

2 (vi) Procedures, standards and criteria for the
3 making of distributions from the plan upon termination
4 from employment or death or in other circumstances
5 consistent with the purpose of the plan.

6 (14) The board may waive any reporting or information
7 requirement contained in this part if the board determines
8 that the information is not needed for the administration of
9 the plan.

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

15 (16) The board may provide that any duties of the
16 employer or information provided by the participant to the
17 employer be performed or received directly by the board.

18 (17) The board shall ensure that participants are
19 provided with educational materials about investment options
20 and choices.

21 (18) The board may establish procedures in the plan
22 document for automatic increases in a participant's voluntary
23 contributions, whether or not the participant is then making
24 voluntary contributions, and procedures for a participant to
25 elect not to have increased voluntary contributions.

26 (19) The provisions and restrictions of the act of July
27 2, 2010 (P.L.266, No.44), known as the Protecting
28 Pennsylvania's Investments Act, shall not apply to the
29 participants' individual investment accounts or the moneys
30 and investments therein, but the board is authorized to offer
31 to the plan participants investment vehicles that would be
32 permitted under the Protecting Pennsylvania's Investments
33 Act.

34 § 5813. Responsibility for investment loss.

35 The board, the Commonwealth, an employer or other political
36 subdivision shall not be responsible for any investment or other
37 loss incurred under the plan or for the failure of any
38 investment to earn any specific or expected return or to earn as
39 much as any other investment opportunity or to cost less than
40 any other investment opportunity, whether or not the other
41 opportunity was offered to participants in the plan.

42 § 5814. Investments based on participant's investment
43 allocation choices.

44 (a) Investment by participant.--All contributions, interest
45 and investment earnings shall be invested based on a
46 participant's investment allocation choices, provided that the
47 board may provide for a default investment option. All
48 investment allocation choices shall be credited proportionally
49 between participant contributions and employer defined
50 contributions. Each participant shall be credited individually
51 with the amount of contributions, interest and investment

1 earnings.

2 (b) Investment of contributions made by entities other than
3 the Commonwealth.--Investment of contributions by any
4 corporation, institution, insurance company, custodial bank or
5 other entity that the board has approved shall not be
6 unreasonably delayed, and in no case may the investment of
7 contributions be delayed more than 30 days from the date of
8 payroll deduction or the date voluntary contributions are made
9 to the date that funds are invested. Any interest earned on the
10 funds pending investment shall be used to pay administrative
11 costs and fees that would otherwise be required to be borne by
12 participants who are then participating in the plan or paid by
13 appropriations from the General Fund.
14 § 5815. Expenses.

15 All fees, costs and expenses of establishing and
16 administering the plan and the trust and investing the assets of
17 the trust shall be borne by the participants and paid from
18 assessments against the balances of the individual investment
19 accounts as established by the board, except that for fiscal
20 years 2016-2017, 2017-2018 and 2018-2019 and for any additional
21 fiscal years as the General Assembly may provide, the fees,
22 costs and expenses of establishing and administering the plan
23 and the trust shall be paid by the Commonwealth through annual
24 appropriations, made on the basis of estimates from the board.
25 § 5816. Tax qualification.

26 (a) Required distributions.--All payments under this chapter
27 shall start and be made in compliance with the required
28 beginning date, minimum distribution requirements and incidental
29 death benefit rules of IRC § 401(a).

30 (b) Limitations.--The following shall apply:

31 (1) (i) Except as provided under subparagraph (ii) and
32 notwithstanding a provision of this part, a contribution
33 or benefit related to the plan may not exceed any
34 limitation under IRC § 415 with respect to a governmental
35 plan which is in effect on the date the contribution or
36 benefit payment takes effect.

37 (ii) An increase in a limitation under IRC § 415
38 shall apply to all participants on and after the
39 effective date of this section.

40 (iii) For the purposes of this paragraph, the term
41 "governmental plan" shall have the same meaning as the
42 term has in IRC § 414(d).

43 (2) (i) Except as provided under subparagraph (ii), an
44 amendment of this part on or after the effective date of
45 this section that increases contributions or benefits for
46 active participants, inactive participants or
47 participants receiving distributions shall not be deemed
48 to provide for a contribution or benefit in excess of any
49 limitation, adjusted on or after the effective date of
50 this section, under IRC § 415 unless specifically
51 provided by legislation.

1 (ii) Notwithstanding subparagraph (i), an increase
2 in benefits on or after the effective date of this
3 section for a participant in the plan shall be authorized
4 and apply to the fullest extent allowed by law.

5 Section 322. Sections 5901(a), (c), (d) and (e), 5902(a)(2),
6 (a.1), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) and
7 5903 heading of Title 71 are amended and the sections are
8 amended by adding subsections to read:

9 § 5901. The State Employees' Retirement Board.

10 (a) Status and membership.--The board shall be an
11 independent administrative board and consist of 11 members: the
12 State Treasurer, ex officio, the Secretary of Banking and
13 Securities, ex officio, two Senators, two members of the House
14 of Representatives and [six] five members appointed by the
15 Governor, one of whom shall be an annuitant of the system or a
16 participant in the plan who has terminated State service and is
17 receiving or is eligible to receive distributions, for terms of
18 four years, subject to confirmation by the Senate. At least five
19 board members shall be active members of the system or active
20 participants in the plan, and at least two shall have ten or
21 more years of credited State service[.] or shall have been
22 active participants in the plan for ten calendar years or have a
23 combination of years of credited State service in the system and
24 calendar years as active participants in the plan equal to ten
25 or more years. The chairman of the board shall be designated by
26 the Governor from among the members of the board. Each member of
27 the board who is a member of the General Assembly may appoint a
28 duly authorized designee to act in his stead. In the event that
29 a board member, who is designated as an active participant or as
30 a participant in the plan who is receiving or is eligible to
31 receive distributions, receives a total distribution of his
32 interest in the plan, that board member may continue to serve on
33 the board for the remainder of his term.

34 * * *

35 (c) Oath of office.--Each member of the board shall take an
36 oath of office that he will, so far as it devolves upon him,
37 diligently and honestly, administer the affairs of said board,
38 the system and the plan and that he will not knowingly violate
39 or willfully permit to be violated any of the provisions of law
40 applicable to this part. Such oath shall be subscribed by the
41 member taking it and certified by the officer before whom it is
42 taken and shall be immediately filed in the Office of the
43 Secretary of the Commonwealth.

44 (d) Compensation and expenses.--The members of the board who
45 are members of the system or participants in the plan shall
46 serve without compensation but shall not suffer loss of salary
47 or wages through serving on the board. The members of the board
48 who are not members of the system or participants in the plan
49 shall receive \$100 per day when attending meetings and all board
50 members shall be reimbursed for any necessary expenses. However,
51 when the duties of the board as mandated are not executed, no

1 compensation or reimbursement for expenses of board members
2 shall be paid or payable during the period in which such duties
3 are not executed.

4 (e) Corporate power and legal advisor.--For the purposes of
5 this part, the board shall possess the power and privileges of a
6 corporation. [The Attorney General of the Commonwealth shall be
7 the legal advisor of the board.] The board shall be an
8 independent agency under the act of October 15, 1980 (P.L.950,
9 No.164), known as the Commonwealth Attorneys Act. Legal counsel
10 to the board shall serve independently from the Governor's
11 Office of General Counsel, the General Assembly and the Attorney
12 General.

13 (f) Board training.--Each member of the board will be
14 required to obtain eight hours of mandatory training in
15 investment strategies, actuarial cost analysis and retirement
16 portfolio management on an annual basis.

17 § 5902. Administrative duties of the board.

18 (a) Employees.--

19 * * *

20 (2) Notwithstanding any other provisions of law, the
21 compensation of investment professionals and legal counsel
22 shall be established by the board. The compensation of all
23 other officers and employees of the board who are not covered
24 by a collective bargaining agreement shall be established by
25 the board consistent with the standards of compensation
26 established by the Executive Board of the Commonwealth.

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

32 (1) Serve as the administrative agent of the board.

33 (2) Serve as liaison between the board and applicable
34 legislative committees, the Treasury Department, the
35 Department of the Auditor General, and between the board and
36 the investment counsel and the mortgage supervisor in
37 arranging for investments to secure maximum returns to the
38 fund.

39 (3) Review and analyze proposed legislation and
40 legislative developments affecting the system or the plan and
41 present findings to the board, legislative committees, and
42 other interested groups or individuals.

43 (4) Direct the maintenance of files and records and
44 preparation of periodic reports required for actuarial
45 evaluation studies.

46 (5) Receive inquiries and requests for information
47 concerning the system or the plan from the press,
48 Commonwealth officials, State employees, the general public,
49 research organizations, and officials and organizations from
50 other states, and provide information as authorized by the
51 board.

1 (6) (i) Supervise a staff of administrative, technical,
2 and clerical employees engaged in record-keeping and
3 clerical processing activities for both the system and
4 the plan in maintaining files of members and
5 participants, accounting for contributions, processing
6 payments to annuitants and terminated participants,
7 preparing required reports, and retirement counseling.

8 (ii) The board may utilize the staff of employees
9 provided for under this paragraph for both the system and
10 the plan but shall allocate the fees, costs and expenses
11 incurred under this paragraph between the system and the
12 plan as appropriate.

13 (b) Professional personnel.--

14 (1) The board shall contract for the services of a chief
15 medical examiner, an actuary, investment advisors and
16 counselors, and such other professional personnel as it deems
17 advisable. The board may[, with the approval of the Attorney
18 General,] contract for legal services.

19 (2) The board may utilize the same individuals and firms
20 contracted under this subsection for both the system and the
21 plan but shall allocate the fees, costs and expenses incurred
22 under this subsection between the system and the plan as
23 appropriate.

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 [this part.] the system and a
28 separate budget covering the administrative expenses of the
29 plan. Budgets under this paragraph shall include those
30 expenses necessary to establish the plan and trust.

31 (2) Such expenses of the system as approved by the
32 General Assembly in an appropriation bill shall be paid from
33 investment earnings of the fund.

34 (3) For fiscal years ending on or before June 30, 2019,
35 and for any additional fiscal years as the General Assembly
36 may provide, such expenses of the plan as approved by the
37 General Assembly in an appropriation bill shall be paid from
38 the General Fund. For fiscal years beginning on or after July
39 1, 2019, such expenses of the plan as approved by the General
40 Assembly shall be paid from interest under section 5814(b)
41 (relating to investments based on participants' investment
42 allocation choices) or assessments on the balances of the
43 participants' individual investment accounts or as otherwise
44 provided in this part except as the General Assembly
45 otherwise provides by appropriations from the General Fund.

46 (4) Concurrently with its administrative budget, the
47 board shall also submit to the General Assembly annually a
48 list of proposed expenditures which the board intends to pay
49 through the use of directed commissions, together with a list
50 of the actual expenditures from the past year actually paid
51 by the board through the use of directed commissions. All

1 such directed commission expenditures shall be made by the
2 board for the exclusive benefit of the system and its
3 members.

4 * * *

5 (e) Records.--

6 (1) The board shall keep a record of all its proceedings
7 which shall be open to [inspection] access by the public,
8 except as otherwise provided in this part or by other law.

9 (2) Any record, material or data received, prepared,
10 used or retained by the board or its employees, investment
11 professionals or agents relating to an investment shall not
12 constitute a public record subject to public [inspection]
13 access under the act of [June 21, 1957 (P.L.390, No.212),
14 referred to as the Right-to-Know Law] February 14, 2008
15 (P.L.6, No.3), known as the Right-to-Know Law, if, in the
16 reasonable judgment of the board, the [inspection] access
17 would:

18 (i) in the case of an alternative investment or
19 alternative investment vehicle, involve the release of
20 sensitive investment or financial information relating to
21 the alternative investment or alternative investment
22 vehicle which the fund or trust was able to obtain only
23 upon agreeing to maintain its confidentiality;

24 (ii) cause substantial competitive harm to the
25 person from whom sensitive investment or financial
26 information relating to the investment was received; or

27 (iii) have a substantial detrimental impact on the
28 value of an investment to be acquired, held or disposed
29 of by the fund or trust or would cause a breach of the
30 standard of care or fiduciary duty set forth in this
31 part.

32 (3) The following apply:

33 (i) The sensitive investment or financial
34 information excluded from [inspection] access under
35 paragraph (2)(i), to the extent not otherwise excluded
36 from [inspection] access, shall constitute a public
37 record subject to public [inspection] access under the
38 Right-to-Know Law once the board is no longer required by
39 its agreement to maintain confidentiality.

40 (ii) The sensitive investment or financial
41 information excluded from [inspection] access under
42 paragraph (2)(ii), to the extent not otherwise excluded
43 from [inspection] access, shall constitute a public
44 record subject to public [inspection] access under the
45 Right-to-Know Law once:

46 (A) the [inspection] access no longer causes
47 substantial competitive harm to the person from whom
48 the information was received; or

49 (B) the entity in which the investment was made
50 is liquidated;

51 whichever is later.

1 (iii) The sensitive investment or financial
2 information excluded from [inspection] access under
3 paragraph (2)(iii), to the extent not otherwise excluded
4 from [inspection] access, shall constitute a public
5 record subject to public [inspection] access under the
6 Right-to-Know Law once:

7 (A) the [inspection] access no longer has a
8 substantial detrimental impact on the value of an
9 investment of the fund or trust and would not cause a
10 breach of the standard of care or fiduciary duty set
11 forth in this part; or

12 (B) the entity in which the investment was made
13 is liquidated;
14 whichever is later.

15 (4) Except for the provisions of paragraph (3), nothing
16 in this subsection shall be construed to designate any
17 record, material or data received, prepared, used or retained
18 by the board or its employees, investment professionals or
19 agents relating to an investment as a public record subject
20 to public [inspection] access under the Right-to-Know Law.

21 (5) Any record, material or data received, prepared,
22 used or retained by the board or its employees, or agents
23 relating to the contributions, account value or benefits
24 payable to or on account of a participant shall not
25 constitute a public record subject to public access under the
26 Right-to-Know Law if, in the reasonable judgment of the
27 board, the access would disclose any of the following:

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

32 (ii) The investment option selections of any
33 participant.

34 (iii) The balance of a participant's individual
35 investment account, including the amount distributed to
36 the participant, investment gains or losses or rates of
37 return.

38 (iv) The identity of a participant's designated
39 beneficiary, successor payee or alternate payee.

40 (v) The form of distribution of a participant's
41 account.

42 (6) Nothing in this subsection shall be construed to
43 designate any record, material or data received, prepared,
44 used or retained by the board or its employees, or agents
45 relating to the contributions, account value or benefits
46 payable to or on account of a participant as a public record
47 subject to public access under the Right-to-Know Law.

48 (7) The following apply:

49 (i) Nothing in this part shall be construed to mean
50 that the release or publicizing of a record, material or
51 data which would not constitute a public record under

1 this subsection shall be a violation of the board's
2 fiduciary duties.

3 (ii) This subsection shall apply to a record,
4 material or data under this subsection, notwithstanding
5 any of the following:

6 (A) Whether the record, material or data was
7 created, generated or stored before the effective
8 date of this paragraph.

9 (B) Whether the record, material or data was
10 previously released or made public.

11 (C) Whether a request for the record, material
12 or data was made or is pending final response under
13 the Right-to-Know Law.

14 * * *

15 (h) Regulations and procedures.--The board shall, with the
16 advice of the Attorney General, legal counsel and the actuary,
17 adopt and promulgate rules and regulations for the uniform
18 administration of the system. The actuary shall approve in
19 writing all computational procedures used in the calculation of
20 contributions and benefits pertaining to the system, and the
21 board shall by resolution adopt such computational procedures,
22 prior to their application by the board. Such rules, regulations
23 and computational procedures as so adopted from time to time and
24 as in force and effect at any time, together with such tables as
25 are adopted pursuant to subsection (j) as necessary for the
26 calculation of annuities and other benefits, shall be as
27 effective as if fully set forth in this part. Any actuarial
28 assumption specified in or underlying any such rule, regulation
29 or computational procedure and utilized as a basis for
30 determining any benefit shall be applied in a uniform manner.

31 (i) Data.--The board shall keep in convenient form such data
32 as are stipulated by the actuary in order that an annual
33 actuarial valuation of the various accounts of the fund can be
34 completed within six months of the close of each calendar year.

35 (j) Actuarial investigation and valuation.--The board shall
36 have the actuary make an annual valuation of the various
37 accounts of the fund within six months of the close of each
38 calendar year. In the year 1975 and in every fifth year
39 thereafter the board shall have the actuary conduct an actuarial
40 investigation and evaluation of the system based on data
41 including the mortality, service, and compensation experience
42 provided by the board annually during the preceding five years
43 concerning the members and beneficiaries of the system. The
44 board shall by resolution adopt such tables as are necessary for
45 the actuarial valuation of the fund and calculation of
46 contributions, annuities and other benefits based on the reports
47 and recommendations of the actuary. Within 30 days of their
48 adoption, the secretary of the board shall cause those tables
49 which relate to the calculation of annuities and other benefits
50 to be published in the Pennsylvania Bulletin in accordance with
51 the provisions of 45 Pa.C.S. § 725(a) (relating to additional

1 contents of Pennsylvania Bulletin) and, unless the board
2 specifies therein a later effective date, such tables shall
3 become effective on such publication. The board shall include a
4 report on the significant facts, recommendations and data
5 developed in each five-year actuarial investigation and
6 evaluation of the system in the annual financial statement
7 published pursuant to the requirements of subsection (m) for the
8 fiscal year in which such investigation and evaluation were
9 concluded.

10 (k) Certification of employer contributions to fund.--The
11 board shall, each year in addition to the itemized budget
12 required under section 5509 (relating to appropriations and
13 assessments by the Commonwealth), certify, as a percentage of
14 the members' payroll, the shared-risk contribution rate, the
15 shared-gain adjustment to the regular member contribution rate,
16 the employers' contributions as determined pursuant to section
17 5508 (relating to actuarial cost method) necessary for the
18 funding of prospective annuities for active members and the
19 annuities of annuitants and certify the rates and amounts of the
20 employers' normal contributions as determined pursuant to
21 section 5508(b), accrued liability contributions as determined
22 pursuant to section 5508(c), supplemental annuities contribution
23 rate as determined pursuant to section 5508(e), the experience
24 adjustment factor as determined pursuant to section 5508(f), the
25 collared contribution rate pursuant to section 5508(h) and the
26 final contribution rate pursuant to section 5508(i), which shall
27 be paid to the fund and credited to the appropriate accounts.
28 The board may allocate the final contribution rate and certify
29 various employer contribution rates and amounts based upon the
30 different benefit eligibility, class of service multiplier,
31 superannuation age, final average salary calculation,
32 compensation limits and other benefit differences resulting from
33 State service credited for individual members even though such
34 allocated employer contribution rate on behalf of any given
35 member may be more or less than 5% of the member's compensation
36 for the period from July 1, 2010, to June 30, 2011, or may
37 differ from the prior year's contribution for that member by
38 more or less than the percentages used to calculate the collared
39 contribution rate for that year and may be below any minimum
40 contribution rate established for the collared contribution rate
41 or final contribution rate. These certifications shall be
42 regarded as final and not subject to modification by the
43 Secretary of the Budget.

44 (l) Member contributions.--The board shall cause all pickup
45 contributions made on behalf of a member to be credited to the
46 account of the member and credit to his account any other
47 payment made by such member, including, but not limited to,
48 amounts collected by the Public School Employees' Retirement
49 System for the reinstatement of previous State service or
50 creditable nonstate service and amounts paid to return benefits
51 paid after the date of return to State service or entering

1 school service representing lump sum payments made pursuant to
2 section 5705(a)(4)(iii) or (a.1) (relating to member's options)
3 and member's annuity payments, but not including other benefits
4 returned pursuant to section 5706(a.2) or (a.3) (relating to
5 termination of annuities), and shall pay all such amounts into
6 the fund.

7 (m) Annual financial statement.--The board shall prepare and
8 have published, on or before July 1 of each year, [a financial
9 statement] financial statements as of the calendar year ending
10 December 31 of the previous year showing the condition of the
11 fund, the trust and the various accounts, including, but not
12 limited to, the board's accrual and expenditure of directed
13 commissions, and setting forth such other facts,
14 recommendations, and data as may be of use in the advancement of
15 knowledge concerning annuities and other benefits provided by
16 this part. The board shall submit said financial [statement]
17 statements to the Governor and shall file copies with the head
18 of each department for the use of the State employees and the
19 public.

20 (n) Independent [audit] audits.--The board shall provide for
21 [an annual audit] annual audits of the system and the plan by
22 [an] independent certified public [accountant, which audit]
23 accountants. The audits shall include the board's accrual and
24 expenditure of directed commissions. The board may use the same
25 independent certified public accountant for the audits of both
26 the system and the plan.

27 * * *

28 (p) Participant and employer contributions to trust.--The
29 board shall, each year in addition to any fees and itemized
30 budget required under section 5509, certify, as a percentage of
31 each participant's compensation, the employer defined
32 contributions, which shall be paid to the trust and credited to
33 each participant's individual investment account. Certifications
34 under this subsection shall be regarded as final and not subject
35 to modification by the Secretary of the Budget. The board shall
36 cause all mandatory pickup participant contributions made on
37 behalf of a participant and all voluntary contributions made by
38 a participant to be credited to the participant's individual
39 investment account.

40 § 5903. Duties of the board to advise and report to heads of
41 departments [and], members and participants.

42 * * *

43 (b.1) Participant status statements.--The board shall
44 furnish annually to each participant, on or before April 1 and
45 more frequently as the board may agree or as required by law, a
46 statement showing the accumulated total defined contributions
47 credited to the participant's individual investment account, the
48 nature and type of investments and the investment allocation of
49 future contributions as of December 31 of the previous year, and
50 shall request the participant to make any necessary correction
51 or revision regarding the designated beneficiary.

1 * * *

2 Section 323. Section 5904(c) of Title 71 is amended to read:
3 § 5904. Duties of the board to report to the Public School
4 Employees' Retirement Board.

5 * * *

6 (c) Applications for benefits for school employees.--Upon
7 receipt of notification and the required data from the Public
8 School Employees' Retirement Board that a former State employee
9 who elected multiple service has applied for a public school
10 employees' retirement benefit or, in the event of his death, his
11 legally constituted representative has applied for such benefit,
12 the board shall:

13 (1) certify to the Public School Employees' Retirement
14 Board;

15 (i) the salary history as a member of the State
16 Employees' Retirement System and the final average salary
17 as calculated on the basis of the compensation received
18 as a [State and school employee] member of the system and
19 as a member of the Public School Employees' Retirement
20 System; and

21 (ii) the annuity or benefit to which the member or
22 his beneficiary is entitled as modified according to the
23 option selected; and

24 (2) transfer to the Public School Employees' Retirement
25 Fund the total accumulated deductions standing to such
26 member's credit and the actuarial reserve required on account
27 of years of credited service in the State system, final
28 average salary determined on the basis of his compensation as
29 a member in both systems and the average noncovered salary to
30 be charged to the State accumulation account, the State
31 Police benefit account or the enforcement officers' benefit
32 account, as each case may require.

33 * * *

34 Section 324. Section 5905 heading, (c.1) and (g) of Title 71
35 are amended and the section is amended by adding subsections to
36 read:

37 § 5905. Duties of the board regarding applications and
38 elections of members and participants.

39 * * *

40 (c.1) Termination of service by a member.--In the case of
41 any member terminating State service who is entitled to an
42 annuity and who is not then a disability annuitant, the board
43 shall advise such member in writing of any benefits from the
44 system to which he may be entitled under the provisions of this
45 part and shall have the member prepare, on or before the date of
46 termination of State service, one of the following three forms,
47 a copy of which shall be given to the member and the original of
48 which shall be filed with the board:

49 (1) an application for the return of total accumulated
50 deductions;

51 (2) if eligible, an election to vest his retirement

1 rights and, if he is a joint coverage member and so desires,
2 elect to become a full coverage member and agree to pay
3 within 30 days of the date of termination of service the lump
4 sum required; or

5 (3) if eligible, an application for an immediate annuity
6 and, if he desires:

7 (i) an election to convert his medical, major
8 medical and hospitalization insurance coverage to the
9 plan for State annuitants; and

10 (ii) if he is a joint coverage member, an election
11 to become a full coverage member and an agreement to pay
12 within 30 days of date of termination of service the lump
13 sum required.

14 (c.2) Termination of service by participant.--In the case of
15 a participant terminating State service, the board shall advise
16 the participant in writing of the vested accumulated total
17 defined contributions credited to the participant's individual
18 investment account as of the date stated in the writing, any
19 notices regarding rollover or other matters required by IRC or
20 other law, the obligation of the participant to commence
21 distributions from the plan by the participant's required
22 beginning date and the ability to receive all or part of the
23 vested balance in the participant's individual investment
24 account in a lump sum or in such other form as the board may
25 authorize or as required by law.

26 * * *

27 (e.2) Notification to inactive participants approaching
28 required beginning date.--The board shall notify in writing each
29 inactive participant who has terminated State service and has
30 not commenced distribution by 90 days before the participant's
31 required beginning date that the inactive participant has an
32 obligation to commence distributions by the required beginning
33 date in a form and manner required by IRC § 401(a)(9) and other
34 applicable provisions of the IRC.

35 * * *

36 (f.1) Initial payment to participants.--The board shall make
37 the initial payment to a participant who has applied for a
38 distribution within 60 days of the receipt of all information
39 necessary to process the application for a distribution.

40 (g) Death benefits.--Upon receipt of notification from the
41 head of a department of the death of an active member, a member
42 performing USERRA leave [or], a member on leave without pay, an
43 active participant, an inactive participant on leave without pay
44 or a former participant performing USERRA leave, the board shall
45 advise the designated beneficiary of the benefits to which he is
46 entitled, and shall make the first payment to the beneficiary
47 within 60 days of receipt of certification of death and other
48 necessary data. If no beneficiary designation is in effect at
49 the date of the member's death or no notice has been filed with
50 the board to pay the amount of the benefits to the member's
51 estate, the board is authorized to pay the benefits to the

1 executor, administrator, surviving spouse or next of kin of the
2 deceased member, and payment pursuant [hereto] to this
3 subsection shall fully discharge the fund from any further
4 liability to make payment of such benefits to any other person.
5 If no beneficiary designation is in effect at the date of a
6 participant's death or no notice has been filed with the board
7 to pay the amount of the benefits to the participant's estate,
8 the board may pay the benefits as established in the plan
9 document, and payment pursuant to this subsection shall fully
10 discharge the trust from any further liability to make payment
11 of such benefits to any other person.

12 * * *

13 Section 325. Section 5905.1(a), (b) and (d) of Title 71 are
14 amended to read:

15 § 5905.1. Installment payments of accumulated deductions.

16 (a) General rule.--Notwithstanding any other provision of
17 this part, whenever a member elects to withdraw his total
18 accumulated deductions pursuant to section 5311(a) (relating to
19 eligibility for refunds) or 5701 (relating to return of total
20 accumulated deductions) or elects to receive a portion of his
21 benefit payable as a lump sum pursuant to section 5705(a) (4)
22 (iii) or (a.1) (relating to member's options), the member may
23 elect to receive the amount in not more than four installments.

24 (b) Payment of first installment.--The payment of the first
25 installment shall be made in the amount and within seven days of
26 the date specified by the member, except as follows:

27 (1) Upon receipt of a member's application to withdraw
28 his total accumulated deductions as provided in section
29 5311(a) or 5701 and upon receipt of all required data from
30 the head of the department and, if the member has Class G,
31 Class H, Class I, Class J, Class K, Class L, Class M or Class
32 N service, any data required from the county retirement
33 system or pension plan to which the member was a contributor
34 before being transferred to State employment, the board shall
35 not be required to pay the first installment prior to 45 days
36 after the filing of the application and the receipt of the
37 data or the date of termination of service, whichever is
38 later.

39 (2) In the case of an election as provided in section
40 5705(a) (4) (iii) or (a.1) by a member terminating service
41 within 60 days prior to the end of a calendar year and upon
42 receipt of all required data from the head of the department
43 and, if the member has Class G, Class H, Class I, Class J,
44 Class K, Class L, Class M or Class N service, any data
45 required from the county retirement system or pension plan to
46 which the member was a contributor before being transferred
47 to State employment, the board shall not be required to pay
48 the first installment prior to 21 days after the later of the
49 filing of the application and the receipt of the data or the
50 date of termination of service, but, unless otherwise
51 directed by the member, the payment shall be made no later

1 than 45 days after the filing of the application and the
2 receipt of the data or the date of termination of service,
3 whichever is later.

4 (3) In the case of an election as provided in section
5 5705(a)(4)(iii) or (a.1) by a member who is not terminating
6 service within 60 days prior to the end of a calendar year
7 and upon receipt of all required data from the head of the
8 department and, if the member has Class G, Class H, Class I,
9 Class J, Class K, Class L, Class M or Class N service, any
10 data required from the county retirement system or pension
11 plan to which the member was a contributor before being
12 transferred to State employment, the board shall not be
13 required to pay the first installment prior to 45 days after
14 the filing of the application and the receipt of the data or
15 the date of termination of service, whichever is later.

16 * * *

17 (d) Statutory interest.--Any lump sum, including a lump sum
18 payable pursuant to section 5705.1 (relating to payment of
19 accumulated deductions resulting from [Class A-3 and Class A-4]
20 more than one class of service), or installment payable shall
21 include statutory interest credited to the date of payment,
22 except in the case of a member, other than a vestee or special
23 vestee, who has not filed his application prior to 90 days
24 following his termination of service.

25 Section 326. Section 5906(a), (b), (d), (e), (g), (h) (i)
26 and (l) of Title 71 are amended and the section is amended by
27 adding subsections to read:

28 § 5906. Duties of heads of departments.

29 (a) Status of members and participants.--The head of
30 department shall, at the end of each pay period, notify the
31 board in a manner prescribed by the board of salary changes
32 effective during that period for any members and participants of
33 the department, the date of all removals from the payroll, and
34 the type of leave of any members and participants of the
35 department who have been removed from the payroll for any time
36 during that period, and:

37 (1) if the removal is due to leave without pay, he shall
38 furnish the board with the date of beginning leave and the
39 date of return to service, and the reason for leave; or

40 (2) if the removal is due to a transfer to another
41 department, he shall furnish such department and the board
42 with a complete State service record, including past State
43 service in other departments or agencies, or creditable
44 nonstate service; or

45 (3) if the removal is due to termination of State
46 service, he shall furnish the board with a complete State
47 service record, including service in other departments or
48 agencies, or creditable nonstate service and;

49 (i) in the case of death of the member or
50 participant, the head of the department shall so notify
51 the board;

1 (ii) in the case of a service connected disability
2 of a member, the head of department shall, to the best of
3 his ability, investigate the circumstances surrounding
4 the disablement of the member and submit in writing to
5 the board information which shall include but not
6 necessarily be limited to the following: date, place and
7 time of disablement to the extent ascertainable; nature
8 of duties being performed at such time; and whether or
9 not the duties being performed were authorized and
10 included among the member's regular duties. In addition,
11 the head of department shall furnish in writing to the
12 board all such other information as may be related to the
13 member's disablement;

14 (iii) in the case of a member terminating from The
15 Pennsylvania State University who is a member of the
16 system with five or more but less than ten eligibility
17 points and who has terminated State service on June 30,
18 1997, because of the transfer of his job position or
19 duties to a controlled organization of the Penn State
20 Geisinger Health System or because of the elimination of
21 his job position or duties due to the transfer of other
22 job positions or duties to a controlled organization of
23 the Penn State Geisinger Health System, the head of the
24 department shall so certify to the board.

25 (b) Records and information regarding members and
26 participants.--At any time at the request of the board and at
27 termination of service of a member or participant, the head of
28 department shall furnish service and compensation records and
29 such other information as the board may require and shall
30 maintain and preserve such records as the board may direct for
31 the expeditious discharge of its duties.

32 * * *

33 (c.1) Participant and employer defined contributions.--The
34 head of department shall:

35 (1) Cause to be made:

36 (i) the mandatory pickup participant contributions
37 on behalf of a participant;

38 (ii) the deduction of any voluntary contributions
39 authorized by a participant; and

40 (iii) the employer defined contributions on behalf
41 of a participant.

42 (2) Notify the board at times and in a manner prescribed
43 by the board of the compensation of any participant to whom
44 the limitation under IRC § 401(a)(17) either applies or is
45 expected to apply and cause the participant's contributions
46 to be deducted from payroll to cease at the limitation under
47 IRC § 401(a)(17) on the payroll date if and when such limit
48 shall be reached.

49 (3) Certify to the State Treasurer the amounts picked up
50 and deducted and the employer defined contributions being
51 made and send the total amount picked up, deducted and

1 contributed together with a duplicate of the voucher to the
2 secretary of the board every pay period or on such schedule
3 as established by the board.

4 (d) New employees subject to mandatory membership or
5 participation.--Upon the assumption of duties of each new State
6 employee whose membership in the system or plan is mandatory,
7 the head of department shall cause an application for membership
8 or participation and a nomination of beneficiary to be made by
9 such employee and filed with the board and shall make pickup
10 contributions or mandatory pickup participant contributions from
11 the effective date of State employment.

12 (e) New employees subject to optional membership or
13 participation.--The head of department shall, upon the
14 employment or entering into office of any State employee whose
15 membership in the system or participation in the plan is not
16 mandatory, inform such employee of his opportunity to become a
17 member of the system or a participant in the plan. If such
18 employee so elects, the head of department shall cause an
19 application for membership or participation and a nomination of
20 beneficiary to be made by him and filed with the board and shall
21 cause proper contributions to be made from the effective date of
22 membership or participation.

23 * * *

24 (g) Former school employee contributors.--The head of
25 department shall, upon the employment of a former contributor to
26 the Public School Employees' Retirement System who is not an
27 annuitant of the Public School Employees' Retirement System,
28 advise such employee [of his] if he has a right to elect within
29 365 days of entry into the system to become a multiple service
30 member, and in the case of any such employee who so elects and
31 has withdrawn his accumulated deductions, require him to
32 reinstate his credit in the Public School Employees' Retirement
33 System. The head of the department shall advise the board of
34 such election.

35 (h) Former school employee annuitants.--The head of
36 department shall, upon the employment of an annuitant of the
37 Public School Employees' Retirement System who applies for
38 membership in the system, advise such employee [that] if he may
39 elect multiple service membership within 365 days of entry into
40 the system and if he so elects his public school employee's
41 annuity will be discontinued effective upon the date of his
42 return to State service and, upon termination of State service
43 and application for an annuity, the annuity will be adjusted in
44 accordance with section 5706 (relating to termination of
45 annuities). The head of department shall advise the board of
46 such election.

47 (i) Annual statement to members.--Annually, upon receipt
48 from the board, the head of department shall furnish to each
49 member the statement specified in section 5903(b) (relating to
50 duties of the board to advise and report to heads of departments
51 [and], members and participants).

1 * * *

2 (l) State employees performing USERRA or military-related
3 leave of absence.--The head of department shall report to the
4 board any State employee who ceases to be an active member or
5 active participant to perform USERRA service, or who is granted
6 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
7 of absence for certain government employees) or a military leave
8 of absence under 51 Pa.C.S. § 7302 (relating to granting
9 military leaves of absence), the date on which the USERRA
10 service, leave of absence or military leave of absence began,
11 the date on which the State employee is reemployed from USERRA
12 leave or returns after the leave of absence or military leave of
13 absence, if the event occurs, and any other information the
14 board may require or direct.

15 * * *

16 (n) Employees receiving payments for overtime service or
17 duties.--The head of the department shall report to the board in
18 a form and manner established by the board any payments made to,
19 and hours worked by, a Class A-5 exempt employee for overtime
20 service or duties and identify which of those payments and hours
21 were for voluntary overtime.

22 Section 327. Section 5907 heading, (a), (b)(1), (d), (e),
23 (f), (g) and (h) of Title 71 are amended and the section is
24 amended by adding subsections to read:

25 § 5907. Rights and duties of State employees [and], members and
26 participants.

27 (a) Information on new employees.--Upon his assumption of
28 duties each new State employee shall furnish the head of
29 department with a complete record of his previous State service,
30 his school service or creditable nonstate service, and proof of
31 his date of birth and current status in the system and the plan
32 and in the Public School Employees' Retirement System and the
33 School Employees' Defined Contribution Plan. Willful failure to
34 provide the information required by this subsection to the
35 extent available upon entrance into the system shall result in
36 the forfeiture of the right of the member to subsequently assert
37 any right to benefits based on any of the required information
38 which he failed to provide. In any case in which the board finds
39 that a member is receiving an annuity based on false
40 information, the total amount received predicated on such false
41 information together with statutory interest doubled and
42 compounded shall be deducted from the present value of any
43 remaining benefits to which the member is legally entitled.

44 (b) Application for membership.--

45 (1) In the case of a new employee who is not currently a
46 member of the system, and whose membership is mandatory or in
47 the case of a new employee whose membership in the system is
48 not mandatory but is permitted and who desires to become a
49 member of the system, the new employee shall execute an
50 application for membership and a nomination of beneficiary.

51 * * *

1 (b.1) Application for participation.--On or after January 1,
2 2018, the following types of employees shall execute an
3 application for participation and a nomination of a beneficiary:

4 (1) An employee who is not currently a participant in
5 the plan and whose participation is mandatory.

6 (2) An employee whose participation is not mandatory but
7 is permitted and who desires to become a participant in the
8 plan.

9 * * *

10 (d) Credit for previous service or change in membership
11 status.--Any active member or eligible school employee who
12 desires to receive credit for the portion of his total previous
13 State service or creditable nonstate service to which he is
14 entitled, or a joint coverage member who desires to become a
15 full coverage member, shall so notify the board and upon written
16 agreement by the member and the board as to the manner of
17 payment of the amount due, the member shall receive credit for
18 such service as of the date of such agreement subject to the
19 provisions in this part relating to the limitations under IRC §
20 415.

21 * * *

22 (d.2) Contributions for USERRA leave.--Any active
23 participant or inactive participant on leave without pay or
24 former participant who was reemployed from USERRA leave who
25 desires to make mandatory pickup participant contributions and
26 voluntary contributions for his USERRA leave shall notify the
27 board within the time period required under 38 U.S.C. Ch. 43
28 (relating to employment and reemployment rights of members of
29 the uniformed services) and IRC § 414(u) of his desire to make
30 such contributions. Upon the participant making the permitted
31 mandatory pickup participant contributions within the allowed
32 time period, the head of department shall make the corresponding
33 employer defined contributions at the same time.

34 (d.3) Voluntary contributions by a participant.--Any
35 participant who desires to make voluntary contributions to be
36 credited to his individual investment account shall notify the
37 board and, upon compliance with the requirements, procedures and
38 limitations established by the board in the plan document, may
39 do so subject to the limitations under IRC §§ 401(a) and 415 and
40 other applicable law.

41 (e) Beneficiary for death benefits from system.--Every
42 member shall nominate a beneficiary by written designation filed
43 with the board as provided in section 5906(d) or (e) (relating
44 to duties of heads of departments) to receive the death benefit
45 payable under section 5707 (relating to death benefits) or the
46 benefit payable under the provisions of Option 1 of section
47 5705(a) (1) (relating to member's options). Such nomination may
48 be changed at any time by the member by written designation
49 filed with the board. A member may also nominate a contingent
50 beneficiary or beneficiaries to receive the death benefit
51 provided under section 5707 or the benefit payable under the

1 provisions of Option 1 of section 5705(a)(1).

2 (e.1) Beneficiary for death benefits from the plan.--Every
3 participant shall nominate a beneficiary by written designation
4 filed with the board as provided in section 5906(d) or (e) to
5 receive the death benefit payable under section 5808 (relating
6 to death benefits). A participant may also nominate a contingent
7 beneficiary or beneficiaries to receive the death benefit
8 provided under section 5808. Such nominations may be changed at
9 any time by the participant by written designation filed with
10 the board.

11 (e.2) Beneficiaries for employees who are members and
12 participants.--A State employee who is both a member of the
13 system and a participant in the plan may designate or nominate
14 different persons to be beneficiaries, survivor annuitants and
15 successor payees for his benefits from the system and the plan.

16 (f) Termination of service by members.--Each member who
17 terminates State service and who is not then a disability
18 annuitant shall execute on or before the date of termination of
19 service the appropriate application, duly attested by the member
20 or his legally constituted representative, electing to:

21 (1) withdraw his total accumulated deductions; or

22 (2) if eligible, vest his retirement rights; and if he
23 is a joint coverage member, and so desires, elect to become a
24 full coverage member and agree to pay within 30 days of the
25 date of termination of service the lump sum required; or

26 (3) if eligible, receive an immediate annuity and may,

27 (i) if eligible, elect to convert his medical, major
28 medical, and hospitalization coverage to the plan for
29 State annuitants; and

30 (ii) if he is a joint coverage member, elect to
31 become a full coverage member and agree to pay within 30
32 days of date of termination of service the lump sum
33 required.

34 (g) Vesting of retirement rights.--If a member elects to
35 vest his retirement rights he shall nominate a beneficiary by
36 written designation filed with the board and he may anytime
37 thereafter, but no later than his required beginning date,
38 withdraw the total accumulated deductions standing to his credit
39 or apply for an annuity[.], provided, however, that no annuity
40 resulting from Class A-5 service or Class A-6 service shall be
41 paid before the member attains age 62.

42 (g.1) Deferral of retirement rights.--If a participant
43 terminates State service and does not commence receiving a
44 distribution, he shall nominate a beneficiary, and he may
45 anytime thereafter, but no later than his required beginning
46 date, withdraw the vested accumulated total defined
47 contributions standing to his credit or apply for another form
48 of distribution required by law or authorized by the board.

49 (h) Vestees and special vestees attaining superannuation
50 age.--Upon attainment of superannuation age a vestee or special
51 vestee shall execute and file an application for an annuity. Any

1 such application filed within 90 days after attaining
2 superannuation age shall be effective as of the date of
3 attainment of superannuation age. Any application filed after
4 such period shall be filed by the member's required beginning
5 date and shall be effective as of the date it is filed with the
6 board, subject to the provisions of section 5905(f) (relating to
7 duties of the board regarding applications and elections of
8 members and participants).

9 * * *

10 Section 328. Sections 5931(b), 5932, 5933(a), 5934, 5935,
11 5936, 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
12 5953.4(a) of Title 71 are amended to read:

13 § 5931. Management of fund and accounts.

14 * * *

15 (b) Crediting of interest.--The board, annually, shall allow
16 the required interest on the mean amount for the preceding year
17 to the credit of each of the accounts other than the individual
18 investment accounts. The amount so allowed shall be credited
19 thereto by the board and transferred from the interest reserve
20 account.

21 * * *

22 § 5932. State Employees' Retirement Fund.

23 (a) General rule.--The fund shall consist of all balances in
24 the several separate accounts set apart to be used under the
25 direction of the board for the benefit of members of the system;
26 and the Treasury Department shall credit to the fund all moneys
27 received from the Department of Revenue arising from the
28 contributions relating to or on behalf of members of the system
29 required under the provisions of Chapter 55 (relating to
30 contributions), and any income earned by the investments or
31 moneys of said fund. There shall be established and maintained
32 by the board the several ledger accounts specified in sections
33 5933 (relating to members' savings account), 5934 (relating to
34 State accumulation account), 5935 (relating to annuity reserve
35 account), 5936 (relating to State Police benefit account), 5937
36 (relating to enforcement officers' benefit account), 5938
37 (relating to supplemental annuity account) and 5939 (relating to
38 interest reserve account).

39 (b) Individual investment accounts and trust.--The
40 individual investment accounts that are part of the trust shall
41 not be part of the fund. Mandatory pickup participant
42 contributions, voluntary contributions and employer defined
43 contributions made under this part and any income earned by the
44 investment of such contributions shall not be paid or credited
45 to the fund but shall be paid to the trust and credited to the
46 individual investment accounts.

47 § 5933. Members' savings account.

48 (a) Credits to account.--The members' savings account shall
49 be the ledger account to which shall be credited the amounts of
50 the pickup contributions made by the Commonwealth or other
51 employer and contributions or lump sum payments made by active

1 members in accordance with the provisions of sections 5501
2 (relating to regular member contributions for current service),
3 5501.1 (relating to shared-risk member contributions [for Class
4 A-3 and Class A-4 service] and shared-gain adjustments to
5 regular member contributions), 5502 (relating to social security
6 integration member contributions), 5503 (relating to joint
7 coverage member contributions), 5504 (relating to member
8 contributions for the purchase of credit for previous State
9 service or to become a full coverage member), 5505.1 (relating
10 to additional member contributions) and 5505 (relating to
11 contributions for the purchase of credit for creditable nonstate
12 service) and transferred from the members' savings account of
13 the Public School Employees' Retirement System in accordance
14 with the provisions of section 5303.2 (relating to election to
15 convert school service to State service).

16 * * *

17 § 5934. State accumulation account.

18 The State accumulation account shall be the ledger account to
19 which shall be credited all contributions of the Commonwealth or
20 other employers whose employees are members of the system and
21 made in accordance with the provisions of section 5507(a) or (d)
22 (relating to contributions to the system by the Commonwealth and
23 other employers) except that the amounts received under the
24 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
25 amounts received under the provisions of the Liquor Code, act of
26 April 12, 1951 (P.L.90, No.21), shall be credited to the State
27 Police benefit account or the enforcement officers' benefit
28 account as the case may be. All amounts transferred to the fund
29 by county retirement systems or pension plans in accordance with
30 the provisions of section 5507(c) also shall be credited to the
31 State accumulation account. All amounts transferred to the fund
32 by the Public School Employees' Retirement System in accordance
33 with section 5303.2(e) (relating to election to convert school
34 service to State service), except amounts credited to the
35 members' savings account, and all amounts paid by the Department
36 of Corrections in accordance with section 5303.2(f) also shall
37 be credited to the State accumulation account. The State
38 accumulation account shall be credited with valuation interest.
39 The reserves necessary for the payment of annuities and death
40 benefits resulting from membership in the system as approved by
41 the board and as provided in Chapter 57 (relating to benefits)
42 shall be transferred from the State accumulation account to the
43 annuity reserve account provided for in section 5935 (relating
44 to annuity reserve account), except that the reserves necessary
45 on account of a member who is an officer of the Pennsylvania
46 State Police or an enforcement officer shall be transferred from
47 the State accumulation account to the State Police benefit
48 account provided for in section 5936 (relating to State Police
49 benefit account) or to the enforcement officers' benefit account
50 as provided for in section 5937 (relating to enforcement
51 officers' benefit account) as the case may be. The reserves

1 necessary for the payment of supplemental annuities in excess of
2 those reserves credited to the supplemental annuity account on
3 June 30, 2010, shall be transferred from the State accumulation
4 account to the supplemental annuity account. In the event that
5 supplemental annuities are increased by legislation enacted
6 after December 31, 2009, the necessary reserves shall be
7 transferred from the State accumulation account to the
8 supplemental annuity account.

9 § 5935. Annuity reserve account.

10 (a) Credits and charges to account.--The annuity reserve
11 account shall be the ledger account to which shall be credited
12 the reserves held for payment of annuities and death benefits on
13 account of all annuitants except in the case of members who are
14 officers of the Pennsylvania State Police or enforcement
15 officers. The annuity reserve account shall be credited with
16 valuation interest. After the transfers provided in sections
17 5933 (relating to members' savings account), 5934 (relating to
18 State accumulation account) and 5938 (relating to supplemental
19 annuity account), all annuity and death benefit payments
20 resulting from membership in the system except those payable to
21 any member who retires as an officer of the Pennsylvania State
22 Police or an enforcement officer shall be charged to the annuity
23 reserve account and paid from the fund.

24 (b) Transfers from account.--Should an annuitant other than
25 a member who was retired as an officer of the Pennsylvania State
26 Police or an enforcement officer be subsequently restored to
27 active service as a member of the system or as a participant in
28 the plan, the present value of his member's annuity at the time
29 of reentry into State service shall be transferred from the
30 annuity reserve account and placed to his individual credit in
31 the members' savings account. In addition, the actuarial reserve
32 for his annuity less the amount transferred to the members'
33 savings account shall be transferred from the annuity reserve
34 account to the State accumulation account.

35 § 5936. State Police benefit account.

36 (a) Credits and charges to account.--The State Police
37 benefit account shall be the ledger account to which shall be
38 credited all contributions received under the provisions of the
39 act of May 12, 1943 (P.L.259, No.120), referred to as the
40 Foreign Casualty Insurance Premium Tax Allocation Law, and any
41 additional Commonwealth or other employer contributions provided
42 for in section 5507 (relating to contributions to the system by
43 the Commonwealth and other employers) which are creditable to
44 the State Police benefit account. The State Police benefit
45 account shall be credited with the required interest. In
46 addition, upon the filing of an application for an annuity by a
47 member who is an officer of the Pennsylvania State Police, the
48 total accumulated deductions standing to the credit of the
49 member in the members' savings account and the necessary
50 reserves from the State accumulation account shall be
51 transferred to the State Police benefit account. Thereafter, the

1 total annuity of such annuitant shall be charged to the State
2 Police benefit account and paid from the fund.

3 (b) Transfers from account.--Should the said annuitant be
4 subsequently restored to active service as a member of the
5 system or as a participant in the plan, the present value of the
6 member's annuity at the time of reentry into State service shall
7 be transferred from the State Police benefit account and placed
8 to his individual credit in the members' savings account. In
9 addition, the actuarial reserve for his annuity calculated as if
10 he had been a member of Class A if he has Class A or Class C
11 service credited; as if he had been a member of Class A-3 if the
12 annuitant has Class A-3 State service credited; [or] as if he
13 had been a member of Class A-4 if the annuitant has Class A-4
14 service credited; as if he had been a member of Class A-5 if the
15 annuitant has Class A-5 service credited; or as if he had been a
16 member of Class A-6 if the annuitant has Class A-6 service
17 credited, less the amount transferred to the members' savings
18 account shall be transferred from the State Police benefit
19 account to the State accumulation account. Upon subsequent
20 retirement other than as an officer of the Pennsylvania State
21 Police the actuarial reserve remaining in the State Police
22 benefit account shall be transferred to the appropriate reserve
23 account.

24 § 5937. Enforcement officers' benefit account.

25 (a) Credits and charges to account.--The enforcement
26 officers' benefit account shall be the ledger account to which
27 shall be credited moneys transferred from the enforcement
28 officers' retirement account in the State Stores Fund according
29 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
30 known as the Liquor Code, and any additional Commonwealth or
31 other employer contributions provided for in section 5507
32 (relating to contributions to the system by the Commonwealth and
33 other employers) which are creditable to the enforcement
34 officers' benefit account. The enforcement officers' benefit
35 account shall be credited with the required interest. In
36 addition, upon the filing of an application for an annuity by a
37 member who is an enforcement officer of the Pennsylvania Liquor
38 Control Board, the total accumulated deductions standing to the
39 credit of the member in the members' savings account and the
40 necessary reserves from the State accumulation account shall be
41 transferred to the enforcement officers' benefit account.
42 Thereafter, the total annuity of such annuitant shall be charged
43 to the enforcement officers' benefit account and paid from the
44 fund.

45 (b) Transfers from account.--Should the said annuitant be
46 subsequently restored to active service as a member of the
47 system or as a participant in the plan, the present value of the
48 member's annuity at the time of reentry into State service shall
49 be transferred from the enforcement officers' benefit account
50 and placed to his individual credit in the members' savings
51 account. In addition, the actuarial reserve for his annuity

1 calculated as if he had been a member of Class A if the
2 annuitant does not have any Class AA, Class A-3 [or], Class A-4,
3 Class A-5 or Class A-6 service credited; as if he had been a
4 member of Class AA if the annuitant does have Class AA service
5 credited; as if he had been a member of Class A-3 if the
6 annuitant has Class A-3 State service credited; [or] as if he
7 had been a member of Class A-4 if the annuitant has Class A-4
8 service credited; as if he had been a member of Class A-5 if the
9 annuitant has Class A-5 service credited; or as if he had been a
10 member of Class A-6 if the annuitant has Class A-6 service
11 credited, less the amount transferred to the members' savings
12 account shall be transferred from the enforcement officers'
13 benefit account to the State accumulation account. Upon
14 subsequent retirement other than as an enforcement officer the
15 actuarial reserve remaining in the enforcement officers' benefit
16 account shall be transferred to the appropriate reserve account.
17 § 5938. Supplemental annuity account.

18 The supplemental annuity account shall be the ledger account
19 to which shall be credited all contributions from the
20 Commonwealth and other employers in accordance with section
21 5507(b) (relating to contributions to the system by the
22 Commonwealth and other employers) for the payment of the
23 supplemental annuities provided in sections 5708 (relating to
24 supplemental annuities), 5708.1 (relating to additional
25 supplemental annuities), 5708.2 (relating to further additional
26 supplemental annuities), 5708.3 (relating to supplemental
27 annuities commencing 1994), 5708.4 (relating to special
28 supplemental postretirement adjustment), 5708.5 (relating to
29 supplemental annuities commencing 1998), 5708.6 (relating to
30 supplemental annuities commencing 2002), 5708.7 (relating to
31 supplemental annuities commencing 2003) and 5708.8 (relating to
32 special supplemental postretirement adjustment of 2002) made
33 before July 1, 2010, the amount transferred from the State
34 accumulation account to provide all additional reserves
35 necessary as of June 30, 2010, to pay such supplemental
36 annuities and adjustments, and the amounts transferred from the
37 State accumulation account to provide all additional reserves
38 necessary as a result of supplemental annuities enacted after
39 December 31, 2009. The supplemental annuity account shall be
40 credited with valuation interest. The reserves necessary for the
41 payment of such supplemental annuities shall be transferred from
42 the supplemental annuity account to the annuity reserve account
43 as provided in section 5935 (relating to annuity reserve
44 account).

45 § 5939. Interest reserve account.

46 The interest reserve account shall be the ledger account to
47 which shall be credited all income earned by the fund and to
48 which shall be charged all administrative and investment
49 expenses incurred by the fund. At the end of each year the
50 required interest shall be transferred from the interest reserve
51 account to the credit of each of the accounts of the fund in

1 accordance with the provisions of this subchapter. In addition,
2 at the end of each accounting period, the interest reserve
3 account shall be credited or charged with all recognized changes
4 in the market valuation of the investments of the fund. The
5 administrative and investment expenses of the board relating to
6 the administration of the system and investments of the fund
7 shall be paid from the fund out of earnings. Any surplus or
8 deficit in the interest reserve account at the end of each year
9 shall be transferred to the State accumulation account.

10 § 5951. State guarantee regarding the system.

11 The required interest charges payable, the maintenance of
12 reserves in the fund, and the payment of all annuities and other
13 benefits granted by the board from the system under the
14 provisions of this part relating to the establishment and
15 administration of the system are hereby made obligations of the
16 Commonwealth. All income, interest, and dividends derived from
17 deposits and investments of the system authorized by this part
18 shall be used for the payment of the said obligations of the
19 Commonwealth and shall not be used for any obligation of the
20 plan or trust.

21 § 5953. Taxation, attachment and assignment of funds.

22 (a) General rule.--

23 (1) Except as provided in paragraphs (2), (3) and (4),
24 the right of a person to any benefit or right accrued or
25 accruing under the provisions of this part and the moneys in
26 the fund and the trust are hereby exempt from any State or
27 municipal tax, levy and sale, garnishment, attachment,
28 spouse's election, the provisions of Article XIII.1 of the
29 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
30 Code, or any other process whatsoever, and no participant or
31 beneficiary, successor payee or alternate payee of a
32 participant shall have the ability to commute, sell, assign,
33 alienate, anticipate, mortgage, pledge, hypothecate,
34 commutate or otherwise transfer or convey any benefit or
35 interest in an individual investment account or rights to
36 receive or direct distributions under this part or under
37 agreements entered into under this part except as provided in
38 this part, and in the case of either a member or a
39 participant except for a set-off by the Commonwealth in the
40 case provided in this paragraph, and shall be unassignable
41 except to the Commonwealth in the case of a member or
42 participant who is terminating State service and has been
43 determined to be obligated to the Commonwealth for the
44 repayment of money owed on account of his employment.

45 (2) (i) Rights under this part shall be subject to
46 forfeiture as provided by the act of July 8, 1978
47 (P.L.752, No.140), known as the Public Employee Pension
48 Forfeiture Act, and by or pursuant to section 16(b) of
49 Article V of the Constitution of Pennsylvania.
50 Forfeitures under this subsection or under any other
51 provision of law may not be applied to increase the

1 benefits that any member would otherwise receive under
2 this part.

3 (ii) In accordance with section 16(b) of Article V
4 of the Constitution of Pennsylvania and notwithstanding
5 this paragraph, the act of July 8, 1978 (P.L.752,
6 No.140), known as the Public Employee Pension Forfeiture
7 Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
8 the accumulated mandatory participant contributions and
9 accumulated voluntary contributions standing to the
10 credit of a participant shall not be forfeited but shall
11 be available for payment of fines and restitution as
12 provided by law. In accordance with section 16(b) of
13 Article V of the Constitution of Pennsylvania, amounts in
14 the trust that have been ordered to be distributed to an
15 alternate payee as the result of an equitable
16 distribution of marital property as part of an approved
17 domestic relations order entered before the date of the
18 order or action in a court or other tribunal resulting in
19 a forfeiture of a participant's interest in the trust
20 shall not be subject to the provisions of the Public
21 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
22 accumulated employer defined contributions forfeited as a
23 result of this paragraph or other law shall be retained
24 by the board and notwithstanding sections 5812(2)
25 (relating to powers and duties of board), 5815 (relating
26 to expenses) and 5902(c) (relating to administrative
27 duties of the board) used for the payment of expenses of
28 the plan.

29 (3) Rights under this part shall be subject to
30 attachment in favor of an alternate payee as set forth in an
31 approved domestic relations order.

32 (4) Effective with distributions made on or after
33 January 1, 1993, and notwithstanding any other provision of
34 this part to the contrary, a distributee may elect, at the
35 time and in the manner prescribed by the board, to have any
36 portion of an eligible rollover distribution paid directly to
37 an eligible retirement plan by way of a direct rollover. For
38 purposes of this paragraph, a "distributee" includes a member
39 [and], a participant, a member's surviving spouse [and], a
40 participant's surviving spouse, a member's former spouse who
41 is an alternate payee under an approved domestic relations
42 order[.], a participant's former spouse who is an alternate
43 payee under an approved domestic relations order and anyone
44 else authorized under the IRC and the plan terms approved by
45 the board to have an eligible rollover distribution paid
46 directly to an eligible retirement plan by way of a direct
47 rollover. For purposes of this paragraph, the term "eligible
48 rollover distribution" has the meaning given such term by IRC
49 § 402(f) (2) (A), and "eligible retirement plan" has the
50 meaning given such term by IRC § 402(c) (8) (B), except that a
51 qualified trust shall be considered an eligible retirement

1 plan only if it accepts the distributee's eligible rollover
2 distribution; however, in the case of an eligible rollover
3 distribution to a surviving spouse, an eligible retirement
4 plan is an "individual retirement account" or an "individual
5 retirement annuity" as those terms are defined in IRC §
6 408(a) and (b).

7 (b) Authorized payments from fund and trust.--

8 (1) The board shall be authorized to pay from the fund
9 and the trust in the case of a member or participant who is
10 terminating service, the amount determined after
11 certification by the head of the department that the member
12 or participant is so obligated, and after review and approval
13 by the department or agency's legal representative or upon
14 receipt of an assignment from the member or participant in
15 the amount so certified[.], except that no payment shall be
16 made from the individual investment account of a participant
17 until the participant otherwise applies for and receives a
18 distribution and shall not exceed the amount of the
19 distribution.

20 (2) In the case of a participant whose former spouse is
21 an alternate payee of an equitable distribution of marital
22 assets under an approved domestic relations order, a lump sum
23 of the alternate payee's interest in the participant's vested
24 accumulated total defined contributions. This paragraph shall
25 apply without regard to whether the participant has not
26 terminated, is terminating or has terminated State service.

27 § 5953.1. Approval of domestic relations orders.

28 (a) Certification regarding members.--A domestic relations
29 order pertaining to a member of the system shall be certified as
30 an approved domestic relations order by the secretary of the
31 board, or his designated representative, only if that order
32 meets all of the following:

33 (1) Requires the system to provide any type or form of
34 benefit or any option applicable to members already provided
35 under this part.

36 (2) Requires the system to provide no more than the
37 total amount of benefits than the member would otherwise
38 receive (determined on the basis of actuarial value) unless
39 increased benefits are paid to the member or alternate payee
40 based upon cost-of-living increases or increases based on
41 other than actuarial value.

42 (3) Specifies the amount or percentage of the member's
43 benefits to be paid by the system to each such alternate
44 payee or the manner in which such amount or percentage is to
45 be determined.

46 (4) Specifies the retirement option to be selected by
47 the member upon retirement or states that the member may
48 select any retirement option offered by this part upon
49 retirement.

50 (5) Specifies the name and last known mailing address,
51 if any, of the member and the name and last known mailing

1 address of each alternate payee covered by the order and
2 states that it is the responsibility of each alternate payee
3 to keep a current mailing address on file with the system.

4 (6) Does not grant an alternate payee any of the rights,
5 options or privileges of a member under this part.

6 (7) Requires the member to execute an authorization
7 allowing each alternate payee to monitor the member's
8 compliance with the terms of the domestic relations order
9 through access to information concerning the member
10 maintained by the system. An authorization granted under this
11 section shall be construed as an authorization for the
12 alternate payee to receive information concerning the
13 administration, calculation and payment of the alternate
14 payee's share of the benefits payable under this part and not
15 as an authorization to exercise the rights afforded to
16 members or obtain information which is not related to the
17 administration, calculation and payment of alternate payee's
18 share of the benefits payable under this part.

19 (a.1) Certification regarding participants.--A domestic
20 relations order pertaining to a participant shall be certified
21 as an approved domestic relations order by the secretary of the
22 board, or his designated representative, only if the order meets
23 all of the following:

24 (1) Does not require the plan to provide a type or form
25 of benefit or an option applicable to members of the system
26 or participants in the plan.

27 (2) Does not require the segregation of the alternate
28 payee's share of the participant's individual investment
29 account into a subaccount or newly established individual
30 account titled in the name of the alternate payee.

31 (3) Does not require the plan to recover or distribute
32 any funds that were distributed to the participant or at the
33 participant's direction prior to the approval of the domestic
34 relations order by the secretary of the board or his
35 designated representative.

36 (4) Requires the plan to pay to the alternate payee no
37 more than the lesser of the vested amount of the
38 participant's individual investment account specified by the
39 domestic relations order or the vested amount of the
40 participant's individual investment account as of the date of
41 the transfer of the alternate payee's share to the alternate
42 payee.

43 (5) States that the plan shall not be required to recoup
44 or make good for losses in value to the participant's
45 individual investment account incurred between the date of
46 the valuation of the account used for equitable distribution
47 purposes and the date of distribution to the alternate payee.

48 (6) Specifies the amount or percentage of the
49 participant's individual investment account to be paid to the
50 alternate payee and the date upon which the valuation is
51 based.

1 (7) Specifies the name and last known mailing address,
2 if any, of the participant and the name and last known
3 mailing address of each alternate payee covered by the order
4 and states that it is the responsibility of each alternate
5 payee to keep a current mailing address on file with the
6 plan.

7 (8) Does not grant an alternate payee the rights,
8 privileges or options available to a participant.

9 (9) Requires the participant to execute an authorization
10 allowing each alternate payee to monitor the participant's
11 compliance with the terms of the domestic relations order
12 through access to information concerning the participant
13 maintained by the plan. An authorization granted under this
14 section shall be construed as an authorization for the
15 alternate payee to receive information concerning the
16 participant that relates to the administration, calculation
17 and payment of the alternate payee's share of the
18 participant's account and not as an authorization to exercise
19 the rights afforded to participants or obtain information
20 that is not related to the administration, calculation and
21 payment of alternate payee's share of the participant's
22 individual investment account.

23 (10) Requires the immediate distribution of the
24 alternate payee's share of the participant's individual
25 investment account, which may be made by direct payment,
26 eligible rollover or trustee-to-trustee transfer to another
27 eligible plan or qualified account owned by the alternate
28 payee.

29 (11) In the case of a participant who is currently
30 receiving distributions from the plan as of the date the
31 domestic relations order is approved by the secretary of the
32 board or his designated representative, may not order the
33 board to pay the alternate payee more than the vested balance
34 available in the participant's individual investment account
35 as of the date the order is approved or require that
36 distributions continue to the alternate payee after the death
37 of the participant and final settlement of the participant's
38 individual investment account.

39 (b) Determination by secretary.--Within a reasonable period
40 after receipt of a domestic relations order, the secretary of
41 the board, or his designated representative, shall determine
42 whether this order is an approved domestic relations order and
43 notify the member or participant and each alternate payee of
44 this determination. Notwithstanding any other provision of law,
45 the exclusive remedy of any member, participant or alternate
46 payee aggrieved by a decision of the secretary of the board, or
47 his designated representative, shall be the right to an
48 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A
49 (relating to practice and procedure) with appeal therefrom to
50 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
51 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct

1 appeals from government agencies).

2 (c) Other orders.--The requirements for approval identified
3 in [subsection (a)] subsections (a) and (a.1) shall not apply to
4 any domestic relations order which is an order for support as
5 the term is defined at 23 Pa.C.S. § 4302 (relating to
6 definitions) or an order for the enforcement of arrearages as
7 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
8 arrearages). These orders shall be approved to the extent that
9 they do not attach moneys in excess of the limits on attachments
10 as established by the laws of the United States and this
11 Commonwealth[.], require distributions of benefits in a manner
12 that would violate the laws of the United States, any other
13 state or this Commonwealth or require the distribution of funds
14 for support or enforcement of arrearages against a participant
15 who is not receiving distributions from the plan at the time the
16 order is entered. These orders may be approved notwithstanding
17 any other provision of this part or the plan that would require
18 a distribution of accumulated employer defined contributions in
19 the form of an annuity or to require the purchase of an annuity.

20 (d) Obligation discharged.--Only the requirements of this
21 part and any regulations promulgated hereunder shall be used to
22 govern the approval or disapproval of a domestic relations
23 order. Therefore, if the secretary of the board, or his
24 designated representative, acts in accordance with the
25 provisions of this part and any promulgated regulations in
26 approving or disapproving a domestic relations order, then the
27 obligations of the system or the plan with respect to such
28 approval or disapproval shall be discharged.

29 § 5953.2. Irrevocable beneficiary.

30 Notwithstanding any other provision of this part, a domestic
31 relations order may provide for an irrevocable beneficiary. A
32 domestic relations order requiring the nomination of an
33 irrevocable beneficiary shall be deemed to be one that requires
34 a member or participant to nominate an alternate payee as a
35 beneficiary and that prohibits the removal or change of that
36 beneficiary without approval of a court of competent
37 jurisdiction, except by operation of law. Such a domestic
38 relations order may be certified as an approved domestic
39 relations order by the secretary of the board, or his designated
40 representative, after the member or participant makes such
41 nomination, in which case the irrevocable beneficiary so ordered
42 by the court cannot be changed by the member or participant
43 without approval by the court.

44 § 5953.3. Irrevocable survivor annuitant.

45 Notwithstanding any other provisions of this part, a domestic
46 relations order pertaining to a member may provide for an
47 irrevocable survivor annuitant. A domestic relations order
48 requiring the designation of an irrevocable survivor annuitant
49 shall be deemed to be one that requires a member to designate an
50 alternate payee as a survivor annuitant and that prohibits the
51 removal or change of that survivor annuitant without approval of

1 a court of competent jurisdiction, except by operation of law.
2 Such a domestic relations order may be certified as an approved
3 domestic relations order by the secretary of the board, or his
4 designated representative, in which case the irrevocable
5 survivor annuitant so ordered by the court cannot be changed by
6 the member without approval by the court. A person ineligible to
7 be designated as a survivor annuitant may not be designated as
8 an irrevocable survivor annuitant.

9 § 5953.4. Amendment of approved domestic relations orders.

10 (a) Deceased alternate payee.--In the event that the
11 alternate payee predeceases the member or the participant and
12 there are benefits payable to the alternate payee, the divorce
13 court may amend the approved domestic relations order to
14 substitute a person for the deceased alternate payee to receive
15 any benefits payable to the deceased alternate payee.

16 * * *

17 Section 329. Title 71 is amended by adding a section to
18 read:

19 § 5953.6. Irrevocable successor payee.

20 (a) Condition.--Notwithstanding any other provision of this
21 part, a domestic relations order pertaining to a participant may
22 provide for an irrevocable successor payee if the participant is
23 receiving a payment under a payment option provided by the board
24 that allows for a successor payee.

25 (b) Determination.--A domestic relations order requiring the
26 designation of an irrevocable successor payee is an order which:

27 (1) requires a participant who is receiving payments
28 from an annuity or other distribution option to designate an
29 alternate payee as a successor payee; and

30 (2) except by operation of law, prohibits the removal or
31 change of the successor payee without approval of a court of
32 competent jurisdiction.

33 (c) Certification.--A domestic relations order under
34 subsection (b) may be certified as an approved domestic
35 relations order by the secretary of the board or his designated
36 representative. If a domestic relations order is certified under
37 this subsection, the irrevocable successor payee ordered by the
38 court shall not be changed by the participant without approval
39 by the court.

40 (d) Ineligibility.--A person ineligible to be designated as
41 a successor payee shall not be designated as an irrevocable
42 successor payee. A court shall not name an irrevocable successor
43 payee if the alternate payee is eligible to receive a lump sum
44 distribution of the alternate payee's portion of the marital
45 portion of the pension benefit.

46 Section 330. Sections 5954, 5955, 5955.2(d) and 5957 of
47 Title 71 are amended to read:

48 § 5954. Fraud and adjustment of errors.

49 (a) Penalty for fraud.--Any person who shall knowingly make
50 any false statement or shall falsify or permit to be falsified
51 any record or records of this system or plan in any attempt to

1 defraud the system or plan as a result of such act shall be
2 guilty of a misdemeanor of the second degree.

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

17 § 5955. Construction of part.

18 (a) Exclusive source of rights and benefits.--Regardless of
19 any other provision of law, pension and benefit rights of State
20 employees shall be determined solely by this part or any
21 amendment thereto[,] or the plan document established by the
22 board; and no collective bargaining agreement nor any
23 arbitration award between the Commonwealth and [its] other
24 employers and the Commonwealth's and other employer's employees
25 or their collective bargaining representatives shall be
26 construed to change any of the provisions herein, to require the
27 board to administer pension or retirement benefits not set forth
28 in this part or not established by the board in the plan
29 document, to require the board to modify, amend or change any of
30 the terms and provisions of the plan document, or to otherwise
31 require action by any other government body pertaining to
32 pension or retirement benefits or rights of State employees.
33 Notwithstanding the foregoing, any pension or retirement
34 benefits or rights previously so established by or as a result
35 of an arbitration award shall remain in effect after the
36 expiration of the current collective bargaining agreement
37 between the State employees so affected and the Commonwealth
38 until the expiration of each of the collective bargaining
39 agreements in effect on January 1, 2011, at which time the
40 classes of membership and resulting member contribution rates
41 and contributions for creditable nonstate service, eligibility
42 for vesting, withdrawal and superannuation annuities, optional
43 modification of annuities and other terms and conditions related
44 to class of membership shall be as determined by this part for
45 employees covered by those and successor collective bargaining
46 agreements. For purposes of administering this part, for those
47 State employees who are members of each such collective
48 bargaining unit, the date January 1, 2011, contained in this
49 part, except in this section, shall be replaced with the date of
50 the day immediately following the expiration of each such
51 collective bargaining agreement. The provisions of this part

1 insofar as they are the same as those of existing law are
2 intended as a continuation of such laws and not as new
3 enactments. The provisions of this part shall not affect any act
4 done, liability incurred, right accrued or vested, or any suit
5 or prosecution pending or to be instituted to enforce any right
6 or penalty or to punish any offense under the authority of any
7 repealed laws.

8 (b) (Reserved).

9 (c) Officer or member of the Pennsylvania State Police.--

10 (1) Notwithstanding a provision of subsection (a) or
11 section 12.1 of the act of November 23, 2010 (P.L.1269,
12 No.120), regarding the continued effectiveness of pension or
13 retirement benefits or rights previously established by or as
14 a result of a binding arbitration award issued before July 1,
15 1989, under the act of June 24, 1968 (P.L.237, No.111),
16 referred to as the Policemen and Firemen Collective
17 Bargaining Act, and implemented by the board, the pension or
18 retirement benefits or rights of a State employee who is a
19 current or former State police officer or who becomes a State
20 police officer after the effective date of this subsection
21 shall be as provided in this part as if the binding
22 arbitration award was not issued, except as provided under
23 this subsection.

24 (2) A State employee who is a current or former State
25 police officer or who becomes a State police officer after
26 the effective date of this subsection who:

27 (i) terminates State service before January 1, 2018;

28 or

29 (ii) terminates State service on or after January 1,
30 2018, and does not have service credited in Class A-5 or
31 Class A-6 shall be eligible to receive the maximum single
32 life annuity, before optional modification under section
33 5705 (relating to member's options), that the State
34 employee would have been eligible to receive if paragraph
35 (1) had not been enacted.

36 (3) A State employee who is a current or former State
37 police officer or who becomes a State police officer after
38 the effective date of this subsection who has service
39 credited in Class A-5 or Class A-6, has 20 or more qualifying
40 eligibility points and who terminates State service on or
41 after January 1, 2018, shall be eligible to receive a maximum
42 single life annuity before optional modification under
43 section 5705 equal to the sum of:

44 (i) the maximum single life annuity that the State
45 employee would have been eligible to receive without
46 regard to any eligibility points, service credit,
47 compensation or contributions attributable to Class A-5
48 or Class A-6 service if paragraph (1) had not been
49 enacted except that service credit and eligibility points
50 for service other than as a member of Class A-5 or Class
51 A-6 shall be adjusted for any concurrent service as a

1 member of Class A-5 or Class A-6; and

2 (ii) if eligible, the maximum single life annuity
3 that the State employee is eligible to receive under this
4 part attributable to Class A-5 or Class A-6 service and,
5 if a multiple service member, service credited in the
6 Public School Employees' Retirement System.

7 (4) A State employee who is a current or former State
8 police officer or who becomes a State police officer after
9 the effective date of this subsection who has service
10 credited in Class A-5 or Class A-6, does not have 20 or more
11 qualifying eligibility points and who terminates State
12 service on or after January 1, 2018, shall be eligible to
13 receive a maximum single life annuity before optional
14 modification under section 5705 equal to the maximum single
15 life annuity that the State employee is eligible to receive
16 under this part attributable to all credited service,
17 compensation and eligibility points.

18 (5) Except as otherwise provided in this part, service
19 as a State police officer credited in the system shall not
20 operate to prevent any State employee from being a
21 participant in the plan for any State service that is not
22 service as a Class A-5 exempt employee that would otherwise
23 result in participation in the plan. Any benefit resulting
24 from participation in the plan shall be in addition to any
25 benefit a State police officer may be eligible to receive as
26 a member of the system.

27 (6) As used in this subsection, the following words and
28 phrases shall have the meanings given to them in this
29 paragraph unless the context clearly indicates otherwise:

30 "Binding arbitration award." A binding arbitration award
31 issued before July 1, 1989, under the act of June 24, 1968
32 (P.L.237, No.111), referred to as the Policemen and Firemen
33 Collective Bargaining Act, and implemented by the board.

34 "Qualifying eligibility points." Eligibility points as a
35 result of State service, nonstate service or being reemployed
36 from USERRA leave credited in classes of service other than
37 Class A-5.

38 (7) For the determination of the entire annuity under
39 this subsection, any salary or compensation for service as a
40 Class A-5 exempt employee by a State employee who first
41 became a member of the system on or after January 1, 2018,
42 shall not include remuneration received in any pay period for
43 voluntary overtime service or duty that exceeds 10% of the
44 State employee's base salary or wages in that pay period.

45 (d) Adverse inference.--Nothing in this part shall be
46 construed to mean that the limitations on benefits or other
47 requirements under IRC § 401(a) or other applicable provisions
48 of the IRC which are applicable to participants in the plan do
49 not apply to the participants or to members of the system and
50 the benefits payable under this part.

51 § 5955.2. Construction of part with respect to the Internal

1 Revenue Code.

2 * * *

3 (d) References to Internal Revenue Code of 1986 or the
4 Uniformed Services Employment and Reemployment Rights Act.--
5 References in this part to provisions of the Internal Revenue
6 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or the
7 Uniformed Services Employment and Reemployment Rights Act of
8 1994 (Public Law 103-353, 108 Stat. 3149), including for this
9 purpose administrative regulations promulgated under [that act]
10 the acts, are intended to include such laws and regulations as
11 are in effect on the effective date of this section and as they
12 may be amended or supplemented or supplanted by successor
13 provisions after the effective date of this section.

14 * * *

15 § 5957. Independent Fiscal Office study.

16 The Independent Fiscal Office shall study and analyze the
17 implementation of shared-risk contributions under section 5501.1
18 (relating to shared-risk member contributions [for Class A-3 and
19 Class A-4 service] and shared-gain adjustments to regular member
20 contributions) and its impact on the system. The study shall be
21 completed by December 31, 2015, and shall be transmitted to the
22 Appropriations Committee and the Finance Committee of the
23 Senate, the Appropriations Committee and the Finance Committee
24 of the House of Representatives and to the Governor.

25 Section 331. Title 71 is amended by adding a section to
26 read:

27 § 5958. Public Pension Management and Asset Investment Review
28 Commission.

29 (a) Establishment.--A Public Pension Management and Asset
30 Investment Review Commission shall be established, which shall
31 be composed of five appointees, one appointed by each of the
32 following:

33 (1) The Governor.

34 (2) The President pro tempore of the Senate.

35 (3) The Minority Leader of the Senate.

36 (4) The Speaker of the House of Representatives.

37 (5) The Minority Leader of the House of Representatives.

38 The appointees shall be investment professionals and retirement
39 advisors and shall be appointed within 90 days of the effective
40 date of this section.

41 (b) Duties.--The duties of the Public Pension Management and
42 Asset Investment Review Commission are as follows:

43 (1) Study the performance of current investment
44 strategies and procedures of the system, comparing realized
45 rates of return to established benchmarks and considering
46 associated fees paid for active and passive management.

47 (2) Study the costs and benefits of both active and
48 passive investment strategies in relation to future
49 investment activities of the State Employees' Retirement
50 System.

51 (3) Study alternative future investment strategies with

1 available assets of the State Employees' Retirement System
2 that will maximize future rates of return net of fees.

3 (3.1) The commission shall evaluate and make
4 recommendations on:

5 (i) Improving investment fee transparency on
6 alternative investments as specified in the Standardized
7 Reporting Guidelines of the Institutional Limited
8 Partners Association.

9 (ii) Implementing the recommendations of the Society
10 of Actuaries Blue Ribbon Panel on stress testing, to test
11 the ability of the plan to withstand a period of
12 investment returns above or below the level of assumed
13 return.

14 (4) Publish extensive and detailed findings online,
15 including findings about:

16 (i) assets;

17 (ii) returns;

18 (iii) financial managers;

19 (iv) consultants;

20 (v) requests for proposals; and

21 (vi) investment performance measured against
22 benchmarks.

23 (5) Report its findings and recommendations to the
24 Governor and the General Assembly within six months of its
25 first organizational meeting.

26 (c) Quorum.--A majority of appointed members shall
27 constitute a quorum for the purpose of conducting business. The
28 members shall select one of their number to be chairperson and
29 another to be the vice chairperson.

30 (d) Transparency and ethics.--The Public Pension Management
31 and Asset Investment Review Commission shall be subject to the
32 following laws:

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

35 (2) The act of February 14, 2008 (P.L.6, No.3), known as
36 the Right-to-Know Law.

37 (3) 65 Pa.C.S. Ch. 7 (relating to open meetings).

38 (4) 65 Pa.C.S. Ch. 11 (relating to ethics standards and
39 financial disclosure).

40 (e) Information gathering.--The Public Pension Management
41 and Asset Investment Review Commission may conduct hearings and
42 otherwise gather pertinent information and analysis that it
43 considers appropriate and necessary to fulfill its duties.

44 (f) Logistical and other support.--The Public Pension
45 Management and Asset Investment Review Commission shall receive
46 logistical and other support from the Joint State Government
47 Commission and may employ additional temporary staff as needed.

48 (g) Reimbursement.--The members of the Public Pension
49 Management and Asset Investment Review Commission shall be
50 reimbursed for reasonable expenses.

51 (h) Expiration.--The Public Pension Management and Asset

1 Investment Review Commission shall expire 60 days after delivery
2 of its report in accordance with subsection (b) (5). Any unspent
3 appropriation shall lapse back to the General Fund.

4 (i) Administrative costs and payment.--None of the
5 administrative costs and expenses of the Public Pension
6 Management and Asset Investment Review Commission, including,
7 but not limited to, member and employee salary, wages, benefits
8 and other forms of compensation or remuneration, shall be paid
9 or appropriated from the fund or the trust.

10 ARTICLE IV

11 Section 401. The following shall apply:

12 (1) The following provisions shall not create in a
13 member of the Public School Employees' Retirement System, a
14 participant in the School Employees' Defined Contribution
15 Plan or another person claiming an interest in the account of
16 a member or participant an express or implied contractual
17 right in the provisions nor in a construction of 24 Pa.C.S.
18 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
19 Pa.C.S. Pt. IV or 51 Pa.C.S.:

20 (i) A provision of this act which amends 51 Pa.C.S.
21 or 24 Pa.C.S. Pt. IV in relation to requirements for any
22 of the following:

23 (A) (Reserved).

24 (B) Qualification of the School Employees'
25 Defined Contribution Plan as a qualified pension plan
26 under the Internal Revenue Code of 1986 (Public Law
27 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
28 compliance with the Uniformed Services Employment and
29 Reemployment Rights Act of 1994 (Public Law 103-353,
30 108 Stat. 3149).

31 (C) Contributions to, participation in or
32 benefits from the School Employees' Defined
33 Contribution Plan or School Employees' Defined
34 Contribution Trust.

35 (D) Domestic relations orders regarding
36 alternate payees of participants in the School
37 Employees' Defined Contribution Plan.

38 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
39 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
40 Pt. IV or 51 Pa.C.S. or a term or provision of the School
41 Employees' Defined Contribution Plan or School Employees'
42 Defined Contribution Trust, established by statute or in
43 the plan document or trust declaration.

44 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
45 subject to the Internal Revenue Code of 1986 and the
46 Uniformed Services Employment and Reemployment Rights Act of
47 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
48 under those statutes, and the General Assembly reserves to
49 itself the further exercise of its legislative power to amend
50 or supplement the provisions as may be required in order to
51 maintain the qualification of the system as a qualified

1 pension plan under section 401(a) and other applicable
2 provisions of the Internal Revenue Code of 1986 and the
3 Uniformed Services Employment and Reemployment Rights Act of
4 1994 (Public Law 103-353, 108 Stat. 3149).

5 (3) The following provisions shall not create in a
6 member of the State Employees' Retirement System, a
7 participant in the State Employees' Defined Contribution Plan
8 or another person claiming an interest in the account of a
9 member or participant an expressed or implied contractual
10 right in the provisions nor in a construction of 51 Pa.C.S. §
11 7306, 71 Pa.C.S. Pt. XXV, or rules or regulations adopted
12 under 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

13 (i) A provision of this act which amends 51 Pa.C.S.
14 § 7306 or 71 Pa.C.S. Pt. XXV, in relation to requirements
15 for any of the following:

16 (A) Qualification of the State Employees'
17 Defined Contribution Plan as a qualified pension plan
18 under the Internal Revenue Code of 1986 (Public Law
19 99-514, 26 U.S.C. § 401(a)).

20 (B) Compliance with the Uniformed Services
21 Employment and Reemployment Rights Act of 1994
22 (Public Law 103-353).

23 (C) Domestic relations orders regarding
24 alternate payees of participants in the State
25 Employees' Defined Contribution Plan.

26 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
27 XXV, or rules or regulation promulgated under 51 Pa.C.S.
28 or 71 Pa.C.S. Pt. XXV, or a term or provision of the
29 State Employees' Defined Contribution Plan or State
30 Employees' Defined Contribution Trust established by
31 statute or in the plan document or trust declaration or
32 by contract with providers of investment and
33 administrative services to the State Employees' Defined
34 Contribution Plan or State Employees' Defined
35 Contribution Trust.

36 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
37 subject to the Internal Revenue Code of 1986 and the
38 Uniformed Services Employment and Reemployment Rights Act of
39 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
40 promulgated under those statutes.

41 (5) The General Assembly reserves to itself the further
42 exercise of its legislative power to amend or supplement the
43 provisions of 71 Pa.C.S. Pt. XXV in order to maintain the
44 qualification of the State Employees' Retirement System and
45 the State Employees' Defined Contribution Plan as qualified
46 pension plans under section 401(a) and other applicable
47 provisions of the Internal Revenue Code of 1986 and the
48 Uniformed Services Employment and Reemployment Rights Act of
49 1994 (Public Law 103-353, 108 Stat. 3149).
50 Section 402. The following shall apply:

51 (1) Nothing in this act shall be construed to mean that

1 a calculation or actuarial method used by the Public School
2 Employees' Retirement Board, its actuaries or the Public
3 School Employees' Retirement System was not in accordance
4 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
5 law prior to the effective date of this paragraph.

6 (2) Nothing in this act shall be construed to mean that
7 a calculation or actuarial method used by the State
8 Employees' Retirement Board, its actuaries or the State
9 Employees' Retirement System was not in accordance with the
10 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
11 prior to the effective date of this section.

12 Section 403. The following shall apply:

13 (1) Payments required to fund a change in accrued
14 liability resulting from this act shall be subject to limits
15 imposed under 24 Pa.C.S. § 8328(g) on employer contributions
16 to the Public School Employees' Retirement System.

17 (2) For purposes of 24 Pa.C.S. §§ 8326, 8327, and 8328,
18 changes under this section shall not be considered to be
19 costs added by legislation.

20 Section 404. The following shall apply:

21 (1) Notwithstanding any other provision of law:

22 (i) A change in accrued liability of the State
23 Employees' Retirement System created under this act shall
24 be funded in equal dollar installments over a period of
25 30 years beginning July 1, 2018.

26 (ii) A change in accrued liability of the State
27 Employees' Retirement System created under this act by
28 the amendment of 71 Pa.C.S. § 5508(b) shall be funded in
29 equal dollar installments over a period of 30 years
30 beginning July 1, 2022.

31 (2) Payments required to fund a change in accrued
32 liability resulting from this act shall be subject to limits
33 imposed under 71 Pa.C.S. § 5508(h) on employer contributions
34 to the State Employees' Retirement System.

35 (3) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
36 changes under this act shall not be considered to be costs
37 added by legislation.

38 Section 405. The following shall apply:

39 (1) This act shall be construed and administered in such
40 a manner that the Public School Employees' Retirement System
41 and the School Employees' Defined Contribution Plan shall
42 satisfy the requirements necessary to qualify as a qualified
43 pension plan under section 401(a) of the Internal Revenue
44 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
45 applicable provisions of the Internal Revenue Code of 1986
46 and the Uniformed Services Employment and Reemployment Rights
47 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
48 regulations and procedures adopted and promulgated by the
49 Public School Employees' Retirement Board and the terms and
50 conditions of the plan document and trust declaration adopted
51 by the Public School Employees' Retirement Board may include

1 provisions necessary to accomplish the purpose of this
2 section.

3 (2) Nothing in this act shall be construed or deemed to
4 imply that any member shall be required to make contributions
5 to the Public School Employees' Retirement System in excess
6 of the limits established by section 415(n)(3)(A)(iii) of the
7 Internal Revenue Code of 1986 (26 U.S.C. § 415(n)(3)(A)
8 (iii)). A contribution made by a member that is determined to
9 be in excess of the limits shall be refunded to the member in
10 a lump sum subject to withholding for all applicable taxes
11 and penalties as soon as administratively possible after the
12 determination is made. A refund under this subparagraph shall
13 not affect the benefit payable to the member and shall not be
14 treated as or deemed to be a withdrawal of the member's
15 accumulated deductions.

16 (3) Nothing in this act shall be construed to mean that
17 an interpretation or application of 24 Pa.C.S. Pt. IV or
18 benefits available to members of the Public School Employees'
19 Retirement System was not in accordance with 24 Pa.C.S. Pt.
20 IV or other applicable law, including the Internal Revenue
21 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
22 the Uniformed Services Employment and Reemployment Rights Act
23 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
24 effective date of this section.

25 Section 406. The following shall apply to construction
26 related to Federal law as to the State Employees' Retirement
27 System:

28 (1) This act shall be construed and administered in a
29 manner that the State Employees' Retirement System and the
30 State Employees' Defined Contribution Plan shall satisfy the
31 requirements necessary to qualify as a qualified pension plan
32 under section 401(a) of the Internal Revenue Code of 1986
33 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
34 provisions of the Internal Revenue Code of 1986 and the
35 Uniformed Services Employment and Reemployment Rights Act of
36 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
37 regulations and procedures promulgated by the State
38 Employees' Retirement Board and the terms and conditions of
39 the plan document and trust declaration adopted by the State
40 Employees' Retirement Board may include provisions necessary
41 to accomplish the purpose of this section.

42 (2) Nothing in this act shall be construed or deemed to
43 imply that any member of Class A-5 or Class A-6 shall be
44 required to make contributions to the State Employees'
45 Retirement System in excess of the limits established by
46 section 415(n)(3)(A)(iii) of the Internal Revenue Code of
47 1986 (26 U.S.C. § 415(n)(3)(A)(iii)). A contribution made by
48 a member of Class A-5 or Class A-6 that is determined to be
49 in excess of the limits shall be refunded to the member in a
50 lump sum subject to withholding for all applicable taxes and
51 penalties as soon as administratively possible after the

1 determination is made. A refund under this subparagraph shall
2 not affect the benefit payable to the member and shall not be
3 treated as or deemed to be a withdrawal of the member's
4 accumulated deductions.

5 (3) Nothing in this act shall be construed to mean that
6 an interpretation or application of 71 Pa.C.S. Pt. XXV or
7 benefits available to members of the State Employees'
8 Retirement System was not in accordance with 71 Pa.C.S. Pt.
9 XXV or other applicable law, including the Internal Revenue
10 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
11 the Uniformed Services Employment and Reemployment Rights Act
12 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
13 effective date of this section.

14 Section 407. The following shall apply:

15 (1) Notwithstanding any other provision of law,
16 fiduciary requirement, actuarial standard of practice or
17 other requirement, the members of the Public School
18 Employees' Retirement Board, the actuary and employees and
19 officials of the Public School Employees' Retirement System
20 may not be held liable or in breach or violation of a law or
21 standard as individuals, in their official capacity or as a
22 governmental or corporate entity, for an action or
23 calculation related to calculating and certifying a final
24 contribution rate as provided under this act that is
25 different from the actuarially required contribution rate as
26 appropriately calculated under 24 Pa.C.S. Pt. IV.

27 (2) Notwithstanding any other provision of law,
28 fiduciary requirement, actuarial standard of practice or
29 other requirement, the members of the State Employees'
30 Retirement Board, the actuary and other employees and
31 officials of the State Employees' Retirement System may not
32 be held liable or in breach or violation of a law or standard
33 as individuals, in an official capacity or as a governmental
34 or corporate entity, for an action or calculation related to
35 calculating and certifying a final contribution rate as
36 provided under this act that is different from the
37 actuarially required contribution rate as appropriately
38 calculated under 71 Pa.C.S. Pt. XXV.

39 Section 408. Nothing in this act shall be deemed to permit
40 the restoration of service credit or retirement benefits that:

41 (1) were or are subject to section 16 of Article V of
42 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

43 (2) were or are the subject of an order of forfeiture
44 under the act of July 8, 1978 (P.L.752, No.140), known as the
45 Public Employee Pension Forfeiture Act.

46 Section 409. Notwithstanding the amendment of 24 Pa.C.S. §
47 8501(e) and 71 Pa.C.S. § 5901(e), the Governor's Office of
48 General Counsel shall continue to provide legal counsel and
49 legal services to the board until such time as the board
50 appoints a chief counsel and such other counsel as it deems
51 necessary to provide it with legal services.

1 Section 410. No school employee otherwise a member of,
2 eligible to be a member of, or having school or nonschool
3 service credited in a class of service other than Class T-G may
4 cancel, decline or waive membership in such other class of
5 service in order to obtain Class T-G service credit, become a
6 member of Class T-G or elect Class T-G membership.

7 Section 411. No State employee otherwise a member of,
8 eligible to be a member of or having State or nonstate service
9 credited in a class of service other than Class A-5 or Class A-6
10 may cancel, decline or waive membership in such other class of
11 service in order to obtain Class A-5 or Class A-6 service
12 credit, become a member of Class A-5 or Class A-6 or elect Class
13 A-5 or Class A-6 membership.

14 Section 412. Notwithstanding any regulation promulgated by
15 the Public School Employees' Retirement Board, application or
16 interpretation of 24 Pa.C.S. Pt. IV, or administrative practice
17 to the contrary, a member's eligibility deriving from Class T-G
18 service credit for a superannuation annuity or other rights and
19 benefits based upon attaining superannuation age shall be
20 determined by including only those eligibility points actually
21 accrued.

22 Section 413. The following shall apply:

23 (1) Except as provided under paragraph (2), if a
24 provision of this act or its application to any person or
25 circumstance is held invalid, the invalidity shall not affect
26 other provisions or applications of this act that can be
27 given effect without the invalid provision or application.

28 (2) The following shall apply:

29 (i) If the application of the shared-risk provisions
30 of 71 Pa.C.S. Pt. XXV is declared inapplicable to any
31 person by a court or administrative tribunal of competent
32 jurisdiction, the provisions of Pt. XXV relating to
33 shared-gain adjustments to regular member contributions
34 shall be inapplicable to that person.

35 (ii) The following shall apply:

36 (A) If the application of any provision of this
37 act relating to membership in Class A-5 or Class A-6
38 or participation in the State Employees' Defined
39 Contribution Plan is declared invalid to any person
40 for any period of State service, the invalidity shall
41 not affect the application of this act to any other
42 person. The provisions of this act relating to both
43 membership in Class A-5 and participation in the
44 State Employees' Defined Contribution Plan shall be
45 invalid as to the person for the period of State
46 service for which part of the State service was
47 invalid and that person shall be considered a Class
48 A-5 exempt employee for the service at issue. If a
49 State employee's participation in the State
50 Employees' Defined Contribution Plan is declared
51 invalid for any period of State service, the affected

1 State employee shall return to the State Employees'
2 Defined Contribution Trust any distributions related
3 to the period of State service at issue, shall be
4 granted the status and service credit in the State
5 Employees' Retirement System as if he was a Class A-5
6 exempt employee and shall be required to make all
7 contributions to the State Employees' Retirement Fund
8 as if he was a Class A-5 exempt employee for the
9 period of State service at issue.

10 (B) The affected State employee's accumulated
11 mandatory participant contributions and accumulated
12 voluntary contributions shall be transferred to the
13 affected employee's member savings account to the
14 extent necessary to fund that account with the member
15 contributions and interest that would have been
16 standing to the member's account had the State
17 employee been a Class A-5 exempt employee for the
18 period of service at issue. Any remaining balance
19 shall be refunded to the State employee, who also
20 shall be responsible for paying to the fund in a
21 manner and time determined by the State Employees'
22 Retirement Board any additional funds required if the
23 accumulated mandatory participant contributions and
24 accumulated voluntary contributions were not
25 sufficient.

26 (C) The accumulated employer defined
27 contributions shall be transferred to the State
28 Accumulation Account and no further amount shall be
29 due from the employer or refund paid.

30 Section 414. Notwithstanding the provisions of 71 Pa.C.S. §
31 5903(b), the statement for each member prepared by the State
32 Employees' Retirement Board for the periods ending December 31,
33 2018, and any other statements or estimates of benefits prepared
34 by the board pursuant to the State Employees' Retirement Code
35 from the effective date of this section to December 31, 2018,
36 need not reflect the provisions of this act and in the case of
37 the statements for each member for the periods ending on or
38 before December 31, 2018, need not include a projection of the
39 benefit to which the member is entitled upon attainment of
40 superannuation age.

41 Section 415. Notwithstanding the provisions of 71 Pa.C.S.
42 Pt. XXV, the obligation of the State Employees' Retirement Board
43 to make payments within specified time periods of the receipt of
44 applications for benefits or other information shall not apply
45 from the effective date of this section to December 31, 2018.

46 Section 416. This act shall take effect as follows:

47 (1) The appointment of the Secretary of Banking and
48 Securities to the membership of the Public School Employees'
49 Retirement Board in the amendment of 24 Pa.C.S. § 8501(a)
50 shall take effect when the first of the two positions
51 currently appointed by the Governor becomes vacant or an

1 incumbent member's term expires. Notification of the
2 expiration or vacancy shall be submitted by the Public School
3 Employees' Retirement Board to the Legislative Reference
4 Bureau for publication in the Pennsylvania Bulletin.

5 (2) The appointment of the Secretary of Banking and
6 Securities to the membership of the State Employees'
7 Retirement Board and reduction of the number of members
8 appointed by the Governor from six to five in 71 Pa.C.S. §
9 5901(a) shall take effect when the first of the six positions
10 currently appointed by the Governor that is not held by an
11 annuitant becomes vacant or an incumbent member's term
12 expires. Notification of the expiration or vacancy shall be
13 submitted by the State Employees' Retirement System to the
14 Legislative Reference Bureau for publication in the
15 Pennsylvania Bulletin.

16 (3) The following provisions shall take effect
17 immediately:

18 (i) This section.

19 (ii) The remainder of this act.