

AMENDMENTS TO SENATE BILL NO. 1

Sponsor: SENATOR LANGERHOLC

Printer's No. 853

1 Amend Bill, page 1, lines 1 through 27, 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, page 2, lines 3 through 30; pages 3 through 341,
31 lines 1 through 30; page 342, lines 1 through 24; by striking
32 out all of said lines on said pages and inserting

ARTICLE I

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

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

§ 8102. Definitions.

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

* * *

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

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

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

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

* * *

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

* * *

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

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

* * *

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

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

* * *

"Class of service multiplier."

Class of service	Multiplier
T-A	.714
T-B	.625
T-C	1.000
T-D	1.000
T-E	1.000
T-F	1.000
<u>T-G</u>	<u>1.000</u>
<u>T-H</u>	<u>1.000</u>

* * *

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

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

* * *

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

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

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

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

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

(3) the last day of service for which mandatory pickup participant contributions are made for an active participant.

* * *

"Distribution." Payment of all or any portion of a person's 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." For Class T-G service,
18 contributions equal to 2.25% of an active participant's
19 compensation that are made by an employer to the trust, to be
20 credited in the active participant's individual investment
21 account. For Class T-H service and Class DC participants,
22 contributions equal to 2.0% of an active participant's
23 compensation that are made by an employer to the trust, to be
24 credited in the active participant's individual investment
25 account.

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

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

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

4 (i) The highest average compensation received as an
5 active member during any five nonoverlapping periods of
6 12 consecutive months, with the compensation for part-
7 time service being annualized on the basis of the
8 fractional portion of the school year for which credit is
9 received shall be used or the calculation shall be made
10 in accordance with the following:

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

15 (B) In the case of a member with multiple
16 service credit, the final average salary shall be
17 determined by reference to compensation received by
18 the member as a school employee or a State employee
19 or both.

20 (C) In the case of a noneligible member, subject
21 to the application of the provisions of section
22 8325.1.

23 (ii) Final average salary shall be determined by
24 including in compensation, payments deemed to have been
25 made to a member reemployed from USERRA leave to the
26 extent member contributions have been made as provided in
27 section 8302(d) (2) and payments made to a member on leave
28 of absence under 51 Pa.C.S. § 4102 as provided in section
29 8302(d) (6).

30 * * *

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

43 "Inactive participant." A participant for whom no mandatory
44 pickup participant contributions are being made to the trust,
45 except in the case of an active participant for whom the
46 contributions otherwise required for current school service are
47 not being made solely by reason of any provision of this part
48 relating to limitations under section 401(a) (17) or 415 of the
49 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
50 401(a) (17) or 415), but who has vested accumulated total defined
51 contributions standing to the participant's credit in the trust

1 and who has not filed an application for a distribution.

2 "Individual investment account." The account in the trust to
3 which are credited the amounts of the contributions made by a
4 participant and the participant's employer in accordance with
5 the provisions of this part, together with all investment
6 earnings after deduction for fees, costs and expenses,
7 investment losses and charges for distributions.

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

16 * * *

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

23 "Irrevocable successor payee." The person permanently
24 designated by a participant receiving distributions in writing
25 to the board under an approved domestic relations order to
26 receive one or more distributions from the plan upon the death
27 of such participant.

28 * * *

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

46 "Mandatory pickup participant contributions." Contributions
47 equal to a percentage of compensation that are made by the
48 employer for active participants for current school service that
49 are picked up by the employer and credited in the plan as
50 follows:

51 (1) For Class T-G members, 2.75%, and Class T-H members,

1 3.0%.

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

3 * * *

4 "Participant." An active participant, inactive participant
5 or participant receiving distributions.

6 "Participant receiving distributions." A participant in the
7 plan who has commenced receiving distributions from the
8 participant's individual investment account, but who has not
9 received a total distribution of the vested interest in the
10 individual investment account.

11 * * *

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

14 "Plan document." The documents created by the board under
15 section 8402 (relating to plan document) that contain the terms
16 and provisions of the plan and trust as established by the board
17 regarding the establishment, administration and investment of
18 the plan and trust.

19 * * *

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

28 * * *

29 "Required beginning date." The [beginning] latest date by
30 which distributions of a member's interest or a participant's
31 interest in the participant's individual investment account must
32 commence under section 401(a)(9) of the Internal Revenue Code of
33 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(9)).

34 * * *

35 "Salary deductions." The amounts certified by the board,
36 deducted from the compensation of an active member or active
37 participant or the State service compensation of a multiple
38 service member who is an active member of the State Employees'
39 Retirement System and paid into the fund or trust.

40 * * *

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

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

of years and fractional part of a year of credited service. For Class T-E credited service of a member, an annuity equal to 2% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member. For Class T-F credited service of a member, an annuity equal to 2.5% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member. For Class T-G credited service of a member, an annuity equal to 1.25% of the final average salary, multiplied by the total number of years and fractional part of a year of credited service of a member. For Class T-H credited service of a member, an annuity equal to 1.0% of the final average salary, multiplied by the total number of years and fractional parts of a year of credited service of a member.

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

* * *

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

* * *

"Superannuation or normal retirement age."

Class of service

Age

T-A

62 or any age upon accrual of 35 eligibility points

T-B

62

T-C and T-D

62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points

T-E and T-F

65 with accrual of at least three eligibility points or a combination of age and eligibility points totaling 92, provided the member has accrued at least 35 eligibility points

T-G

67 with accrual of at least 3 eligibility points, or a combination of age and eligibility points totaling 97, provided the member has accrued at least 35 eligibility points

T-H

67 with accrual of at least 3

eligibility points

* * *

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

* * *

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

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

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

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

§ 8103. Construction of part.

* * *

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

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

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

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

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

(g) References to certain Federal statutes.--References in this part to the IRC or the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149), including administrative regulations promulgated under the IRC or the Uniformed Services Employment and Reemployment Rights Act of 1994, are intended to include laws and regulations

1 in effect on the effective date of this section and amended,
2 supplemented or supplanted on and after the effective date of
3 this section.

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

6 (1) That the limitations on benefits or other
7 requirements under IRC § 401(a) or other applicable
8 provisions of the IRC that are applicable to participants in
9 the plan do not apply to the participants or to the members
10 of the system and the benefits payable under this part.

11 (2) That an interpretation or application of a provision
12 of this part or benefits available to members of the Public
13 School Employees' Retirement System was not in accordance
14 with the provisions of this part or other applicable law,
15 including the IRC and the Uniformed Services Employment and
16 Reemployment Rights Act of 1994 before the effective date of
17 this section.

18 (3) That the release or publicizing of a record,
19 material or data that would not constitute a public record
20 under section 8502(e)(2) (relating to administrative duties
21 of board) is a violation of the fiduciary duties of the
22 board.

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

25 § 8103.2. Reference to Public School Employees' Retirement
26 System.

27 (a) General rule.--As of the effective date of this section,
28 unless the context clearly indicates otherwise, a reference to
29 the Public School Employees' Retirement System in a statutory
30 provision, other than this part and 71 Pa.C.S. Pt. XXV (relating
31 to retirement for State employees and officers), shall include a
32 reference to the plan, and a reference to the Public School
33 Employees' Retirement Fund shall include a reference to the
34 trust.

35 (b) Certain agreements.--The agreement of an employer to
36 make contributions to the fund or to enroll employees as members
37 in the system shall be deemed to be an agreement to make
38 contributions to the trust or to enroll employees in the plan.

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

40 § 8301. Mandatory and optional membership in the system and
41 participation in the plan.

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

45 (1) Any officer or employee of the Department of
46 Education, State-owned educational institutions, community
47 colleges, area vocational-technical schools, technical
48 institutes, or [the] The Pennsylvania State University and
49 who is a member of the State Employees' Retirement System or
50 a member of another retirement program approved by the
51 employer.

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

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

12 (4) Any part-time school employee who has an individual
13 retirement account pursuant to the Federal act of September
14 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
15 Employee Retirement Income Security Act of 1974.

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

20 (c) Optional membership.--The school employees categorized
21 in subsection (a)(3) and, if otherwise eligible, subsection (a)
22 (4) shall have the right to elect membership in the system. Once
23 such election is exercised, membership shall commence from the
24 original date of eligibility and shall continue until the
25 termination of such service.

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

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

33 § 8302. Credited school service.

34 (a) Computation of credited service.--In computing credited
35 school service of a member for the determination of benefits, a
36 full-time salaried school employee shall receive one year of
37 credit for each school year or the corresponding fraction
38 thereof, in accordance with the proportion of the full school
39 year for which the required regular member contributions have
40 been made to the fund, or for which such contributions otherwise
41 required for such service were not made to the fund solely by
42 reason of any provision of this part relating to the limitations
43 under IRC § 401(a)(17) or 415. A per diem or hourly school
44 employee shall receive one year of credited service for each
45 nonoverlapping period of 12 consecutive months in which he is
46 employed and for which contributions are made to the fund, or
47 would have been made to the fund but for such limitations under
48 the IRC, for at least 180 full-day sessions or 1,100 hours of
49 employment. If such member was employed and contributions were
50 made to the fund for less than 180 full-day sessions or 1,100
51 hours, he shall be credited with a fractional portion of a year

1 determined by the ratio of the number of full-day sessions or
2 hours of service actually rendered to 180 full-day sessions or
3 1,100 hours, as the case may be. A part-time salaried employee
4 shall be credited with the fractional portion of the year which
5 corresponds to the service actually rendered and for which
6 contributions are or would have been made to the fund except for
7 the limitations under the IRC in relation to the service
8 required as a comparable full-time salaried employee. In no case
9 shall a member receive more than one year of credited service
10 for any 12 consecutive months or a member who has elected
11 multiple service receive an aggregate in the two systems of more
12 than one year of credited service for any 12 consecutive months.

13 * * *

14 (c) Cancellation of credited service.--All credited service
15 in the system shall be cancelled if a member withdraws his
16 accumulated deductions[.], except that a partial or total
17 distribution of accumulated total defined contributions to a
18 participant who is also a member may not cancel service credited
19 in the system.

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

23 (1) For purposes of determining whether a member is
24 eligible to receive credited service in the system for a
25 period of active military service, other than active duty
26 service to meet periodic training requirements, rendered
27 after August 5, 1991, and that began before the effective
28 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
29 (relating to military leave of absence) shall apply to all
30 individuals who were active members of the system when the
31 period of military service began, notwithstanding if the
32 member is not defined as an employee under 51 Pa.C.S. § 7301
33 (relating to definitions). School employees may not receive
34 service credit or exercise the options under 51 Pa.C.S. §
35 7306(a), (b) and (c) (relating to retirement rights) for
36 military leaves that begin on or after the effective date of
37 this subsection, except otherwise provided under this
38 subsection.

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

41 (i) A school employee who is reemployed from USERRA
42 leave as an active member of the system shall be treated
43 as not having incurred a break in school service by
44 reason of the USERRA leave and shall be granted
45 eligibility points as if the school employee had not been
46 on the USERRA leave. If a school employee who is
47 reemployed from USERRA leave as an active member of the
48 system subsequently makes regular member contributions,
49 shared-risk member contributions and any other member
50 contributions in the amounts and in the time periods
51 required by 38 U.S.C. Ch. 43 (relating to employment and

1 reemployment rights of members of the uniformed services)
2 and IRC § 414(u) as if the school employee had continued
3 in his school office or employment and performed school
4 service and been compensated during the period of USERRA
5 leave, then the school employee shall be granted school
6 service credit for the period of USERRA leave. The
7 employee shall have his benefits, rights and obligations
8 determined under this part as if he was an active member
9 who performed creditable school service during the USERRA
10 leave in the job position that he would have held had he
11 not been on USERRA leave and received the compensation on
12 which the member contributions to receive school service
13 credit for the USERRA leave were determined.

14 (ii) For purposes of determining whether a school
15 employee has made the required employee contributions for
16 school service credit for USERRA leave, if an employee
17 who is reemployed from USERRA leave as an active member
18 of the system terminates school service or dies in school
19 service before the expiration of the allowed payment
20 period, school service credit for the USERRA leave shall
21 be granted as if the required member contributions were
22 paid the day before termination or death. The amount of
23 the required member contributions shall be treated as an
24 incomplete payment subject to the provisions of section
25 8325 (relating to incomplete payments). Upon a subsequent
26 return to school service or to State service as a
27 multiple service member, the required member
28 contributions treated as incomplete payments shall be
29 treated as member contributions that were either
30 withdrawn in a lump sum at termination or paid as a lump
31 sum under section 8345(a)(4) (relating to member's
32 options). For this purpose, the exclusion of Class T-E
33 and Class T-F members from electing a form of payment
34 under section 8345(a)(4)(iii) shall be ignored.

35 (iii) A school employee who is reemployed from
36 USERRA leave as an active member of the system and who
37 does not make the required member contributions or makes
38 only part of the required member contributions within the
39 allowed payment period shall not be:

40 (A) Granted credited service for the period of
41 USERRA leave for which the required member
42 contributions were not timely made.

43 (B) Eligible to subsequently make contributions.

44 (C) Granted either school service credit or
45 nonschool service credit for the period of USERRA
46 leave for which the required member contributions
47 were not timely made.

48 (3) A school employee who is a member of the system and
49 performs USERRA leave from which the employee could have been
50 reemployed from USERRA leave had the school employee returned
51 to school service in the time frames required by 38 U.S.C.

1 Ch. 43 for reemployment rights, but did not do so, shall be
2 able to receive creditable nonschool service as
3 nonintervening military service for the period of USERRA
4 leave if the employee later returns to school service and is
5 otherwise eligible to purchase the service as nonintervening
6 military service.

7 (4) [A school employee] An active or inactive member
8 who, on or after the effective date of this subsection, is
9 granted a leave of absence under section 1178 of the Public
10 School Code, a leave of absence under 51 Pa.C.S. § 4102
11 (relating to leaves of absence for certain government
12 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
13 is not USERRA leave shall be able to receive creditable
14 nonschool service as nonintervening military service should
15 the employee return to school service as an active member of
16 the system and is otherwise eligible to purchase the service
17 as nonintervening military service.

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

25 (6) A school employee who is on a leave of absence from
26 his duties as a school employee and for which 51 Pa.C.S. §
27 4102 provides that he is not to suffer a loss of pay, time or
28 efficiency shall not be an active member, receive service
29 credit or make member contributions for the leave of absence
30 except as provided for in this part. Notwithstanding this
31 paragraph, any pay the member receives under section 1178 of
32 the Public School Code or 51 Pa.C.S. § 4102 shall be included
33 in the determination of final average salary and other
34 calculations in the system utilizing compensation as if the
35 payments were compensation under this part.

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

39 (1) A participant who is reemployed from USERRA leave
40 may not be treated as having incurred a break in school
41 service by reason of the USERRA leave and shall be granted
42 eligibility points as if the participant had not been on
43 USERRA leave. If a participant who is reemployed from USERRA
44 leave subsequently makes mandatory pickup participant
45 contributions in the amounts and in the time periods required
46 by 38 U.S.C. Ch. 43 and IRC § 414(u) as if the participant
47 had continued in the participant's school employment and
48 performed school service and been compensated during the
49 period of USERRA leave, then the participant's employer shall
50 make the corresponding employer defined contributions. The
51 employee shall have contributions, benefits, rights and

1 obligations determined under this part as if the employee was
2 an active participant who performed school service during the
3 USERRA leave in the job position that the employee would have
4 held had the employee not been on USERRA leave and received
5 the compensation on which the mandatory pickup participant
6 contributions to receive school service credit for the USERRA
7 leave were determined, including the right to make voluntary
8 contributions on such compensation as permitted by law.

9 (2) A participant who is reemployed from USERRA leave
10 and does not make the mandatory pickup participant
11 contributions or makes only part of the mandatory pickup
12 participant contributions within the allowed payment period
13 may not be eligible to make mandatory pickup participant
14 contributions and voluntary contributions at a later date for
15 the period of USERRA leave for which the mandatory pickup
16 participant contributions were not timely made.

17 (3) A participant who performs USERRA leave from which
18 the employee could have been reemployed from USERRA leave had
19 the school employee returned to school service in the time
20 frames required by 38 U.S.C. Ch. 43 for reemployment rights,
21 but did not do so, may not be eligible to make mandatory
22 pickup participant contributions or voluntary contributions
23 for the period of USERRA leave should the employee later
24 return to school service and be a participant in the plan.

25 (4) An active participant or inactive participant who,
26 on or after the effective date of this subsection, is granted
27 a leave of absence under 51 Pa.C.S. § 4102 or a military
28 leave under 51 Pa.C.S. Ch. 73 that is not USERRA leave may
29 not be eligible to make mandatory pickup participant
30 contributions or voluntary contributions during or for the
31 leave of absence or military leave, and may not have employer
32 defined contributions made during such leave, without regard
33 to whether or not the participant received salary, wages,
34 stipends, differential wage payments or other payments from
35 the participant's employer during the leave, notwithstanding
36 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
37 Pa.C.S. Ch. 73.

38 (5) If a participant dies while performing USERRA leave,
39 then the beneficiaries or successor payees of the deceased
40 participant are entitled to any additional benefits, other
41 than benefit accruals relating to the period of qualified
42 military service, provided under this part had the
43 participant resumed and then terminated employment on account
44 of death.

45 Section 106. Sections 8303(c) and (d) and 8304(a) of Title
46 24 are amended to read:

47 § 8303. Eligibility points for retention and reinstatement of
48 service credits.

49 * * *

50 (c) Purchase of previous creditable service.--Every active
51 member of the system or a multiple service member who is an

1 active member of the State Employees' Retirement System on or
2 after the effective date of this part may purchase credit and
3 receive eligibility points:

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

7 (2) as a member of Class T-D for previous creditable
8 school service, provided the member elects to become a Class
9 T-D member pursuant to section 8305.1 (relating to election
10 to become a Class T-D member);

11 upon written agreement by the member and the board as to the
12 manner of payment of the amount due for credit for such service;
13 except, that any purchase for reinstatement of service credit
14 shall be for all service previously credited.

15 (d) Purchase of previous noncreditable service.--Class T-C
16 and Class T-D members who are active members on the effective
17 date of this subsection shall have three years from the
18 effective date of this subsection to file a written application
19 with the board to purchase any previous noncreditable school
20 service. Class T-C and Class T-D members who are not active
21 members on the effective date of this subsection but who become
22 active members after the effective date of this subsection and
23 Class T-E [and], class T-F, Class T-G and Class T-H members
24 shall have 365 days from entry into the system to file a written
25 application with the board to purchase any previous
26 noncreditable school service.

27 § 8304. Creditable nonschool service.

28 (a) Eligibility.--An active member or a multiple service
29 member who is an active member of the State Employees'
30 Retirement System shall be eligible to receive Class T-C, Class
31 T-E [or], Class T-F, Class T-G or Class T-H service credit for
32 creditable nonschool service and Class T-D, Class T-E [or],
33 Class T-F, Class T-G or Class T-H service for intervening
34 military service, provided the member becomes a Class T-D member
35 pursuant to section 8305.1 (relating to election to become a
36 Class T-D member) or Class T-F member pursuant to section 8305.2
37 (relating to election to become a Class T-F member) or 8305
38 (relating to classes of service) or Class T-H service pursuant
39 to section 8305.3 (relating to election to become a Class T-H
40 member), as set forth in subsection (b) provided that he is not
41 entitled to receive, eligible to receive now or in the future,
42 or is receiving retirement benefits for such service under a
43 retirement system administered and wholly or partially paid for
44 by any other governmental agency or by any private employer, or
45 a retirement program approved by the employer in accordance with
46 section 8301(a)(1) (relating to mandatory and optional
47 membership), and further provided that such service is certified
48 by the previous employer and the manner of payment of the amount
49 due is agreed upon by the member, the employer, and the board.

50 * * *

51 Section 107. Section 8305(c)(1) and (d) of Title 24 are

1 amended and the section is amended by adding subsections to
2 read:

3 § 8305. Classes of service.

4 * * *

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

6 (1) A person who becomes a school employee and an active
7 member, or a person who becomes a multiple service member who
8 is a State employee and a member of the State Employees'
9 Retirement System, on or after the effective date of this
10 subsection and before July 2011, shall be classified as a
11 Class T-D member upon payment of regular member
12 contributions. Any prior school service credited as Class T-C
13 service shall be credited as Class T-D service, subject to
14 the limitations contained in paragraph (4).

15 * * *

16 (d) Class T-E membership.--Notwithstanding any other
17 provision, a person who first becomes a school employee and an
18 active member, or a person who first becomes a multiple service
19 member who is a State employee and a member of the State
20 Employees' Retirement System, on or after the effective date of
21 this subsection and before July 1, 2019, shall be classified as
22 a Class T-E member upon payment of regular member contributions
23 and the shared-risk contributions.

24 * * *

25 (f) Class T-G membership.--A person who first becomes a
26 school employee and an active member on or after July 1, 2019,
27 shall be classified as a Class T-G member upon payment of
28 regular member contributions and the shared-risk contributions.

29 (g) Class T-H membership or Class DC participant.--A person
30 who first becomes a school employee and an active member on or
31 after July 1, 2019, and who is eligible to become a Class T-G
32 member shall have the right to elect to become one of the
33 following:

34 (1) a Class T-H member, provided the person elects to
35 become a Class T-H member pursuant to section 8305.3
36 (relating to election to become a Class T-H member), upon
37 written election filed with the board and payment of regular
38 member contributions and the shared-risk contributions; or

39 (2) a Class DC participant, provided the person elects
40 to become a Class DC participant pursuant to section 8305.4
41 (relating to election to become a Class DC participant), upon
42 written election filed with the board and payment of
43 mandatory pickup participant contributions.

44 Section 107.1. Title 24 is amended by adding sections to
45 read:

46 § 8305.3. Election to become a Class T-H member.

47 (a) General rule.--A person who first becomes a school
48 employee and an active member on or after July 1, 2019, and who
49 is eligible to become a Class T-G member may elect to become a
50 member of Class T-H.

51 (b) Time for making election.--A member must elect to become

1 a Class T-H member by filing a written election with the board
2 within 90 days of notification by the board that the member is
3 eligible for the election. A school employee who is eligible to
4 elect to become a Class T-H member who begins USERRA leave
5 during the election period without having elected Class T-H
6 membership may make the election within 90 days after being
7 reemployed from USERRA leave.

8 (c) Effect of election.--An election to become a Class T-H
9 member shall be irrevocable and shall commence from the original
10 date of eligibility. A member who elects Class T-H membership
11 shall receive Class T-H service credit on any and all future
12 service, regardless of whether the member terminates service or
13 has a break in service.

14 (d) Effect of failure to make election.--If a member fails
15 to timely file an election to become a Class T-H member, and
16 does not elect to become a Class DC participant under section
17 8305.4 (relating to election to become a Class DC participant),
18 then the member shall be enrolled as a member of Class T-G, and
19 the member shall never be able to elect Class T-H service,
20 regardless of whether the member terminates service or has a
21 break in service.

22 § 8305.4. Election to become a Class DC participant.

23 (a) General rule.--A person who first becomes a school
24 employee and an active member on or after July 1, 2019, and who
25 is eligible to become a Class T-G member may elect to become a
26 participant of Class DC.

27 (b) Time for making election.--A member must elect to become
28 a Class DC participant by filing a written election with the
29 board within 90 days of notification by the board that the
30 member is eligible for the election. A school employee who is
31 eligible to elect to become a Class DC participant who begins
32 USERRA leave during the election period without having elected
33 to become a Class DC participant may make the election within 90
34 days after being reemployed from USERRA leave.

35 (c) Effect of election.--An election to become a Class DC
36 participant shall be irrevocable and shall commence from the
37 original date of eligibility. A member who elects to become a
38 Class DC participant shall remain a Class DC participant on any
39 and all future service, regardless of whether the participant
40 terminates service or has a break in service.

41 (d) Effect of failure to make election.--If a member fails
42 to timely file an election to become a Class DC participant, and
43 does not elect to become a member of Class T-H under section
44 8305.3 (relating to election to become a Class T-H member), then
45 the member shall be enrolled as a member of Class T-G, and the
46 member shall never be able to elect to become a Class DC
47 participant, regardless of whether the member terminates service
48 or has a break in service.

49 § 8305.5. Election to become Class T-G, Class T-H or Class DC.

50 (a) General rule.--A person who:

51 (1) is a Class T-C, Class T-D, Class T-E or Class T-F

1 member of the system or a Class T-C, Class T-D, Class T-E or
2 Class T-F multiple service member who is a State employee and
3 a member of the State Employees' Retirement System; and
4 (2) on July 1, 2019, is an active member of the system
5 or an active member of the State Employees' Retirement System
6 if a multiple service member,
7 may elect to become a member of Class T-G, Class T-H or a
8 participant of Class DC.

9 (b) Time for making election.--The member must elect to
10 become a member of Class T-G or Class T-H or a participant of
11 Class DC by filing a written notice with the board within 90
12 days of notification by the board that the member is eligible to
13 make the election or before the termination of school service or
14 State service, as applicable, whichever occurs first. A school
15 employee who is eligible to elect to become a member of Class T-
16 G or Class T-H or a participant of Class DC who begins USERRA
17 leave during the election period without having elected the
18 membership may make the election within 90 days after being
19 reemployed from USERRA leave.

20 (c) Effect of election.--An election to become a member of
21 Class T-G or Class T-H or a participant in Class DC shall be
22 irrevocable. The election shall apply to all service performed
23 on or after January 1, 2020.

24 (1) Total contribution rate. A member electing
25 membership in Class T-G or Class T-H shall be deemed to have
26 accepted the basic contribution rate for the class of
27 membership as defined in section 8102 (relating to
28 definitions) in effect at the time of the election, provided
29 that the sum of the total contribution rate plus the
30 mandatory pickup participant contributions of a member who
31 elects membership in Class T-G or Class T-H shall not be more
32 or less than the total contribution rate the member would
33 have contributed had the member not elected such membership.
34 Class T-C and Class T-D members electing membership in Class
35 T-G or Class T-H shall not be subject to the shared-risk
36 contribution rate as determined by section 8321 (relating to
37 regular member contributions for current service).

38 (2) Mandatory pickup participant contributions. The
39 mandatory pickup participant contribution of a member
40 electing Class T-G or Class T-H shall be the difference
41 between the total contribution rate of the member's prior
42 class of service and the total contribution rate of the
43 elected class of service. A member electing participation in
44 Class DC shall be deemed to have accepted the mandatory
45 pickup participant contribution rate for Class DC equal to
46 the total contribution rate the member would have contributed
47 had the member not elected participation.

48 (d) Effect of failure to make election.--If the member fails
49 to timely file an election to become a member of Class T-G or
50 Class T-H or a participant of Class DC, the member shall
51 continue to be enrolled as a member of Class T-C, Class T-D,

1 Class T-E or Class T-F as applicable and the member shall never
2 be able to elect membership in Class T-G or Class T-H or
3 participation in Class DC, regardless of whether the member
4 terminates service, has a break in service or refunds and
5 returns to service.

6 (e) Former members.--Class T-C, Class T-D, Class T-E and
7 Class T-F members, or former Class T-C, Class T-D, Class T-E and
8 Class T-F members who, on July 1, 2019, are not eligible to make
9 an election, or who return to service on or after July 1, 2019,
10 shall not be eligible to elect membership in Class T-G or Class
11 T-H or participation in Class DC.

12 (f) Multiple classes of service.--A member with more than
13 one class of service who vests the member's retirement benefits
14 in any class of service may not receive distributions from other
15 classes of service until the member's effective date of
16 retirement, regardless of whether the member's benefits
17 resulting from such other classes of service are vested or the
18 member is eligible to receive an annuity. A member with service
19 credited in more than one class of service may not separately
20 vest the benefits and receive annuities from different classes
21 of service with different effective dates.

22 (g) Eligibility points.--In determining whether a member,
23 who elects membership in Class T-G or Class T-H or participation
24 in Class DC, accrues the eligibility points required in sections
25 8102 (relating to definitions), 8305 (relating to classes of
26 service), 8307 (relating to eligibility for annuities), 8308
27 (relating to eligibility for vesting), 8345 (relating to
28 member's options) and 8346 (relating to termination of
29 annuities), eligibility points earned by performing credited
30 school service as a member of Class T-C, Class T-D, Class T-E,
31 Class T-F, Class T-G and Class T-H shall be counted in the
32 aggregate for eligibility purposes only. A member who elects
33 participation in Class DC shall earn one eligibility point for
34 each fiscal year in which the Class DC participant contributes
35 to the trust.

36 Section 108. Sections 8306, 8307, 8308, 8310, 8321,
37 8322.1(a), 8323(a), (c) and (d)(1), 8324, 8325.1(a), 8326(a) and
38 (c) and 8327 of Title 24 are amended to read:

39 § 8306. Eligibility points.

40 (a) General rule.--An active member of the system shall
41 accrue one eligibility point for each year of credited service
42 as a member of the [school or State retirement system] system or
43 if a multiple service member, as a member of the State
44 Employees' Retirement System. A member shall accrue an
45 additional two-thirds of an eligibility point for each year of
46 Class D-3 credited service under the State Employees' Retirement
47 System. In the case of a fractional part of a year of credited
48 service, a member shall accrue the corresponding fractional
49 portion of an eligibility point.

50 (a.1) USERRA leave.--A member or participant who is
51 reemployed from USERRA leave or who dies while performing USERRA

1 leave shall be granted the eligibility points that he would have
2 accrued had he continued in his school office or employment
3 instead of performing USERRA leave. If a school employee who is
4 reemployed from USERRA leave makes the member or mandatory
5 pickup participant contributions to be granted school service
6 credit for the USERRA leave, no additional eligibility points
7 may be granted.

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

9 (1) In determining whether a member, other than a
10 disability annuitant who returns to school service after June
11 30, 2001, upon termination of the disability annuity, who is
12 not a school employee or a State employee on June 30, 2001,
13 and July 1, 2001, and who has previous school service, has
14 the five eligibility points required by the definition of
15 "vestee" in sections 8102 (relating to definitions), 8307
16 (relating to eligibility for annuities), 8308 (relating to
17 eligibility for vesting) and 8345 (relating to member's
18 options), only eligibility points earned by performing
19 credited school service, USERRA leave or credited State
20 service as an active member of the State Employees'
21 Retirement System after June 30, 2001, shall be counted until
22 such member earns one eligibility point by performing
23 credited school service or, if a multiple service member,
24 credited State service after June 30, 2001, at which time all
25 eligibility points as determined under subsection (a) shall
26 be counted.

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

31 (a).

32 § 8307. Eligibility for annuities.

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

38 (b) Withdrawal annuity.--

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

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

49 (3) A vestee in Class T-G or Class T-H with ten or more
50 eligibility points or an active or inactive Class T-G or
51 Class T-H member who terminates school service having ten or

1 more eligibility points shall, upon filing a proper
2 application, be entitled to receive an early annuity,
3 provided the member has attained the age of 62.

4 (c) Disability annuity.--An active or inactive member who
5 has credit for at least five years of service shall, upon filing
6 of a proper application, be entitled to a disability annuity if
7 he becomes mentally or physically incapable of continuing to
8 perform the duties for which he is employed and qualifies for an
9 annuity in accordance with the provisions of section 8505(c)(1)
10 (relating to duties of board regarding applications and
11 elections of members and participants).

12 § 8308. Eligibility for vesting.

13 Any Class T-C or Class T-D member who terminates school
14 service, or if a multiple service member and an active member of
15 the State Employees' Retirement System who terminates State
16 service, with five or more eligibility points shall be entitled
17 to vest his retirement benefits until the member's required
18 beginning date. Any Class T-E [or], Class T-F, Class T-G or
19 Class T-H member who terminates school service, or if a multiple
20 service member and an active member of the State Employees'
21 Retirement System who terminates State service, with ten or more
22 eligibility points shall be entitled to vest his retirement
23 benefits until his required beginning date.

24 § 8310. Eligibility for refunds.

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

29 § 8321. Regular member contributions for current service.

30 (a) General.--Regular member contributions shall be made to
31 the fund on behalf of each active member for current service
32 except for any period of current service in which the making of
33 such contributions has ceased solely by reason of any provision
34 of this part relating to the limitations under IRC § 401(a)(17)
35 or 415.

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

38 (1) Commencing with the annual actuarial valuation
39 performed under section 8502(j) (relating to administrative
40 duties of board), for the period ending June 30, 2014, and
41 every three years thereafter, the board shall compare the
42 actual investment rate of return, net of fees, to the annual
43 interest rate adopted by the board for the calculation of the
44 normal contribution rate, based on the market value of
45 assets, for the prior ten-year period. If the actual
46 investment rate of return, net of fees, is less than the
47 annual interest rate adopted by the board by an amount of 1%
48 or more, then the shared-risk contribution rate of Class T-E
49 and T-F members will increase by .5% and the shared-risk
50 contribution rate of Class T-G and Class T-H members will
51 increase by .75%. If the actual investment rate of return,

1 net of fees, is equal to or exceeds the annual interest rate
2 adopted by the board[,], by less than 1%, then the shared-risk
3 contributions rate of Class T-E and T-F members will decrease
4 by .5% [. Class T-E and T-F members will contribute at the
5 total member contribution rate in effect when they are hired.
6 The] and the shared-risk contribution rate of Class T-G and
7 Class T-H members will decrease by .75%, provided the total
8 member contribution rate on the date of the actuarial
9 valuation is above the member's basic contribution rate. If
10 the actual investment rate of return, net of fees, is more
11 than the annual interest rate adopted by the board by an
12 amount of 1% or more, then the shared-risk contribution rate
13 of Class T-E and Class T-F members will decrease by .5% and
14 the shared-risk contribution rate of Class T-G and Class T-H
15 members will decrease by .75%. If the actual investment rate
16 of return, net of fees, is equal to or below the annual
17 interest rate adopted by the board by less than 1%, then:

18 (i) the shared-risk contribution rate of Class T-E and
19 Class T-F members will increase by .5%; and

20 (ii) the shared-risk contribution rate of Class T-G and
21 Class T-H members will increase by .75%, provided the total
22 member contribution rate on the date of the actuarial
23 valuation is below the member's basic contribution rate.

24 (2) Notwithstanding paragraph (1), the total member
25 contribution rate for Class T-E members shall not be less
26 than [7.5%] 5.5%, nor more than 9.5%. The total member
27 contribution rate for Class T-F members shall not be less
28 than [10.3%] 8.3%, nor more than 12.3%. The total member
29 contribution rate for Class T-G members shall not be less
30 than 2.5% nor more than 8.5%. The total member contribution
31 rate for Class T-H members shall not be less than 1.5% nor
32 more than 7.5%. Notwithstanding this subsection, if the
33 system's actuarial funded status is 100% or more as of the
34 date used for the comparison required under this subsection,
35 as determined in the current annual actuarial valuation, the
36 shared-risk contribution rate shall [be] not be greater than
37 zero. In the event that the annual interest rate adopted by
38 the board for the calculation of the normal contribution rate
39 is changed during the period used to determine the shared-
40 risk contribution rate, the board, with the advice of the
41 actuary, shall determine the applicable rate during the
42 entire period, expressed as an annual rate. The following
43 provisions apply:

44 [(1)] (i) Until the system has a ten-year period of
45 investment rate of return experience following the
46 effective date of this subsection, the look-back period
47 shall begin not earlier than the effective date of this
48 subsection.

49 [(2)] (ii) For any fiscal year in which the employer
50 contribution rate is lower than the final contribution
51 rate under section 8328(h) (relating to actuarial cost

method), the total member contribution rate for Class T-E [and T-F], Class T-F, Class T-G and Class T-H members shall be prospectively reset to the basic contribution rate, provided the total member contribution rate is at or above the basic contribution rate.

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

(3) Notwithstanding paragraph (1), shared-risk member contributions for Class T-E, Class T-F, Class T-G and Class T-H service shall not be made in any fiscal year in which the Commonwealth fails to make the annually required contribution to the fund as provided under section 8328.

§ 8322.1. Pickup contributions.

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

* * *

§ 8323. Member contributions for creditable school service.

(a) Previous school service, sabbatical leave and full coverage.--The contributions to be paid by an active member or an eligible State employee for credit in the system for reinstatement of all previously credited school service, school service not previously credited, sabbatical leave as if he had been in full-time daily attendance, or full-coverage membership shall be sufficient to provide an amount equal to the accumulated deductions which would have been standing to the credit of the member for such service had regular member contributions been made with full coverage at the rate of contribution necessary to be credited as Class T-C service, Class T-D service if the member is a Class T-D member, Class T-E service if the member is a Class T-E member [or], Class T-F service if the member is a Class T-F member, Class T-G service if the member is a Class T-G member or Class T-H service if the member is a Class T-H member and had such contributions been credited with statutory interest during the period the contributions would have been made and during all periods of subsequent school and State service up to the date of purchase.

* * *

(c) Approved leave of absence other than sabbatical leave and activated military service leave.--The contributions to be paid by an active member for credit for an approved leave of absence, other than sabbatical leave and activated military service leave, shall be sufficient to transfer his membership to

1 Class T-C or to Class T-D if the member is a Class T-D member,
2 to Class T-E if the member is a Class T-E member [or], to Class
3 T-F if the member is a Class T-F member, to Class T-G service if
4 the member is a Class T-G member or to Class T-H service if the
5 member is a Class T-H member and further to provide an annuity
6 as a Class T-C member or Class T-D member if the member is a
7 Class T-D member, to Class T-E if the member is a Class T-E
8 member [or], to Class T-F if the member is a Class T-F member,
9 to Class T-G service if the member is a Class T-G member or to
10 Class T-H service if the member is a Class T-H member for such
11 additional credited service. Such amount shall be the sum of the
12 amount required in accordance with the provisions of subsection
13 (b) and an amount determined as the sum of the member's basic
14 contribution rate and the normal contribution rate as provided
15 in section 8328 (relating to actuarial cost method) during such
16 period multiplied by the compensation which was received or
17 which would have been received during such period and with
18 statutory interest during all periods of subsequent school and
19 State service up to the date of purchase.

20 * * *

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

22 (1) In all cases other than for the purchase of credit
23 for sabbatical leave and activated military service leave
24 beginning before the effective date of paragraph (2), the
25 amount payable shall be certified by the board in accordance
26 with methods approved by the actuary and may be paid in a
27 lump sum within 90 days or in the case of an active member or
28 an eligible State employee who is an active member of the
29 State Employees' Retirement System it may be amortized with
30 statutory interest through salary deductions to the system in
31 amounts agreed upon by the member and the board. The salary
32 deduction amortization plans agreed to by members and the
33 board may include a deferral of payment amounts and statutory
34 interest until the termination of school service or State
35 service as the board in its sole discretion decides to allow.
36 The board may limit salary deduction amortization plans to
37 such terms as the board in its sole discretion determines. In
38 the case of an eligible State employee who is an active
39 member of the State Employees' Retirement System, the agreed
40 upon salary deductions shall be remitted to the State
41 Employees' Retirement Board, which shall certify and transfer
42 to the board the amounts paid.

43 * * *

44 § 8324. Contributions for purchase of credit for creditable
45 nonschool service and noncreditable school service.

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

(b) Nonintervening military service.--The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 (relating to actuarial cost method) at the time of entry of the member into school service subsequent to such military service to one-third of his total compensation received during the first three years of such subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonintervening military service being purchased together with statutory interest during all periods of subsequent school and State service to date of purchase. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member or an eligible State employee who is an active member of the State Employees' Retirement System it may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible State employee who is an active member of the State Employees' Retirement System, the agreed upon salary deductions shall be remitted to the State Employees' Retirement Board, which shall certify and transfer to the board the amounts paid. Application may be filed for all such military service credit upon completion of three years of subsequent credited school service and shall be credited as Class T-C service. In the event that a Class T-E member makes a purchase of credit for such military service, then such service shall be credited as Class T-E service. In the event that a Class T-F member makes a purchase of credit for such military service, then such service shall be credited as Class T-F service. In the event that a Class T-G member makes a purchase of credit for such military service, then such service shall be credited as Class T-G service. In the event that a Class T-H member makes a purchase of credit for such military service, then such service shall be credited as Class T-H service.

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

1 the following methods:

2 (1) Regular monthly payments during active military
3 service.

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

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

19 (d) Other creditable nonschool service and noncreditable
20 school service.--

21 (1) Contributions on account of Class T-C credit for
22 creditable nonschool service other than military service
23 shall be determined by applying the member's basic
24 contribution rate plus the normal contribution rate as
25 provided in section 8328 at the time of the member's entry
26 into school service subsequent to such creditable nonschool
27 service to his total compensation received during the first
28 year of subsequent credited school service and multiplying
29 the product by the number of years and fractional part of a
30 year of creditable nonschool service being purchased together
31 with statutory interest during all periods of subsequent
32 school or State service to the date of purchase, except that
33 in the case of purchase of credit for creditable nonschool
34 service as set forth in section 8304(b)(5) (relating to
35 creditable nonschool service) the member shall pay only the
36 employee's share unless otherwise provided by law. Upon
37 certification of the amount due, payment may be made in a
38 lump sum within 90 days or in the case of an active member or
39 an eligible State employee who is an active member of the
40 State Employees' Retirement System it may be amortized with
41 statutory interest through salary deductions to the system in
42 amounts agreed upon by the member and the board. The salary
43 deduction amortization plans agreed to by the members and the
44 board may include a deferral of payment amounts and statutory
45 interest until the termination of school service or State
46 service as the board in its sole discretion decides to allow.
47 The board may limit salary deduction amortization plans to
48 such terms as the board in its sole discretion determines. In
49 the case of an eligible State employee who is an active
50 member of the State Employees' Retirement System, the agreed
51 upon salary deductions shall be remitted to the State

1 Employees' Retirement Board, which shall certify and transfer
2 to the board the amounts paid.

3 (2) Contributions on account of Class T-E [or], Class T-
4 F, Class T-G or Class T-H credit for creditable nonschool
5 service other than military service shall be the present
6 value of the full actuarial cost of the increase in the
7 projected superannuation annuity caused by the additional
8 service credited on account of the purchase. Upon
9 certification of the amount due, payment may be made in a
10 lump sum within 90 days or, in the case of an active member
11 or an eligible State employee who is an active member of the
12 State Employees' Retirement System, it may be amortized with
13 statutory interest through salary deductions to the system in
14 amounts agreed upon by the member and the board. The salary
15 deduction amortization plans agreed to by the members and the
16 board may include a deferral of payment amounts and statutory
17 interest until the termination of school service or State
18 service as the board in its sole discretion decides to allow.
19 The board may limit salary deduction amortization plans to
20 the terms as the board in its sole discretion determines. In
21 the case of an eligible State employee who is an active
22 member of the State Employees' Retirement System, the agreed
23 upon salary deductions shall be remitted to the State
24 Employees' Retirement Board, which shall certify and transfer
25 to the board the amounts paid.

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

49 (e) Creditable work experience.--Contributions on account of
50 Class T-C, Class T-E [or], Class T-F, Class T-G or Class T-H
51 credit for creditable work experience pursuant to section

1 8304(b)(6) shall be the present value of the full actuarial cost
2 of the increase in the projected superannuation annuity caused
3 by the additional service credited on account of the purchase of
4 creditable work experience. The amount paid for the purchase of
5 credit for creditable work experience shall not be payable as a
6 lump sum under section 8345(a)(4)(iii) (relating to member's
7 options). Any individual eligible to receive an annuity,
8 excluding an annuity received under the Federal Social Security
9 Act (42 U.S.C. § 301 et seq.), in another pension system, other
10 than a military pension system, shall not be eligible to
11 purchase this service.

12 (f) Creditable maternity leave.--Contributions on account of
13 Class T-C, Class T-E or Class T-F credit for creditable
14 maternity leave pursuant to section 8304(b)(7) shall be
15 determined by applying the member's basic contribution rate plus
16 the normal contribution rate as provided in section 8328 at the
17 time of the member's return to school service to the total
18 compensation received during the first year of subsequent school
19 service and multiplying the product by the number of years and
20 fractional part of a year of creditable service being purchased,
21 together with statutory interest during all periods of
22 subsequent school or State service to the date of purchase. The
23 amount paid for the purchase of credit for creditable maternity
24 leave shall not be eligible for withdrawal as a lump sum under
25 section 8345(a)(4)(iii).

26 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

27 (a) General rule.--In addition to other applicable
28 limitations set forth in this part, and notwithstanding any
29 provision of this part to the contrary, the annual compensation
30 of each noneligible member and each participant taken into
31 account for benefit purposes under this subchapter shall not
32 exceed the limitation under IRC § 401(a)(17). On and after July
33 1, 1996, any reference in this part to the limitation under IRC
34 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
35 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
36 compensation limit set forth in this subsection. The OBRA '93
37 annual compensation limit is \$150,000, as adjusted by the
38 commissioner for increases in the cost of living in accordance
39 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
40 effect for a calendar year applies to any determination period
41 which is a period, not exceeding 12 months, over which
42 compensation is determined, beginning in such calendar year. If
43 a determination period consists of fewer than 12 months, the
44 OBRA '93 compensation limit will be multiplied by a fraction,
45 the numerator of which is the number of months in the
46 determination period and the denominator of which is 12.

47 * * *

48 § 8326. Contributions by the Commonwealth.

49 (a) Contributions on behalf of active members.--The
50 Commonwealth shall make contributions into the fund on behalf of
51 all active members and participants, including members and

1 participants on activated military service leave, in an amount
2 equal to one-half the amount certified by the board as necessary
3 to provide, together with the members' contributions, annuity
4 reserves on account of prospective annuities as provided in this
5 part in accordance with section 8328 (relating to actuarial cost
6 method). In case a school employee has elected membership in a
7 retirement program approved by the employer, the Commonwealth
8 shall contribute to such program on account of his membership an
9 amount no greater than the amount it would have contributed had
10 the employee been a member of the Public School Employees'
11 Retirement System.

12 * * *

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

14 (1) The Commonwealth shall make contributions into the
15 fund on behalf of all active members and participants,
16 including members and participants on activated military
17 service leave, for service performed after June 30, 1995, in
18 the following manner:

19 (i) For members and participants who are employees
20 of employers that are school entities, no Commonwealth
21 contributions shall be made.

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

25 (2) The Commonwealth shall make contributions into the
26 fund on behalf of annuitants for all amounts due to the fund
27 after June 30, 1995, including, but not limited to, amounts
28 due pursuant to section 8328(d) and (f), in the following
29 manner:

30 (i) For members and participants who are employees
31 of employers who are school entities, no Commonwealth
32 contributions shall be made.

33 (ii) For members and participants who are employees
34 of employers who are not school entities, the amount
35 computed under subsection (b).

36 * * *

37 § 8327. Payments by employers.

38 (a) General rule.--Each employer, including the Commonwealth
39 as employer of employees of the Department of Education, State-
40 owned colleges and universities, Thaddeus Stevens College of
41 Technology, Western Pennsylvania School for the Deaf, Scotland
42 School for Veterans' Children[,] and [the] The Pennsylvania
43 State University, shall make payments to the fund each quarter
44 in an amount equal to one-half the sum of the percentages, as
45 determined under section 8328 (relating to actuarial cost
46 method), applied to the total compensation during the pay
47 periods in the preceding quarter of all its employees who were
48 members of the system during such period, including members on
49 activated military service leave. In the event a member on
50 activated military service leave does not return to service for
51 the necessary time or receives an undesirable, bad conduct or

1 dishonorable discharge or does not elect to receive credit for
2 activated military service under section 8302(b.1)(3) (relating
3 to credited school service), the contributions made by the
4 employer on behalf of such member shall be returned with
5 valuation interest upon application by the employer.

6 (b) Deduction from appropriations.--

7 (1) To facilitate the payment of amounts due from any
8 employer to the fund and the trust through the State
9 Treasurer and to permit the exchange of credits between the
10 State Treasurer and any employer, the Secretary of Education
11 and the State Treasurer shall cause to be deducted and paid
12 into the fund and the trust from the amount of any moneys due
13 to any employer on account of any appropriation for schools
14 or other purposes amounts equal to the employer
15 contributions, employer defined contributions and pickup
16 contributions which an employer is required to pay to the
17 fund and the trust, as certified by the board, and as remains
18 unpaid on the date such appropriations would otherwise be
19 paid to the employer. Such amount shall be credited to the
20 appropriate accounts in the fund and the trust.

21 (2) To facilitate the payments of amounts due from any
22 charter school, as defined in Article XVII-A of the act of
23 March 10, 1949 (P.L.30, No.14), known as the Public School
24 Code of 1949, to the fund and the trust through the State
25 Treasurer and to permit the exchange of credits between the
26 State Treasurer and any employer, the Secretary of Education
27 and the State Treasurer shall cause to be deducted and paid
28 into the fund and the trust from any funds appropriated to
29 the Department of Education for basic education of the
30 chartering school district of a charter school and public
31 school employees' retirement contributions amounts equal to
32 the employer contributions, employer defined contributions
33 and pickup contributions which a charter school is required
34 to pay to the fund and the trust, as certified by the board,
35 and as remains unpaid on the date such appropriations would
36 otherwise be paid to the chartering school district or
37 charter school. Such amounts shall be credited to the
38 appropriate accounts in the fund and the trust. Any reduction
39 in payments to a chartering school district made pursuant to
40 this section shall be deducted from the amount due to the
41 charter school district pursuant to the Public School Code of
42 1949.

43 (c) Payments by employers after June 30, 1995, and before
44 June 30, 2019.--After June 30, 1995, and before June 30, 2019,
45 each employer, including the Commonwealth as employer of
46 employees of the Department of Education, State-owned colleges
47 and universities, Thaddeus Stevens College of Technology,
48 Western Pennsylvania School for the Deaf, Scotland School for
49 Veterans' Children and The Pennsylvania State University, shall
50 make payments to the fund and the trust each quarter in an
51 amount computed in the following manner:

1 (1) For an employer that is a school entity, the amount
2 shall be the sum of the percentages as determined under
3 section 8328 applied to the total compensation during the pay
4 periods in the preceding quarter of all employees who were
5 active members of the system or active participants of the
6 plan during such period, including members or active
7 participants on activated military service leave. In the
8 event a member on activated military service leave does not
9 return to service for the necessary time or receives an
10 undesirable, bad conduct or dishonorable discharge or does
11 not elect to receive credit for activated military service
12 under section 8302(b.1)(3), the contribution made by the
13 employer on behalf of such member shall be returned with
14 valuation interest upon application by the employer.

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

17 (3) For any employer, whether or not a school entity, in
18 computing the amount of payment due each quarter, there shall
19 be excluded from the total compensation referred to in this
20 subsection and subsection (a) any amount of compensation of a
21 noneligible member on the basis of which member or
22 participant contributions have not been made by reason of the
23 limitation under IRC § 401(a)(17), except as otherwise
24 provided in this part. Any amount of contribution to the fund
25 paid by the employer on behalf of a noneligible member on the
26 basis of compensation which was subject to exclusion from
27 total compensation in accordance with the provisions of this
28 paragraph shall, upon the board's determination or upon
29 application by the employer, be returned to the employer with
30 valuation interest. Any amount of contribution to the trust
31 paid by the employer on behalf of a noneligible member on the
32 basis of compensation that was subject to exclusion from
33 total compensation in accordance with the provisions of this
34 paragraph shall, upon the board's determination or upon
35 application by the employer, be returned to the employer plus
36 interest and investment gains or losses on such amount but
37 minus investment fees and administrative charges.

38 (d) Payments by employers after June 30, 2019.--After June
39 30, 2019, each employer, including the Commonwealth as employer
40 of employees of the Department of Education, State-owned
41 colleges and universities, Thaddeus Stevens College of
42 Technology, Western Pennsylvania School for the Deaf, Scotland
43 School for Veterans' Children and The Pennsylvania State
44 University, shall make payments to the fund and the trust each
45 quarter in an amount computed in the following manner:

46 (1) For an employer that is a school entity, the amount
47 shall be the sum of the percentages as determined under
48 section 8328 (relating to actuarial cost method) applied to
49 the total compensation during the pay periods in the
50 preceding quarter of all employees who were active members of
51 the system during such period, including members on activated

1 military service leave and USERRA leave. In the event a
2 member on activated military service leave or USERRA leave
3 does not return to service for the necessary time or receives
4 an undesirable, bad conduct or dishonorable discharge or does
5 not elect to receive credit for activated military service
6 under section 8302(b.1)(3), the contribution made by the
7 employer on behalf of such member shall be returned with
8 valuation interest upon application by the employer.

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

11 (3) For any employer, whether or not a school entity, in
12 computing the amount of payment due each quarter, there shall
13 be excluded from the total compensation referred to in this
14 subsection and subsection (a) any amount of compensation of a
15 noneligible member or participant on the basis of which
16 member or participant contributions have not been made by
17 reason of the limitation under IRC § 401(a)(17). Any amount
18 of contribution to the fund paid by the employer on behalf of
19 a noneligible member or participant on the basis of
20 compensation that was subject to exclusion from total
21 compensation in accordance with the provisions of this
22 paragraph shall, upon the board's determination or upon
23 application by the employer, be returned to the employer with
24 valuation interest.

25 (e) Agreement.--The agreement of an employer listed in the
26 definition of school employee under section 8102 (relating to
27 definitions) or any other law to make contributions to the fund
28 or to enroll its employees as members in the system shall be
29 deemed to be an agreement to make contributions to the trust or
30 enroll its employees in the plan.

31 (f) Contributions.--The employer employing a participant
32 shall pick up the required mandatory participant contributions
33 by a reduction in the compensation of the participant.

34 (g) Reemployed from USERRA leave.--When a school employee
35 reemployed from USERRA leave makes the member contributions
36 required to be granted school service credit for the USERRA
37 leave after June 30, 2019, either by actual payment or by
38 actuarial debt under section 8325 (relating to incomplete
39 payments), the employer that employed the school employee when
40 the member contributions are made, or the last employer before
41 termination in the case of payment under section 8325, shall
42 make the employer contributions that would have been made under
43 this section if the employee making the member contributions
44 after he is reemployed from USERRA leave continued to be
45 employed in his school office or position instead of performing
46 USERRA leave.

47 Section 108.1. Sections 8328(a), (b), (c), (e)(1) and (g)
48 and 8330 of Title 24 are amended to read:
49 § 8328. Actuarial cost method.

50 (a) Employer contribution rate.--The amount of the total
51 employer contributions shall be computed by the actuary as a

1 percentage of the total compensation of all active members and
2 active participants, as applicable, during the period for which
3 the amount is determined and shall be so certified by the board.
4 The total employer contribution rate shall be the sum of the
5 final contribution rate as computed in subsection (h) plus the
6 premium assistance contribution rate as computed in subsection
7 (f), plus the additional contribution rate as computed in
8 subsection (j). The actuarially required contribution rate shall
9 consist of the normal contribution rate as defined in subsection
10 (b), the accrued liability contribution rate as defined in
11 subsection (c) and the supplemental annuity contribution rate as
12 defined in subsection (d). Beginning July 1, 2004, the
13 actuarially required contribution rate shall be modified by the
14 experience adjustment factors as calculated in subsection (e).
15 The actuarially required contribution shall be no less than the
16 normal cost plus the cost to fully amortize the unfunded
17 actuarial accrued liability calculated using actuarial methods
18 and assumptions that are consistent with generally accepted
19 actuarial standards and generally accepted accounting
20 principles, including professional actuarial standards of
21 practice.

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

38 (c) Accrued liability contribution rate.--

39 (1) For the fiscal years beginning July 1, 2002, and
40 ending June 30, 2011, the accrued liability contribution rate
41 shall be computed as the rate of total compensation of all
42 active members which shall be certified by the actuary as
43 sufficient to fund over a period of ten years from July 1,
44 2002, the present value of the liabilities for all
45 prospective benefits of active members, except for the
46 supplemental benefits provided in sections 8348 (relating to
47 supplemental annuities), 8348.1 (relating to additional
48 supplemental annuities), 8348.2 (relating to further
49 additional supplemental annuities), 8348.3 (relating to
50 supplemental annuities commencing 1994), 8348.4 (relating to
51 special supplemental postretirement adjustment), 8348.5

1 (relating to supplemental annuities commencing 1998), 8348.6
2 (relating to supplemental annuities commencing 2002) and
3 8348.7 (relating to supplemental annuities commencing 2003),
4 in excess of the total assets in the fund (calculated by
5 recognizing the actuarially expected investment return
6 immediately and recognizing the difference between the actual
7 investment return and the actuarially expected investment
8 return over a five-year period), excluding the balance in the
9 annuity reserve account, and of the present value of normal
10 contributions and of member contributions payable with
11 respect to all active members on July 1, 2002, during the
12 remainder of their active service.

13 (2) For the fiscal years beginning July 1, 2003, and
14 ending June 30, 2011, the amount of each annual accrued
15 liability contribution shall be equal to the amount of such
16 contribution for the fiscal year, beginning July 1, 2002,
17 except that, if the accrued liability is increased by
18 legislation enacted subsequent to June 30, 2002, but before
19 July 1, 2003, such additional liability shall be funded over
20 a period of ten years from the first day of July, coincident
21 with or next following the effective date of the increase.
22 The amount of each annual accrued liability contribution for
23 such additional legislative liabilities shall be equal to the
24 amount of such contribution for the first annual payment.

25 (3) Notwithstanding any other provision of law,
26 beginning July 1, 2004, and ending June 30, 2011, the
27 outstanding balance of the increase in accrued liability due
28 to the change in benefits enacted in 2001 and the outstanding
29 balance of the net actuarial loss incurred in fiscal year
30 2000-2001 shall be amortized in equal dollar annual
31 contributions over a period that ends 30 years after July 1,
32 2002, and the outstanding balance of the net actuarial loss
33 incurred in fiscal year 2001-2002 shall be amortized in equal
34 dollar annual contributions over a period that ends 30 years
35 after July 1, 2003. For fiscal years beginning on or after
36 July 1, 2004, if the accrued liability is increased by
37 legislation enacted subsequent to June 30, 2003, such
38 additional liability shall be funded in equal dollar annual
39 contributions over a period of ten years from the first day
40 of July coincident with or next following the effective date
41 of the increase.

42 (4) For the fiscal year beginning July 1, 2011, the
43 accrued liability contribution rate shall be computed as the
44 rate of total compensation of all active members which shall
45 be certified by the actuary as sufficient to fund as a level
46 percentage of compensation over a period of 24 years from
47 July 1, 2011, the present value of the liabilities for all
48 prospective benefits calculated as of June 30, 2010,
49 including the supplemental benefits as provided in sections
50 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
51 8348.7, in excess of the actuarially calculated assets in the

1 fund (calculated recognizing all realized and unrealized
2 investment gains and losses each year in level annual
3 installments over a ten-year period). In the event that the
4 accrued liability is increased by legislation enacted
5 subsequent to June 30, 2010, as a result of an increase in
6 benefits determined on a total plan basis, such additional
7 liability shall be funded as a level percentage of
8 compensation over a period of ten years from the July 1
9 second succeeding the date such legislation is enacted.

10 (5) For the fiscal year beginning on or after July 1,
11 2017, the actuarially calculated assets in the fund
12 determined in accordance with paragraph (4) shall be no less
13 than 70% and no more than 130% of market value.

14 * * *

15 (e) Experience adjustment factor.--

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

33 * * *

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

35 (1) The collared contribution rate for each fiscal year
36 shall be determined by comparing the actuarially required
37 contribution rate, calculated without regard for the costs
38 added by legislation, to the prior year's final contribution
39 rate.

40 (2) If, for any of the fiscal years beginning July 1,
41 2011, July 1, 2012, and on or after July 1, 2013, the
42 actuarially required contribution rate, calculated without
43 regard for the costs added by legislation, is more than 3%,
44 3.5% and 4.5%, respectively, of the total compensation of all
45 active members greater than the prior year's final
46 contribution rate, then the collared contribution rate shall
47 be applied and be equal to the prior year's final
48 contribution rate increased by 3%, 3.5% and 4.5%,
49 respectively, of total compensation of all active members.
50 Otherwise, and for all other fiscal years, the collared
51 contribution rate shall not be applicable. In no case shall

1 the collared contribution rate be less than 4% of the total
2 compensation of all active members.

3 * * *

4 § 8330. Appropriations by the Commonwealth.

5 (a) Annual submission of budget.--The board shall prepare
6 and through the Governor submit annually to the General Assembly
7 an itemized budget consisting of the amounts necessary to be
8 appropriated by the Commonwealth out of the General Fund
9 required to meet the separate obligations to the fund and the
10 trust accruing during the fiscal period beginning July 1 of the
11 following year.

12 (b) Appropriation and payment.--The General Assembly shall
13 make an appropriation sufficient to provide for the separate
14 obligations of the Commonwealth to the fund and the trust as
15 certified by the board. Such amount shall be paid by the State
16 Treasurer through the Department of Revenue into the fund or the
17 trust within 30 days of receipt of the requisition presented
18 each quarter by the board.

19 Section 109. (Reserved).

20 Section 110. Section 8341 of Title 24 is amended to read:

21 § 8341. Return of accumulated deductions.

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

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

29 § 8342. Maximum single life annuity.

30 (a) General rule.--Upon termination of service, any full
31 coverage member who is eligible to receive an annuity pursuant
32 to the provisions of section 8307(a) or (b) (relating to
33 eligibility for annuities) and has made an application in
34 accordance with the provisions of section 8507(f) (relating to
35 rights and duties of school employees [and members], members and
36 participants) shall be entitled to receive a maximum single life
37 annuity attributable to his credited service and equal to the
38 sum of the following single life annuities beginning at the
39 effective date of retirement and, in case the member on the
40 effective date of retirement is under superannuation age,
41 multiplied by a reduction factor calculated to provide benefits
42 actuarially equivalent to an annuity starting at superannuation
43 age: Provided however, That on or after July 1, 1976, in the
44 case of any member other than a Class T-G or Class T-H member
45 who has attained age 55 and has 25 or more eligibility points
46 such sum of single life annuities shall be reduced by a
47 percentage determined by multiplying the number of months,
48 including a fraction of a month as a full month, by which the
49 effective date of retirement precedes superannuation age by
50 1/4%: Further provided, That on or after July 1, 2019, in the
51 case of any Class T-G member who has attained age 57 and has 25

1 or more eligibility points, such sum of single life annuities
2 shall be reduced by a percentage determined by multiplying the
3 number of months, including a fraction of a month as a full
4 month, by which the effective date of retirement precedes
5 superannuation age by 1/4%: Further provided, That on or after
6 July 1, 2019, in the case of any Class T-H member who has
7 attained age 62 and has 25 or more eligibility points and who
8 terminates service on or after attaining age 55, such sum of
9 single life annuities shall be reduced by a percentage
10 determined by multiplying the number of months, including a
11 fraction of a month as a full month, by which the effective date
12 of retirement precedes superannuation age by 1/4%: Further
13 provided, In no event shall a Class T-E [or], Class T-F, Class
14 T-G or Class T-H member receive an annual benefit, calculated as
15 of the effective date of retirement, greater than the member's
16 final average salary:

17 (1) A [standard single life annuity multiplied by the]
18 single life annuity that is the sum of annuities determined
19 separately for each class of service [multiplier] and
20 calculated on the basis of the number of years of credited
21 school service other than concurrent service.

22 (2) A standard single life annuity multiplied by the
23 class of service multiplier and calculated on the basis of
24 the number of years of concurrent service and multiplied by
25 the ratio of total compensation received in the school system
26 during the period of concurrent service to the total
27 compensation received during such period.

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

32 * * *

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

38 (e) Special calculation for class T-G and T-H.--For the
39 calculation under subsection (a) for all T-G and T-H members the
40 interest used in the calculation for an annuity for a vestee or
41 an active or inactive member that has not attained the age of 62
42 shall be the amount required to have no actuarial cost to the
43 system. The amount to be calculated shall be certified by the
44 system's actuary in their annual valuation and will only be
45 valid if adopted by the board.

46 § 8344. Disability annuities.

47 (a) Amount of annuity.--A member who has made application
48 for a disability annuity as provided in section 8507(k)
49 (relating to rights and duties of school employees [and],
50 members and participants) and has been found to be eligible in
51 accordance with the provisions of sections 8307(c) (relating to

1 eligibility for annuities) and 8505(c)(1) (relating to duties of
2 board regarding applications and elections of members and
3 participants) shall receive a disability annuity payable from
4 the effective date of disability and continued until a
5 subsequent determination by the board that the annuitant is no
6 longer entitled to a disability annuity. The disability annuity
7 shall be a single life annuity that is equal to a sum of the
8 standard single life [annuity] annuities determined separately
9 for each class of service if the total number of years of
10 credited service is greater than 16.667, otherwise [the] each
11 standard single life annuity shall be multiplied by the lesser
12 of the following ratios:

13
$$Y^*/Y \text{ or } 16.667/Y$$

14 where Y = total number of years of credited service and Y* =
15 total years of credited service if the member were to continue
16 as a school employee until attaining superannuation age, or if
17 the member has attained superannuation age then the number of
18 years of credited service. For purposes of calculating a
19 disability annuity for a member of Class T-G or Class T-H, the
20 standard single life annuity shall equal 2% of the final average
21 salary, multiplied by the total number of years and fractional
22 part of a year of service credited for such class of service. In
23 no event shall the disability annuity plus any cost-of-living
24 increases be less than \$100 for each full year of credited
25 service. The member shall be entitled to the election of a joint
26 and survivor annuity on that portion of the disability annuity
27 to which he is entitled under section 8342 (relating to maximum
28 single life annuity).

29 (b) Reduction on account of earned income.--Payments on
30 account of disability shall be reduced by that amount by which
31 the earned income of the annuitant, as reported in accordance
32 with section 8508(b) (relating to rights and duties of
33 annuitants) for the preceding year together with the disability
34 annuity payments for the year, exceeds the greater of \$5,000 or
35 the last year's salary of the annuitant as a [school employee]
36 member of the system, provided that the annuitant shall not
37 receive less than his member's annuity or the amount to which he
38 may be entitled under section 8342, whichever is greater.

39 * * *

40 (d) Withdrawal of accumulated deductions.--Upon termination
41 of disability annuity payments in excess of an annuity
42 calculated in accordance with section 8342, a disability
43 annuitant who[:

44 (1) is a Class T-C or Class T-D member; or
45 (2) is a Class T-E or Class T-F member with less than
46 ten eligibility points
47 and who] does not return to school service may file an
48 application with the board for an amount equal to the
49 accumulated deductions, shared-risk member contributions and
50 statutory interest standing to his credit at the effective date
51 of disability less the total payments received on account of his

1 member's annuity.

2 * * *

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

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

11 § 8345. Member's options.

12 (a) General rule.--Any Class T-C or Class T-D member who is
13 a vestee with five or more eligibility points, any Class T-E
14 [or], Class T-F, Class T-G or Class T-H member who is a vestee
15 with ten or more eligibility points, or any [other] eligible
16 member upon termination of school service [who has not withdrawn
17 his accumulated deductions as provided in section 8341 (relating
18 to return of accumulated deductions)] who is eligible to receive
19 an annuity, may apply for and elect to receive either a maximum
20 single life annuity, as calculated in accordance with the
21 provisions of section 8342 (relating to maximum single life
22 annuity), or a reduced annuity certified by the actuary to be
23 actuarially equivalent to the maximum single life annuity and in
24 accordance with one of the following options, except that no
25 member shall elect an annuity payable to one or more survivor
26 annuitants other than his spouse or alternate payee of such a
27 magnitude that the present value of the annuity payable to him
28 for life plus any lump sum payment he may have elected to
29 receive is less than 50% of the present value of his maximum
30 single life annuity and no member may elect a payment option
31 that would provide benefits that do not satisfy the minimum
32 distribution requirements or would violate the incidental death
33 benefit rules of IRC § 401(a)(9). In no event shall a Class T-E
34 or Class T-F member receive an annual benefit, calculated as of
35 the effective date of retirement, greater than the member's
36 final average salary.

37 (1) Option 1.--A life annuity to the member with a
38 guaranteed total payment equal to the present value of the
39 maximum single life annuity on the effective date of
40 retirement with the provision that, if, at his death, he has
41 received less than such present value, the unpaid balance
42 shall be payable to his beneficiary.

43 (2) Option 2.--A joint and survivor annuity payable
44 during the lifetime of the member with the full amount of
45 such annuity payable thereafter to his survivor annuitant, if
46 living at his death.

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

51 (4) Option 4.--Some other benefit which shall be

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

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

6 (ii) The sum of all annuities payable to the
7 designated survivor annuitants shall not be greater than
8 the annuity payable to the member.

9 (iii) A portion of the benefit may be payable as a
10 lump sum, except that such lump sum payment shall not
11 exceed an amount equal to the accumulated deductions
12 standing to the credit of the member. The balance of the
13 present value of the maximum single life annuity adjusted
14 in accordance with section 8342(b) shall be paid in the
15 form of an annuity with a guaranteed total payment, a
16 single life annuity, or a joint and survivor annuity or
17 any combination thereof but subject to the restrictions
18 of subparagraphs (i) and (ii) of this paragraph. [This
19 subparagraph shall not apply to a Class T-E or Class T-F
20 member.] For purposes of this subparagraph:

21 (A) The term "actuarially equivalent," as
22 applied to any lump sum withdrawal attributable to
23 contributions credited to the member's savings
24 account of Class T-C and Class T-D members who
25 elected membership in Class T-G or Class T-H pursuant
26 to section 8305.5 (relating to optional membership in
27 Class T-G or Class T-H, or optional participation in
28 Class DC), on or after July 1, 2019, together with
29 statutory interest thereon, shall mean equal present
30 values, computed on the basis of the interest rate
31 and such mortality and other tables as adopted by the
32 board under section 8328(b) (relating to actuarial
33 cost method) in effect on the effective date of
34 retirement of the member.

35 (B) the term "actuarially equivalent," as
36 applied to any lump sum withdrawal attributable to
37 contributions credited to the member's savings
38 account of Class T-E, Class T-F, Class T-G or Class
39 T-H members, together with statutory interest
40 thereon, shall mean equal present values, computed on
41 the basis of the interest rate and such mortality and
42 other tables as adopted by the board under section
43 8328(b) in effect on the effective date of retirement
44 of the member.

45 * * *

46 § 8346. Termination of annuities.

47 (a) General rule.--If an annuitant returns to school service
48 or enters or has entered State service and elects multiple
49 service membership, any annuity payable to him under this part
50 shall cease effective upon the date of his return to school
51 service or entering State service without regard to whether he

1 is a mandatory, optional or prohibited member of the system or
2 participant in the plan or, if a multiple service member,
3 whether he is a mandatory, optional or prohibited member or
4 participant of the State Employees' Retirement System or State
5 Employees' Defined Contribution Plan; and, in the case of an
6 annuity other than a disability annuity the present value of
7 such annuity, adjusted for full coverage in the case of a joint
8 coverage member who makes the appropriate back contributions for
9 full coverage, shall be frozen as of the date such annuity
10 ceases. An annuitant who is credited with an additional 10% of
11 membership service as provided in section 8302(b.2) (relating to
12 credited school service) and who returns to school service,
13 except as provided in subsection (b), shall forfeit such
14 credited service and shall have his frozen present value
15 adjusted as if his 10% retirement incentive had not been applied
16 to his account. In the event that the cost-of-living increase
17 enacted December 18, 1979, occurred during the period of such
18 State or school employment, the frozen present value shall be
19 increased, on or after the member attains superannuation age, by
20 the percent applicable had he not returned to service.

21 (a.1) Return of benefits.--In the event an annuitant whose
22 annuity from the system ceases pursuant to this section receives
23 any annuity payment, including a lump sum payment pursuant to
24 section 8345 (relating to member's options) on or after the date
25 of his return to school service or entering State service, the
26 annuitant shall return to the board the amount so received from
27 the system plus statutory interest. The amount payable shall be
28 certified in each case by the board in accordance with methods
29 approved by the actuary and shall be paid in a lump sum within
30 90 days or in the case of an active member or a State employee
31 who is an active member of the State Employees' Retirement
32 System may be amortized with statutory interest through salary
33 deductions to the system in amounts agreed upon by the member
34 and the board. The salary deduction amortization plans agreed to
35 by the member and the board may include a deferral of payment
36 amounts and statutory interest until the termination of school
37 service or State service as the board in its sole discretion
38 decides to allow. The board may limit salary deduction
39 amortization plans to such terms as the board in its sole
40 discretion determines. In the case of a State employee who is an
41 active member of the State Employees' Retirement System, the
42 agreed upon salary deductions shall be remitted to the State
43 Employees' Retirement Board, which shall certify and transfer to
44 the board the amounts paid.

45 * * *

46 (b) Return to school service during emergency.--When, in the
47 judgment of the employer, an emergency creates an increase in
48 the work load such that there is serious impairment of service
49 to the public or in the event of a shortage of appropriate
50 subject certified teachers or other personnel, an annuitant or
51 participant receiving distributions may be returned to school

1 service for a period not to extend beyond the school year during
2 which the emergency or shortage occurs, without loss of his
3 annuity or distributions, provided that the annuitant meets the
4 conditions set forth in subsection (b.2). The annuitant or
5 participant receiving distributions shall not be entitled to
6 earn any credited service, and no contributions may be made to
7 the fund or the trust by the annuitant or participant receiving
8 distributions, the employer or the Commonwealth on account of
9 such employment. Such service shall not be subject to member or
10 participant contributions or be eligible for qualification as
11 creditable school service or for participation in the plan,
12 mandatory pickup participant contributions, voluntary
13 contributions or employer defined contributions.

14 (b.1) Return to school service in an extracurricular
15 position.--

16 (1) An annuitant or participant receiving distributions
17 may be employed under separate contract by a public school or
18 charter school in an extracurricular position performed
19 primarily outside regular instructional hours and not part of
20 mandated curriculum without loss of annuity, provided that
21 the annuitant meets the conditions set forth in subsection
22 (b.2). [Neither the annuitant nor] The annuitant, the
23 participant receiving distributions and the employer shall
24 not make contributions to the member's savings account, the
25 individual investment account or State accumulation account
26 respectively for such service. Further, such contract shall
27 contain a waiver whereby the annuitant waives any potential
28 retirement benefits that could arise from the contract and
29 releases the employer and the board from any liability for
30 such benefits. Such service shall not be subject to member or
31 participant contributions or be eligible for qualification as
32 creditable school service or for participation in the plan,
33 mandatory pickup participant contributions or employer
34 defined contributions.

35 * * *

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

37 (1) An annuitant who returns to school service as an
38 active member of the system and earns three eligibility
39 points by performing credited school service or reemployment
40 from USERRA leave following the most recent period of receipt
41 of an annuity under this part, or an annuitant who enters
42 State service and:

43 (i) is a multiple service member; or

44 (ii) who elects multiple service membership, and
45 earns three eligibility points by performing credited State
46 service, reemployment from USERRA leave or credited school
47 service following the most recent period of receipt of an
48 annuity under this part, and who had the present value of his
49 annuity frozen in accordance with subsection (a), shall
50 qualify to have the effect of the frozen present value
51 resulting from all previous periods of retirement eliminated,

1 provided that all payments under Option 4 and annuity
2 payments payable during previous periods of retirement plus
3 interest as set forth in paragraph (3) shall be returned to
4 the fund in the form of an actuarial adjustment to his
5 subsequent benefits or in such form as the board may
6 otherwise direct.

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

12 (i) an annuity (prior to optional modification)
13 calculated as if the freezing of the former annuitant's
14 account pursuant to subsection (a) had not occurred,
15 adjusted by crediting Class T-C school service as Class
16 T-D service as provided for in section 8305(c) (relating
17 to classes of service) and further adjusted according to
18 paragraph (3), provided that a former annuitant of the
19 system or a former annuitant of the State Employees'
20 Retirement System who retired under a provision of law
21 granting additional service credit if termination of
22 school or State service or retirement occurred during a
23 specific period of time shall not be permitted to retain
24 the additional service credit under the prior law when
25 the annuity is computed for his most recent retirement;
26 or

27 (ii) an annuity (prior to optional modification)
28 calculated as if the former annuitant did not qualify to
29 have the effect on the frozen present value eliminated,
30 unless the former annuitant notifies the board in writing by
31 the later of the date the application for annuity is filed or
32 the effective date of retirement that the former annuitant
33 wishes to receive the lower annuity.

34 * * *

35 § 8347. Death benefits.

36 (a) Members eligible for annuities.--Any member or former
37 member on USERRA leave, other than an annuitant, who dies and
38 was eligible for an annuity in accordance with section 8307(a)
39 or (b) (relating to eligibility for annuities) shall be
40 considered as having applied for an annuity from the fund to
41 become effective the day before his death; and, in the event he
42 has not elected an option, it shall be assumed that he elected
43 Option 1 and assigned as beneficiary that person last designated
44 in writing to the board. For purposes of this section, a Class
45 T-G or Class T-H member with ten or more eligibility points
46 shall be considered eligible for an annuity under section
47 8307(a) or (b) and eligible for a death benefit under section
48 8309 (relating to eligibility for death benefits) even if the
49 member had not attained the age of 62.

50 (b) Members ineligible for annuities.--In the event of the
51 death of any member or former member on USERRA leave, other than

1 an annuitant, who is not entitled to a death benefit as provided
2 in subsection (a), his designated beneficiary shall be paid the
3 full amount of his accumulated deductions payable from the fund.

4 * * *

5 § 8349. 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 commencing by the required beginning date.

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 8347 (relating to death benefits) or under the provisions of
12 Option 1 of section 8345(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.

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

24 CHAPTER 84

25 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

26 Sec.

27 8401. Establishment.

28 8402. Plan document.

29 8403. Individual investment accounts.

30 8404. Participant contributions.

31 8405. Mandatory pickup participant contributions.

32 8406. Employer defined contributions.

33 8407. Eligibility for benefits.

34 8408. Death benefits.

35 8409. Vesting.

36 8410. Termination of distributions.

37 8411. Powers and duties of board.

38 8411.1. Relation of administrators of School Employees' Defined
39 Contribution Plan to providers of 403(b) plans.

40 8412. Responsibility for investment loss.

41 8413. Investments based on participant's investment allocation
42 choices.

43 8414. Expenses.

44 8415. Tax qualification.

45 § 8401. Establishment.

46 (a) School Employees' Defined Contribution Plan.--The School
47 Employees' Defined Contribution Plan is established. The board
48 shall administer and manage the plan, which shall be a defined
49 contribution plan exclusively for the benefit of those school
50 employees who participate in the plan and their beneficiaries
51 within the meaning of and in conformity with IRC § 401(a). The

1 board shall determine the terms and provisions of the plan not
2 inconsistent with this part, the IRC and other applicable law
3 and shall provide for the plan's administration.

4 (b) School Employees' Defined Contribution Trust.--The
5 School Employees' Defined Contribution Trust is established as
6 part of the plan in accordance with this part. The trust shall
7 be comprised of the individual investment accounts, all assets
8 and moneys in those accounts and any assets and monies held by
9 the board as part of the plan that are not allocated to the
10 individual investment accounts. The members of the board shall
11 be the trustees of the trust, which shall be administered
12 exclusively for the benefit of those school employees who
13 participate in the plan and their beneficiaries within the
14 meaning of and in conformity with IRC § 401(a). The board shall
15 determine the terms and provisions of the trust not inconsistent
16 with this part, the IRC and other applicable law and shall
17 provide for the investment and administration of the trust.

18 (c) Assets held in trust.--All assets and income in the plan
19 that have been or shall be withheld or contributed by the
20 participants, the Commonwealth and employers in accordance with
21 this part shall be held in trust in any funding vehicle
22 permitted by the applicable provisions of the IRC for the
23 exclusive benefit of the plan's participants and their
24 beneficiaries until such time as the funds are distributed to
25 the participants or their beneficiaries in accordance with the
26 terms of the plan document. The assets of the plan held in trust
27 for the exclusive benefit of the participants and their
28 beneficiaries may be used for the payment of the fees, costs and
29 expenses related to the administration and investment of the
30 plan and the trust.

31 (d) Name for transacting business.--By the name of "The
32 School Employees' Defined Contribution Plan," all of the
33 business of the plan shall be transacted, the trust invested,
34 all requisitions for money drawn and payments made and all of
35 its cash and securities and other property shall be held, except
36 that, any other law to the contrary notwithstanding, the board
37 may establish a nominee registration procedure for the purpose
38 of registering securities to facilitate the purchase, sale or
39 other disposition of securities under the provisions of this
40 part.

41 § 8402. Plan document.

42 The board shall set forth the terms and provisions of the
43 plan and trust in a document containing the terms and conditions
44 of the plan and in a trust declaration. The creation of the
45 document containing the terms and conditions of the plan and the
46 trust declaration and the establishment of the terms and
47 provisions of the plan and the trust need not be promulgated by
48 regulation or formal rulemaking and shall not be subject to the
49 act of July 31, 1968 (P.L.769, No.240), referred to as the
50 Commonwealth Documents Law. A reference in this part or other
51 law to the plan shall include the plan document unless the

1 context clearly indicates otherwise.

2 § 8403. Individual investment accounts.

3 The board:

4 (1) Shall establish in the trust an individual
5 investment account for each participant in the plan. All
6 contributions by a participant or an employer for or on
7 behalf of a participant shall be credited to the
8 participant's individual investment account, together with
9 all interest and investment earnings and losses. Investment
10 and administrative fees, costs and expenses shall be charged
11 to the participants' individual investment accounts.

12 (2) Shall separately track participant contributions,
13 including investment gains and losses, and employer
14 contributions, including investment gains and losses, but all
15 interest, investment gains and losses and administrative
16 fees, costs and expenses shall be allocated proportionately.

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

22 § 8404. Participant contributions.

23 (a) Mandatory contributions.--A participant shall make
24 mandatory pickup participant contributions through payroll
25 deductions to the participant's individual investment account
26 for school service required to be credited in the plan. The
27 employer shall cause those contributions for service required to
28 be credited in the plan to be made and deducted from each
29 payroll or on such schedule as established by the board.

30 (b) Voluntary contributions.--A participant may make
31 voluntary contributions through payroll deductions, through
32 direct trustee-to-trustee transfers or through transfers of
33 money received in an eligible rollover into the trust to the
34 extent allowed by IRC § 402. Rollovers shall be made in a form
35 and manner as determined by the board, shall be credited to the
36 participant's individual investment account and shall be
37 separately accounted for by the board.

38 (c) Prohibition on contributions.--No contributions shall be
39 allowed that would cause a violation of the limitations related
40 to contributions applicable to governmental plans contained in
41 IRC § 415 or in other provisions of law. In the event that any
42 disallowed contributions are made, any participant contributions
43 in excess of the limitations and investment earnings on those
44 contributions, minus investment fees and charges, shall be
45 refunded to the participant by the board.

46 § 8405. Mandatory pickup participant contributions.

47 (a) Treatment for purposes of IRC § 414(h).--The
48 contributions to the trust required to be made under section
49 8404(a) (relating to participant contributions) with respect to
50 school service rendered by an active participant shall be picked
51 up by the employer and shall be treated as the employer's

1 contribution for purposes of IRC § 414(h). After the effective
2 date of this section, an employer employing a participant in the
3 plan shall pick up the required mandatory participant
4 contributions by a reduction in the compensation of the
5 participant.

6 (b) Treatment for other purposes.--For all other purposes
7 under this part and otherwise, mandatory pickup participant
8 contributions shall be treated as contributions made by a
9 participant in the same manner and to the same extent as if the
10 contributions were made directly by the participant and not
11 picked up.

12 § 8406. Employer defined contributions.

13 (a) Contributions for service.--The employer of a
14 participant shall make employer defined contributions for
15 service of an active participant that shall be credited to the
16 active participant's individual investment account. Employer
17 defined contributions must be recorded and accounted for
18 separately from participant contributions.

19 (b) Contributions resulting from participants reemployed
20 from USERRA leave.--When a school employee reemployed from
21 USERRA leave makes the mandatory pickup participant
22 contributions permitted to be made for the USERRA leave, the
23 employer by whom the school employee is employed at the time the
24 participant contributions are made shall make whatever employer
25 defined contributions would have been made under this section
26 had the employee making the participant contributions after
27 being reemployed from USERRA leave continued to be employed in
28 the employee's school position instead of performing USERRA
29 leave. The employer defined contributions shall be placed in the
30 participant's individual investment account as otherwise
31 provided by this part.

32 (c) Limitations on contributions.--No contributions shall be
33 allowed that would cause a violation of the limitations related
34 to contributions applicable to governmental plans contained in
35 IRC § 415 or in other provisions of law. In the event that any
36 disallowed contributions are made, any employer defined
37 contributions in excess of the limitations and investment
38 earnings thereon shall be refunded to the employer by the board.
39 § 8407. Eligibility for benefits.

40 (a) Termination of service.--A participant who terminates
41 school service shall be eligible to withdraw the vested
42 accumulated total defined contributions standing to the
43 participant's credit in the participant's individual investment
44 account or a lesser amount as the participant may request.
45 Payment shall be made in a lump sum unless the board has
46 established other forms of distribution in the plan document. A
47 participant who withdraws the vested accumulated total defined
48 contributions shall no longer be a participant in the plan,
49 notwithstanding that the former school employee may continue to
50 be a member of the system with Class T-G or Class T-H service
51 credit, or may contract to receive an annuity or other form of

1 payment from a provider retained by the board for such purposes.

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

8 (c) Prohibited distributions.--A school employee must be
9 terminated from all positions that result in either membership
10 in the system or participation in the plan to be eligible to
11 receive a distribution.

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

16 (e) Small individual investment accounts.--A participant who
17 terminates school service and whose vested accumulated total
18 defined contributions are below the threshold established by law
19 as of the date of termination of service may be paid the vested
20 accumulated total defined contributions in a lump sum as
21 provided in IRC § 401(a)(31).

22 § 8408. Death benefits.

23 (a) General rule.--In the event of the death of an active
24 participant or inactive participant, the board shall pay to the
25 participant's beneficiary the vested balance in the
26 participant's individual investment account in a lump sum or in
27 such other manner as the board may establish in the plan
28 document.

29 (b) Death of participant receiving distributions.--In the
30 event of the death of a participant receiving distributions, the
31 board shall pay to the participant's beneficiary the vested
32 balance in the participant's individual investment account in a
33 lump sum or in such other manner as the board may establish in
34 the plan document or, if the board has established alternative
35 methods of distribution in the plan document under which the
36 participant was receiving distributions, to the participant's
37 beneficiary or successor payee as provided in the plan document.

38 (c) Contracts.--The board may contract with financial
39 institutions, insurance companies or other types of third-party
40 providers to allow participants and their beneficiaries who
41 receive a lump sum distribution to receive payments and death
42 benefits in a form and manner as provided by the contract.

43 § 8409. Vesting.

44 (a) Participant and voluntary contributions.--Subject to the
45 forfeiture and attachment provisions of section 8533 (relating
46 to taxation, attachment and assignment of funds) or otherwise as
47 provided by law, a participant shall be immediately vested with
48 respect to all mandatory pickup participant contributions and
49 voluntary contributions paid by or on behalf of the participant
50 to the trust plus interest and investment gains or losses on the
51 participant contributions but minus investment fees and

1 administrative charges.

2 (b) Employer defined contributions.--

3 (1) Subject to the forfeiture and attachment provisions
4 of section 8533 or otherwise as provided by law, a
5 participant shall be vested with respect to employer defined
6 contributions paid to the participant's individual investment
7 account in the trust plus interest and investment gains or
8 losses on the employer defined contributions but minus
9 investment fees and administrative charges according to the
10 following schedule:

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

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

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

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

24 (c) USERRA leave and eligibility points.--A participant in
25 the plan who is reemployed from USERRA leave or who dies while
26 performing USERRA leave shall receive eligibility points under
27 this section for the school service that would have been
28 performed had the member not performed USERRA leave.

29 § 8410. Termination of distributions.

30 (a) Return to school service.--

31 (1) A participant receiving distributions or an inactive
32 participant who returns to school service shall cease
33 receiving distributions and shall not be eligible to receive
34 distributions until the participant subsequently terminates
35 school service, without regard to whether the participant is
36 a mandatory, optional or prohibited member of the system or
37 participant in the plan.

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

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

42 (1) If a former school employee is reemployed from
43 USERRA leave and received any payments or annuity from the
44 plan during the USERRA leave, the employee shall return to
45 the board the amount so received plus interest as provided in
46 the plan document.

47 (2) The amount payable shall be certified in each case
48 by the board in accordance with methods approved by the
49 actuary and shall be paid in a lump sum within 30 days or, in
50 the case of an active participant, may be amortized with
51 interest as provided in the plan document through salary

1 deductions to the trust in amounts agreed upon by the active
2 participant and the board, but not longer than a period that
3 starts with the date of reemployment and continuing for up to
4 three times the length of the active participant's immediate
5 past period of USERRA leave. The repayment period shall not
6 exceed five years.

7 § 8411. Powers and duties of board.

8 The board, in addition to its powers and duties set forth in
9 Chapter 85 (relating to administration and miscellaneous
10 provisions), shall have the following powers and duties to
11 establish the plan and trust and to administer the provisions of
12 this part:

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

15 (2) The board shall pay all administrative fees, costs
16 and expenses of managing, investing and administering the
17 plan, the trust and the individual investment accounts from
18 the balance of such individual investment accounts, except as
19 otherwise provided in this part or as the General Assembly
20 otherwise provides through appropriations from the General
21 Fund.

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

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

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

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

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

39 (8) The board may allow an inactive participant to
40 maintain the participant's individual investment account
41 within the plan.

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

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

47 (11) The board shall determine what constitutes a
48 termination of school service.

49 (12) The board may establish procedures for
50 distributions of small accounts as required or permitted by
51 IRC.

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

5 (i) Procedures by which eligible participants may
6 change voluntary contribution amounts or their investment
7 choices on a periodic basis or make other elections
8 regarding their participation in the plan.

9 (ii) Procedures for deducting mandatory pickup
10 participant contributions and voluntary contributions
11 from a participant's compensation.

12 (iii) Procedures for rollovers and trustee-to-
13 trustee transfers allowed under the IRC and permitted by
14 the board as part of the plan.

15 (iv) Standards and criteria for providing not less
16 than ten options which are offered by three or more
17 providers of investment options to eligible individuals
18 regarding investments of amounts deferred under the plan.
19 The standards and criteria must provide for a variety of
20 investment options and shall be reviewed in accordance
21 with criteria established by the board.

22 (v) Standards and criteria for disclosing to the
23 participants the anticipated and actual income
24 attributable to amounts invested, property rights and all
25 fees, costs and expenses to be made against amounts
26 deferred to cover the costs and expenses of administering
27 and managing the plan or trust.

28 (vi) Procedures, standards and criteria for the
29 making of distributions from the plan upon termination
30 from employment, one of which shall include an option for
31 an annuity with a minimum interest rate of 2.5% to the
32 extent commercially available, or death or in other
33 circumstances consistent with the purpose of the plan.

34 (14) The board may waive any reporting or information
35 requirement contained in this part if the board determines
36 that the information is not needed for the administration of
37 the plan.

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

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

46 (17) The board shall ensure that participants are
47 provided with educational materials about investment options
48 and choices.

49 (18) The provisions and restrictions of the act of July
50 2, 2010 (P.L.266, No.44), known as the Protecting
51 Pennsylvania's Investments Act, shall not apply to the

1 participants' individual investment accounts or the moneys
2 and investments therein, but the board is authorized to offer
3 to the plan participants investment vehicles that would be
4 permitted under the Protecting Pennsylvania's Investments
5 Act.

6 § 8411.1. Relation of administrators of School Employees'
7 Defined Contribution Plan to providers of 403(b)
8 plans.

9 (a) General rule.--A financial institution or pension
10 management organization entering into a written agreement under
11 section 8411 (relating to powers and duties of board) may offer
12 or provide services to any plan established or maintained by a
13 school district under IRC § 403(b) or 457 if the written
14 agreement for the administration of the School Employees'
15 Defined Contribution Plan is not combined with any other written
16 agreement for the administration of a school district's 403(b)
17 plan or 457 plan. Each school district that provides a 403(b)
18 plan shall make available, in the manner provided by subsection
19 (c), to participants, multiple financial institutions or pension
20 management organizations that have not entered into a written
21 agreement to section 8411 and which provide services to the
22 school district's 403(b) plan or 457 plan.

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

27 (1) enter into an agreement with the school district or
28 the school district's independent compliance administrator
29 that shall require the financial institution or pension
30 management organization to provide in an electronic format
31 all data necessary for the administration of the 403(b) plan
32 or 457 plan as determined by the school district or the
33 school district's compliance administrator; and

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

39 (c) Provider selection.--A school district that establishes
40 or maintains a plan under IRC § 403(b) or 457 shall select a
41 minimum of four financial institutions or pension management
42 organizations, in addition to the financial institution or
43 pension management organization that entered into an agreement
44 under section 8411, to provide services to the 403(b) plan or
45 457 plan. If fewer than four such additional financial
46 institutions or pension management organizations are determined
47 to be available or able to meet the requirements established in
48 this section, then the school district shall select the number
49 of available providers able to meet the school district's
50 requirements. A financial institution or pension management
51 organization shall be designated a 403(b) plan or 457 plan

1 provider if the financial institution or pension management
2 organization enters into an agreement in accordance with
3 subsection (b).

4 § 8412. Responsibility for investment loss.

5 The Commonwealth, the board, an employer or a school entity
6 or other political subdivision shall not be responsible for any
7 investment loss incurred under the plan or for the failure of
8 any investment to earn any specific or expected return or to
9 earn as much as any other investment opportunity or to cost less
10 than any other investment opportunity, whether or not such other
11 opportunity was offered to participants in the plan.

12 § 8413. Investments based on participant's investment
13 allocation choices.

14 (a) Investment by participant.--All contributions, interest
15 and investment earnings shall be invested based on a
16 participant's investment allocation choices, provided that the
17 board may provide for a default investment option. All
18 investment allocation choices shall be credited proportionally
19 between contributions from the participant and employer defined
20 contributions. Each participant shall be credited individually
21 with the amount of contributions, interest and investment
22 earnings.

23 (b) Investment of contributions made by entities other than
24 Commonwealth.--Investment of contributions by any corporation,
25 institution, insurance company, custodial bank or other entity
26 that the board has approved shall not be unreasonably delayed,
27 and in no case shall the investment of contributions be delayed
28 more than 30 days from the date of payroll deduction or
29 voluntary contributions are made to the date that funds are
30 invested. Any interest earned on the funds pending investment
31 shall be used to pay administrative costs and fees that would
32 otherwise be required to be borne by participants who are then
33 participating in the plan or that are funded by contributions
34 from the employers.

35 § 8414. Expenses.

36 All expenses, fees and costs of administering the plan and
37 the trust and investing the assets of the trust shall be borne
38 by the participants and paid from assessments against the
39 balances of the individual investment accounts as established by
40 the board, except that the expenses, fees and costs of
41 establishing and administering the plan and trust may be paid by
42 the Commonwealth through annual appropriations.

43 § 8415. Tax qualification.

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

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

49 (1) (i) Except as provided under subparagraph (ii) and
50 notwithstanding a provision of this part, a contribution
51 or benefit related to the plan may not exceed a

1 limitation under IRC § 415 with respect to a governmental
2 plan that is in effect on the date the contribution or
3 benefit payment takes effect.

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

7 (iii) For the purposes of this paragraph, the term
8 "government plan" shall have the same meaning as in IRC §
9 414(d).

10 (2) (i) Except as provided under subparagraph (ii), an
11 amendment of this part on or after the effective date of
12 this section that increases contributions or benefits for
13 active participants, inactive participants or
14 participants receiving distributions may not be deemed to
15 provide for a contribution or benefit in excess of a
16 limitation, adjusted on or after the effective date of
17 this section, under IRC § 415 unless specifically
18 provided by legislation.

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

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

27 § 8501. Public School Employees' Retirement Board.

28 (a) Status and membership.--The board shall be an
29 independent administrative board and shall consist of 15
30 members: the Secretary of Education, ex officio; the State
31 Treasurer, ex officio; the Secretary of Banking and Securities,
32 ex officio; two Senators; two members of the House of
33 Representatives; the executive secretary of the Pennsylvania
34 School Boards Association, ex officio; [two] one to be appointed
35 by the Governor[, at least one of whom shall not be a school
36 employee or an officer or employee of the State]; three to be
37 elected by the active professional members of the system and
38 active professional participants of the plan from among their
39 number; one to be elected by annuitants or participants of the
40 plan who have terminated school service and are receiving or are
41 eligible to receive distributions from among their number; one
42 to be elected by the active nonprofessional members of the
43 system or active nonprofessional participants of the plan from
44 among their number; and one to be elected by members of
45 Pennsylvania public school boards from among their number. The
46 appointments made by the Governor shall be confirmed by the
47 Senate and each election shall be conducted in a manner approved
48 by the board. The terms of the appointed and nonlegislative
49 elected members shall be three years. The members from the
50 Senate shall be appointed by the President pro tempore of the
51 Senate and shall consist of one member from the majority and one

1 member from the minority. The members from the House of
2 Representatives shall be appointed by the Speaker of the House
3 of Representatives and shall consist of one member from the
4 majority and one member from the minority. The legislative
5 members shall serve on the board for the duration of their
6 legislative terms and shall continue to serve until 30 days
7 after the convening of the next regular session of the General
8 Assembly after the expiration of their respective legislative
9 terms or until a successor is appointed for the new term,
10 whichever occurs first. The chairman of the board shall be
11 elected by the board members. Each ex officio member of the
12 board and each legislative member of the board may appoint a
13 duly authorized designee to act in his stead. In the event that
14 a board member, who is designated as an active participant or as
15 the participant in the plan who is receiving or is eligible to
16 receive distributions, receives a total distribution of the
17 board member's interest in the plan, that board member may
18 continue to serve on the board for the remainder of his term.

19 * * *

20 (c) Oath of office.--Each member of the board shall take an
21 oath of office that he will, so far as it devolves upon him,
22 diligently and honestly administer the affairs of said board,
23 the system and the plan and that he will not knowingly violate
24 or willfully permit to be violated any of the provisions of law
25 applicable to this part. Such oath shall be subscribed by the
26 member making it and certified by the officer before whom it is
27 taken and shall be immediately filed in the office of the
28 Secretary of the Commonwealth.

29 (d) Compensation and expenses.--The members of the board who
30 are members of the system or participants in the plan shall
31 serve without compensation. Members of the board who are members
32 of the system or participants in the plan and who are employed
33 by a governmental entity shall not suffer loss of salary or
34 wages through serving on the board. The board, on request of the
35 employer of any member of the board who is an active
36 professional or nonprofessional member of the system or active
37 professional or nonprofessional participant in the plan, may
38 reimburse such employer for the salary or wages of the member or
39 participant, or for the cost of employing a substitute for such
40 member or participant, while the member or participant is
41 necessarily absent from employment to execute the duties of the
42 board. The employer of any such member shall provide leave to
43 allow such member to execute the duties of the board, including
44 but not limited to, attendance at the location of all regular
45 and special board and committee meetings. The members of the
46 board who are not members of either the school system or the
47 State Employees' Retirement System may be paid \$100 per day when
48 attending meetings and all board members shall be reimbursed for
49 any necessary expenses. However, when the duties of the board as
50 mandated are not executed, no compensation or reimbursement for
51 expenses of board members shall be paid or payable during the

1 period in which such duties are not executed.

2 (e) Corporate power and legal advisor.--For the purposes of
3 this part, the board shall possess the power and privileges of a
4 corporation. [The Attorney General of the Commonwealth shall be
5 the legal advisor of the board.] The board shall be an
6 independent agency under the act of October 15, 1980 (P.L.950,
7 No.164), known as the Commonwealth Attorneys Act.

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

12 § 8502. Administrative duties of board.

13 (a) Employees.--

14 (1) Effective 30 days after the effective date of this
15 paragraph, the positions of secretary, assistant secretary
16 and investment professional shall be placed under the
17 unclassified service provisions of the act of August 5, 1941
18 (P.L.752, No.286), known as the Civil Service Act, as those
19 positions are vacated. All other positions of the board shall
20 be placed in either the classified or unclassified service
21 according to the definition of the terms under the Civil
22 Service Act.

23 (2) Notwithstanding any other provision of law, the
24 compensation of investment professionals shall be established
25 by the board. The compensation of all other officers and
26 employees of the board who are not covered by a collective
27 bargaining agreement shall be established by the board
28 consistent with the standards of compensation established by
29 the Executive Board of the Commonwealth.

30 (3) The board may utilize the staff of employees
31 provided for under this subsection for both the system and
32 the plan, but shall allocate the fees, costs and expenses
33 incurred under this subsection between the system and the
34 plan as appropriate.

35 (b) Professional personnel.--

36 (1) The board shall contract for the services of a chief
37 medical examiner, an actuary, investment advisors,
38 counselors, an investment coordinator, and such other
39 professional personnel as it deems advisable.

40 (2) The board may utilize the same individuals and firms
41 contracted under this subsection for both the system and the
42 plan but shall allocate the fees, costs and expenses incurred
43 under this subsection between the system and the plan as
44 appropriate.

45 (c) Expenses.--

46 (1) The board shall, through the Governor, submit to the
47 General Assembly annually a budget covering the
48 administrative expenses of [this part.] the system and a
49 separate budget covering the administrative expenses of the
50 plan. The separate budgets shall include those expenses
51 necessary to establish the plan and trust.

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

4 (3) For fiscal years beginning on or after July 1, 2019,
5 the expenses of the plan as approved by the General Assembly
6 shall be paid from interest, under section 8413(b) (relating
7 to investments based on participant's investment allocation
8 choices) or assessments on the balances of the participants'
9 individual investment accounts or as otherwise provided in
10 this part.

11 (4) Concurrently with its administrative budget, the
12 board shall also submit to the General Assembly annually a
13 list of proposed expenditures which the board intends to pay
14 through the use of directed commissions, together with a list
15 of the actual expenditures from the past year actually paid
16 by the board through the use of directed commissions. All
17 such directed commission expenditures shall be made by the
18 board for the exclusive benefit of the system and its members
19 and for the exclusive benefit of the plan and its
20 participants, respectively.

21 * * *

22 (e) Records.--

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

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

35 (i) in the case of an alternative investment or
36 alternative investment vehicle involve the release of
37 sensitive investment or financial information relating to
38 the alternative investment or alternative investment
39 vehicle which the fund or trust was able to obtain only
40 upon agreeing to maintain its confidentiality;

41 (ii) cause substantial competitive harm to the
42 person from whom sensitive investment or financial
43 information relating to the investment was received; or

44 (iii) have a substantial detrimental impact on the
45 value of an investment to be acquired, held or disposed
46 of by the fund or trust, or would cause a breach of the
47 standard of care or fiduciary duty set forth in this
48 part.

49 (3) The following apply:

50 (i) The sensitive investment or financial
51 information excluded from [inspection] access under

1 paragraph (2)(i), to the extent not otherwise excluded
2 from [inspection] access, shall constitute a public
3 record subject to public [inspection] access under the
4 Right-to-Know Law once the board is no longer required by
5 its agreement to maintain confidentiality.

6 (ii) The sensitive investment or financial
7 information excluded from [inspection] access under
8 paragraph (2)(ii), to the extent not otherwise excluded
9 from [inspection] access, shall constitute a public
10 record subject to public [inspection] access under the
11 Right-to-Know Law once:

12 (A) the [inspection] access no longer causes
13 substantial competitive harm to the person from whom
14 the information was received; or

15 (B) the entity in which the investment was made
16 is liquidated;
17 whichever is later.

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

24 (A) the [inspection] access no longer has a
25 substantial detrimental impact on the value of an
26 investment of the fund or trust and would not cause a
27 breach of the standard of care or fiduciary duty set
28 forth in this part; or

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

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

38 (5) Notwithstanding the provisions of this subsection,
39 the following information regarding an alternative investment
40 vehicle shall be subject to public [inspection] access under
41 the Right-to-Know Law:

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

44 (ii) The identity of the manager of the alternative
45 investment vehicle.

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

48 (iv) The dollar amount of cash contributions made by
49 the system or plan to the alternative investment vehicle
50 since inception.

51 (v) The dollar amount of cash distributions received

1 by the system or plan from the alternative investment
2 vehicle since inception.

3 (vi) The net internal rate of return of the
4 alternative investment vehicle since inception, provided
5 that the system or plan shall not be required to disclose
6 the net internal rate of return under circumstances in
7 which, because of the limited number of portfolio assets
8 remaining in the alternative investment vehicle, the
9 disclosure could reveal the values of specifically
10 identifiable remaining portfolio assets to the detriment
11 of the alternative investment.

12 (vii) The aggregate value of the remaining portfolio
13 assets attributable to the system's or plan's investment
14 in the alternative investment vehicle, provided that the
15 system or plan shall not be required to disclose the
16 value under circumstances in which, because of the
17 limited number of portfolio assets remaining in the
18 alternative investment vehicle, the disclosure could
19 reveal the values of specifically identifiable remaining
20 portfolio assets to the detriment of the alternative
21 investment.

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

25 (6) Any record, material or data received, prepared,
26 used or retained by the board or its employees or agents
27 relating to the contributions, account value or benefits
28 payable to or on account of a participant shall not
29 constitute a public record subject to public access under the
30 Right-to-Know Law, if, in the reasonable judgment of the
31 board, the access would disclose any of the following:

32 (i) The existence, date, amount and any other
33 information pertaining to the voluntary contributions,
34 including rollover contributions and trustee-to-trustee
35 transfers, of any participant.

36 (ii) The investment option selections of any
37 participant.

38 (iii) The balance of a participant's individual
39 investment account, including the amount distributed to
40 the participant, and any investment gains or losses, or
41 rates of return.

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

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

45 (7) The following shall apply:

46 (i) Nothing in this part shall be construed to mean
47 that the release or publicizing of a record, material or
48 data that would not constitute a public record under this
49 subsection shall be a violation of the board's fiduciary
50 duties.

51 (ii) This subsection shall apply to a record,

1 material or data under this subsection, notwithstanding
2 whether:

3 (A) the record, material or data was created,
4 generated or stored before the effective date of this
5 section;

6 (B) the record, material or data was previously
7 released or made public; or

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

13 * * *

14 (h) Regulations and procedures.--The board shall, with the
15 advice of the Attorney General and the actuary, adopt and
16 promulgate rules and regulations for the uniform administration
17 of the system. The actuary shall approve in writing all
18 computational procedures used in the calculation of
19 contributions and benefits pertaining to the system, and the
20 board shall by resolution adopt such computational procedures,
21 prior to their application by the board. Such rules, regulations
22 and computational procedures as so adopted from time to time and
23 as in force and effect at any time, together with such tables as
24 are adopted and published pursuant to subsection (j) as
25 necessary for the calculation of annuities and other benefits,
26 shall be as effective as if fully set forth in this part. Any
27 actuarial assumption specified in or underlying any such rule,
28 regulation or computational procedure and utilized as a basis
29 for determining any benefit shall be applied in a uniform
30 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 fiscal year.
35 The board shall have final authority over the means by which
36 data is collected, maintained and stored and in so doing shall
37 protect the rights of its membership as to privacy and
38 confidentiality.

39 (j) Actuarial investigation and valuation.--The board shall
40 have the actuary make an annual valuation of the various
41 accounts of the fund within six months of the close of each
42 fiscal year. In the fiscal year 1975 and in every fifth year
43 thereafter, the board shall have the actuary conduct an
44 actuarial investigation and evaluation of the system based on
45 data including the mortality, service, and compensation
46 experience provided by the board annually during the preceding
47 five years concerning the members and beneficiaries of the
48 system. The board shall by resolution adopt such tables as are
49 necessary for the actuarial valuation of the fund and
50 calculation of contributions, annuities, and other benefits
51 based on the reports and recommendations of the actuary. Within

1 30 days of their adoption, the secretary of the board shall
2 cause those tables which relate to the calculation of annuities
3 and other benefits to be published in the Pennsylvania Bulletin
4 in accordance with the provisions of 45 Pa.C.S. § 725(a)
5 (relating to additional contents of Pennsylvania Bulletin) and,
6 unless the board specifies therein a later effective date, such
7 tables shall become effective on such publication. The board
8 shall include a report on the significant facts, recommendations
9 and data developed in each five-year actuarial investigation and
10 evaluation of the system in the annual financial statement
11 published pursuant to the requirements of subsection (n) for the
12 fiscal year in which such investigation and evaluation were
13 concluded.

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

39 * * *

40 (m) Member contributions and interest.--The board shall
41 cause each member's contributions, including payroll deductions,
42 pickup contributions, shared-risk contributions and all other
43 payments, including, but not limited to, amounts collected by
44 the State Employees' Retirement System for the reinstatement of
45 previous school service or creditable nonschool service and
46 amounts paid to return benefits paid after the date of return to
47 school service or entering State service representing lump sum
48 payments made pursuant to section 8345(a)(4)(iii) (relating to
49 member's options) and member's annuity payments, but not
50 including other benefits returned pursuant to section 8346(a.1)
51 and (a.2) (relating to termination of annuities), to be credited

1 to the account of such member and shall pay all such amounts
2 into the fund. Such contributions shall be credited with
3 statutory interest until date of termination of service, except
4 in the case of a vestee, who shall have such interest credited
5 until the effective date of retirement or until the return of
6 his accumulated deductions, if he so elects; and in the case of
7 a multiple service member who shall have such interest credited
8 until termination of service in both the school and the State
9 systems.

10 (n) Annual financial [statement] statements.--The board
11 shall prepare and have published, on or before January 1 of each
12 year, [a financial statement] financial statements as of the
13 fiscal year ending June 30 of the previous year showing the
14 condition of the fund, the trust and the various accounts,
15 including, but not limited to, the board's accrual and
16 expenditure of directed commissions, and setting forth such
17 other facts, recommendations and data as may be of use in the
18 advancement of knowledge concerning annuities and other benefits
19 provided by this part. The board shall submit said financial
20 [statement] statements to the Governor and shall make copies
21 available to the employers for the use of the school employees
22 and the public.

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

30 * * *

31 (q) Participant and employer contributions to trust.--The
32 board shall, each year in addition to any fees and itemized
33 budget required under section 8330, certify, as a percentage of
34 each participant's compensation, the employer defined
35 contributions, which shall be paid to the trust and credited to
36 each participant's individual investment account. These
37 certifications shall be regarded as final and not subject to
38 modification by the Secretary of the Budget. The board shall
39 cause all mandatory pickup participant contributions made on
40 behalf of a participant and all voluntary contributions made by
41 a participant to be credited to the participant's individual
42 investment account.

43 (r) Limitation on fees charged to the board.--In striving to
44 achieve actuarial savings of \$1,500,000,000 over 30 years from
45 the effective date of this subsection, while achieving the
46 assumed annual rate of return at the least cost and maximum
47 return of the fund, the board shall:

48 (1) Consider the findings and recommendations of the
49 Public Pension Management and Asset Investment Review
50 Commission. The board may, at its sole discretion, adopt
51 guidelines and procedures to implement any recommendations of

1 the Public Pension Management and Asset Investment Review
2 Commission that the board determines appropriate in attaining
3 the highest return on investment at the lowest responsible
4 cost.

5 (2) Review, identify and implement any investment fee
6 reduction and cost avoidance strategies identified to be
7 prudent by the board, to reduce expenditures for investment
8 costs.

9 Section 115. Section 8502.2(a) of Title 24 is amended to
10 read:

11 § 8502.2. Health insurance.

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

19 (1) Establishment of an annual budget and disbursements
20 in accordance with the budget.

21 (2) Determination of the benefits structure.

22 (3) Determination of enrollment procedures.

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

25 (5) Contracting for goods, equipment, services,
26 consultants and other professional personnel as needed to
27 operate the program.

28 * * *

29 Section 116. Sections 8503 heading and (b), 8505 heading,
30 (h) and (i), 8506 (a), (d), (e), (f), (i) and (k) and 8507
31 heading, (a), (c), (e), (f) and (i) of Title 24 are amended and
32 the sections are amended by adding subsections to read:

33 § 8503. Duties of board to advise and report to employers [and
34 members], members and participants.

35 * * *

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

46 (b.1) Participant status statements.--The board shall
47 furnish annually to each participant on or before December 31,
48 and more frequently as the board may agree or as required by
49 law, a statement showing the accumulated total defined
50 contributions credited to the participant's individual
51 investment account, the nature and type of investments and the

1 investment allocation of future contributions as of June 30 of
2 the current year and shall request the participant to make any
3 necessary correction or revision regarding his designated
4 beneficiary.

5 * * *

6 § 8505. Duties of board regarding applications and elections of
7 members and participants.

8 * * *

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

21 * * *

22 (f.1) Notification to inactive participants approaching
23 required beginning date.--The board shall notify in writing each
24 inactive participant who has terminated school service and who
25 has not commenced distribution by 90 days before the
26 participant's required beginning date that the inactive
27 participant has an obligation to commence distributions by the
28 required beginning date in a form and manner required by IRC §
29 401(a)(9) and other applicable provisions of IRC.

30 * * *

31 (g.1) Initial payment to a participant.--The board shall
32 make the initial payment to a participant who has applied for a
33 distribution within 60 days of the filing of the application and
34 receipt of the required data from the employer of the
35 participant and other necessary data.

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

1 any other person.

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

16 * * *

17 § 8506. Duties of employers.

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

24 (1) if the removal is due to leave without pay, the
25 employer shall furnish the board with the date of beginning
26 leave, the date of return to service, and the reason for
27 leave;

28 (2) if the removal is due to a transfer to another
29 employer, the former employer shall furnish such employer and
30 the board with a complete school service record, including
31 credited or creditable nonschool service; or

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

37 * * *

38 (c.1) Participant and employer defined contributions.--The
39 employer shall cause the mandatory pickup participant
40 contributions on behalf of a participant to be made and shall
41 cause to be deducted any voluntary contributions authorized by a
42 participant. The employer shall also cause the employer defined
43 contributions on behalf of a participant to be made. The
44 employer shall notify the board at times and in a manner
45 prescribed by the board of the compensation of any participant
46 to whom the limitation under IRC § 401(a)(17) either applies or
47 is expected to apply and shall cause the participant's
48 contributions to be deducted from payroll to cease at the
49 limitation under IRC § 401(a)(17) on the payroll date if and
50 when such limit shall be reached. The employer shall certify to
51 the board the amounts picked up and deducted and the employer

1 defined contributions being made and shall send the total amount
2 picked up, deducted and contributed together with a duplicate of
3 such voucher to the secretary of the board every pay period or
4 on such schedule as established by the board.

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

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

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

35 * * *

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

44 (1) An application for the return of accumulated
45 deductions.

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

51 (3) An application for an immediate annuity, if

1 eligible, and, if he is a joint coverage member and so
2 desires, an election to become a full coverage member and an
3 agreement to pay within 30 days of date of termination of
4 service the lump sum required.

5 * * *

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

9 (1) Any school employee who:

10 (i) ceases to be an active member or active
11 participant to perform USERRA service; or

12 (ii) is granted a leave of absence under 51 Pa.C.S.
13 § 4102 (relating to leaves of absence for certain
14 government employees) or a military leave of absence
15 under 51 Pa.C.S. § 7302 (relating to granting military
16 leaves of absence).

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

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

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

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

31 § 8507. Rights and duties of school employees [and members],
32 members and participants.

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

1 or participant is legally entitled and such remaining benefits
2 shall be correspondingly decreased.

3 * * *

4 (c) Multiple service membership.--Any active member who was
5 formerly an active member in the State Employees' Retirement
6 System may elect to become a multiple service member. Such
7 election shall occur no later than 365 days after becoming an
8 active member in this system. A school employee who is eligible
9 to elect to become a multiple service member and who begins
10 USERRA leave during the election period without having elected
11 multiple service membership [may make the election within 365
12 days after being reemployed from] shall have the election period
13 extended by the number of days on USERRA leave.

14 * * *

15 (d.2) Contributions for USERRA leave.--Any active
16 participant or inactive participant or former participant who
17 was reemployed from USERRA leave and who desires to make
18 mandatory pickup participant contributions and voluntary
19 contributions for his USERRA leave shall so notify the board
20 within the time period required under 38 U.S.C. Ch. 43 (relating
21 to employment and reemployment rights of members of the
22 uniformed services) and IRC § 414(u) of his desire to make such
23 contributions. Upon the participant making the permitted
24 mandatory pickup participant contributions within the allowed
25 time period, the employer shall make the corresponding employer
26 defined contributions at the same time.

27 (d.3) Voluntary contributions by a participant.--Any
28 participant who desires to make voluntary contributions to be
29 credited to his individual investment account shall notify the
30 board and, upon compliance with the requirements, procedures and
31 limitations established by the board in the plan document, may
32 do so subject to the limitations under IRC §§ 401(a) and 415 and
33 other applicable law.

34 (e) Beneficiary for death benefits from system.--Every
35 member shall nominate a beneficiary by written designation filed
36 with the board to receive the death benefit or the benefit
37 payable from the system under the provisions of Option 1. Such
38 nomination may be changed at any time by the member by written
39 designation filed with the board. A member may also nominate a
40 contingent beneficiary or beneficiaries to receive the death
41 benefit or the benefit payable under the provisions of Option 1.

42 (e.1) Beneficiary for death benefits from plan.--Every
43 participant shall nominate a beneficiary by written designation
44 filed with the board as provided in section 8506 (relating to
45 duties of employers) to receive the death benefit payable under
46 section 8408 (relating to death benefits). A participant may
47 also nominate a contingent beneficiary or beneficiaries to
48 receive the death benefit provided under section 8408. Such
49 nominations may be changed at any time by the participant by
50 written designation filed with the board.

51 (e.2) Beneficiary designation.--A school employee may

1 designate or nominate different persons to be beneficiaries,
2 survivor annuitants and successor payees for his benefits from
3 the system and the plan.

4 (f) Termination of service by members.--Each member who
5 terminates school service and who is not then a disability
6 annuitant shall execute on or before the date of termination of
7 service a written application, duly attested by the member or
8 his legally constituted representative, electing to do one or
9 more of the following:

10 (1) Withdraw his accumulated deductions.

11 (2) Vest his retirement rights, if eligible, and if he
12 is a joint coverage member, and so desires, elect to become a
13 full coverage member and agree to pay within 30 days of the
14 date of termination of service the lump sum required.

15 (3) Receive an immediate annuity, if eligible, and may,
16 if he is a joint coverage member, elect to become a full
17 coverage member and agree to pay within 30 days of date of
18 termination of service the lump sum required.

19 * * *

20 (g.1) Deferral of retirement rights.--If a participant
21 terminates school service and does not commence receiving a
22 distribution, he shall nominate a beneficiary by written
23 designation filed with the board, and he may anytime thereafter,
24 but no later than his required beginning date, withdraw the
25 vested accumulated total defined contributions standing to his
26 credit or apply for another form of distribution required by law
27 or authorized by the board.

28 * * *

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

37 * * *

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

40 § 8521. Management of fund and accounts.

41 * * *

42 (b) Crediting of interest.--The board annually shall allow
43 statutory interest, excluding the individual investment
44 accounts, to the credit of the members' savings account on the
45 mean amount of the accumulated deductions of all members for
46 whom interest is payable for the preceding year and valuation
47 interest on the mean amount of the annuity reserve account for
48 the preceding year to the credit of that account. The board
49 annually shall allow valuation interest calculated on the mean
50 amount for the preceding year of the balance in the State
51 accumulation account excluding any earnings of the fund credited

1 to the account during that year. In the event the total earnings
2 for the year do not exceed 5 1/2% of the mean amount for the
3 preceding year of the total assets of the fund less earnings
4 credited to the fund during that year plus the administrative
5 expenses of the board, the difference required to be
6 appropriated from the General Fund shall be credited to the
7 State accumulation account.

8 * * *

9 § 8522. Public School Employees' Retirement Fund.

10 (a) General rule.--The fund shall consist of all moneys in
11 the several separate funds in the State Treasury set apart to be
12 used under the direction of the board for the benefit of members
13 of the system; and the Treasury Department shall credit to the
14 fund all moneys received from the Department of Revenue arising
15 from the contributions relating to or on behalf of the members
16 of the system required under the provisions of Chapter 83
17 (relating to membership, contributions and benefits) and all
18 earnings from investments or moneys of said fund. There shall be
19 established and maintained by the board the several ledger
20 accounts specified in sections 8523 (relating to members'
21 savings account), 8524 (relating to State accumulation account),
22 8525 (relating to annuity reserve account) and 8526 (relating to
23 health insurance account).

24 (b) Individual investment accounts and trust.--The
25 individual investment accounts that are part of the trust are
26 not part of the fund. Mandatory pickup participant
27 contributions, voluntary contributions and employer defined
28 contributions made under this part and any income earned by the
29 investment of such contributions shall not be paid or credited
30 to the fund but instead shall be paid to the trust and credited
31 to the individual investment accounts.

32 § 8524. State accumulation account.

33 The State accumulation account shall be the ledger account to
34 which shall be credited all contributions of the Commonwealth
35 and other employers as well as the earnings of the fund, except
36 the premium assistance contributions and earnings thereon in the
37 health insurance account. Valuation interest shall be allowed on
38 the total amount of such account less any earnings of the fund
39 credited during the year. The reserves necessary for the payment
40 of annuities and death benefits resulting from membership in the
41 system as approved by the board and as provided in Chapter 83
42 (relating to membership, contributions and benefits) shall be
43 transferred from the State accumulation account to the annuity
44 reserve account. At the end of each year the required interest
45 shall be transferred from the State accumulation account to the
46 credit of the members' savings account and the annuity reserve
47 account. The administrative expenses of the board shall be
48 charged to the State accumulation account. Employer defined
49 contributions, mandatory pickup contributions and a
50 participant's voluntary contributions, together with any income
51 or interest earned thereon, may be temporarily placed into the

1 State accumulation account pending allocation or distribution
2 to the participant's individual investment account.

3 § 8525. Annuity reserve account.

4 (a) Credits and charges to account.--The annuity reserve
5 account shall be the ledger account to which shall be credited
6 the reserves held for the payment of annuities and death
7 benefits resulting from membership in the system on account of
8 all annuitants and the contributions from the Commonwealth and
9 other employers as determined in accordance with section 8328
10 (relating to actuarial cost method) for the payment of the
11 supplemental annuities provided in sections 8348 (relating to
12 supplemental annuities), 8348.1 (relating to additional
13 supplemental annuities), 8348.2 (relating to further additional
14 supplemental annuities), 8348.3 (relating to supplemental
15 annuities commencing 1994), 8348.4 (relating to special
16 supplemental postretirement adjustment), 8348.5 (relating to
17 supplemental annuities commencing 1998), 8348.6 (relating to
18 supplemental annuities commencing 2002) and 8348.7 (relating to
19 supplemental annuities commencing 2003). The annuity reserve
20 account shall be credited with valuation interest. After the
21 transfers provided in sections 8523 (relating to members'
22 savings account) and 8524 (relating to State accumulation
23 account), all annuity and death benefit payments shall be
24 charged to the annuity reserve account and paid from the fund.

25 (b) Transfers from account.--Should an annuitant be
26 subsequently restored to active service either as a member of
27 the system or participant in the plan, the present value of his
28 member's annuity at the time of reentry into school service
29 shall be transferred from the annuity reserve account and placed
30 to his individual credit in the members' savings account. In
31 addition, the actuarial reserve for his annuity less the amount
32 transferred to the members' savings account shall be transferred
33 from the annuity reserve account to the State accumulation
34 account.

35 § 8531. State guarantee regarding the system.

36 Statutory interest charges payable, the maintenance of
37 reserves in the fund, and the payment of all annuities and other
38 benefits granted by the board from the system under the
39 provisions of this part relating to the establishment and
40 administration of the system are hereby made obligations of the
41 Commonwealth. All income, interest, and dividends derived from
42 deposits and investments of the system authorized by this part
43 shall be used for the payment of the said obligations of the
44 Commonwealth and shall not be used for any obligations of the
45 plan or trust.

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

49 § 8533. Taxation, attachment and assignment of funds.

50 (a) General rule.--Except as provided in subsections (b),
51 (c) and (d), the right of a person to a member's annuity, a

1 State annuity, or retirement allowance, to the return of
2 contributions, any benefit or right accrued or accruing to any
3 person under the provisions of this part, and the moneys in the
4 fund and the trust are hereby exempt from any State or municipal
5 tax, [and exempt from] levy and sale, garnishment, attachment,
6 the provisions of Article XIII.1 of the act of April 9, 1929
7 (P.L.343, No.176), known as The Fiscal Code, or any other
8 process whatsoever, and shall be unassignable.

9 (a.1) Individual investment accounts and distributions.--No
10 participant or beneficiary, successor payee or alternate payee
11 of a participant shall have the ability to commute, sell,
12 assign, alienate, anticipate, mortgage, pledge, hypothecate,
13 commutate or otherwise transfer or convey any benefit or
14 interest in an individual investment account or rights to
15 receive or direct distributions under this part or under
16 agreements entered into under this part except as otherwise
17 provided in this part and in the case of either a member or a
18 participant.

19 (b) Forfeiture.--

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

26 (2) In accordance with section 16(b) of Article V of the
27 Constitution of Pennsylvania and notwithstanding paragraph
28 (1), the Public Employee Pension Forfeiture Act or 42 Pa.C.S.
29 § 3352 (relating to pension rights), the accumulated
30 mandatory participant contributions and accumulated voluntary
31 contributions standing to the credit of a participant shall
32 not be forfeited but shall be available for payment of fines
33 and restitution as provided by law. Amounts in the trust that
34 have been ordered to be distributed to an alternate payee as
35 the result of an equitable distribution of marital property
36 as part of an approved domestic relations order entered
37 before the date of the order or action in a court or other
38 tribunal resulting in a forfeiture of a participant's
39 interest in the trust shall not be subject to the Public
40 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
41 accumulated employer defined contributions forfeited as a
42 result of this subsection or other law shall be retained by
43 the board and used for the payment of expenses of the plan.

44 * * *

45 (d) Direct rollover.--Effective with distributions made on
46 or after January 1, 1993, and notwithstanding any other
47 provision of this part to the contrary, a distributee may elect,
48 at the time and in the manner prescribed by the board, to have
49 any portion of an eligible rollover distribution paid directly
50 to an eligible retirement plan by way of a direct rollover. For
51 purposes of this subsection, a "distributee" includes a member

1 [and], a participant, a member's surviving spouse [and], a
2 participant's surviving spouse, a member's former spouse who is
3 an alternate payee under an approved domestic relations
4 order[.], a participant's former spouse who is an alternate
5 payee under an approved domestic relations order and anyone else
6 authorized under IRC and the plan terms approved by the board to
7 have an eligible rollover distribution paid directly to an
8 eligible retirement plan by way of a direct rollover. For
9 purposes of this subsection, the term "eligible rollover
10 distribution" has the meaning given such term by IRC § 402(f)(2)
11 (A) and "eligible retirement plan" has the meaning given such
12 term by IRC § 402(c)(8)(B), except that a qualified trust shall
13 be considered an eligible retirement plan only if it accepts the
14 distributee's eligible rollover distribution; however, in the
15 case of an eligible rollover distribution to a surviving spouse,
16 an eligible retirement plan is an "individual retirement
17 account" or an "individual retirement annuity" as those terms
18 are defined in IRC § 408(a) and (b).

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

21 § 8533.1. Approval of domestic relations orders.

22 (a) Certification regarding members.--A domestic relations
23 order pertaining to a member of the system shall be certified as
24 an approved domestic relations order by the secretary of the
25 board, or his designated representative, only if such order
26 meets all of the following:

27 (1) Requires the system to provide any type or form of
28 benefit or any option applicable to members already provided
29 under this part.

30 (2) Requires the system to provide no more than the
31 total amount of benefits than the member would otherwise
32 receive (determined on the basis of actuarial value) unless
33 increased benefits are paid to the member or alternate payee
34 based upon cost-of-living increases or increases based on
35 other than actuarial value.

36 (3) Specifies the amount or percentage of the member's
37 benefits to be paid by the system to each such alternate
38 payee or the manner in which the amount or percentage is to
39 be determined.

40 (4) Specifies the retirement option to be selected by
41 the member upon retirement or states that the member may
42 select any retirement option offered by this part upon
43 retirement.

44 (5) Specifies the name and last known mailing address,
45 if any, of the member and the name and last known mailing
46 address of each alternate payee covered by the order and
47 states that it is the responsibility of each alternate payee
48 to keep a current mailing address on file with the system.

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

51 (7) Requires the member to execute an authorization

1 allowing each alternate payee to monitor the member's
2 compliance with the terms of the domestic relations order
3 through access to information concerning the member
4 maintained by the system. An authorization granted under this
5 section shall be construed as an authorization for the
6 alternate payee to receive information concerning the
7 administration, calculation and payment of the alternate
8 payee's share of the benefits payable under this part and not
9 as an authorization to exercise the rights afforded to
10 members or obtain information that is not related to the
11 administration, calculation and payment of alternate payee's
12 share of the benefits payable under this part.

13 (a.1) Certification regarding participants.--A domestic
14 relations order pertaining to a participant shall be certified
15 as an approved domestic relations order by the secretary of the
16 board, or his designated representative, only if that order
17 meets all of the following:

18 (1) Does not require the plan to provide any type or
19 form of benefit or any option applicable to members of the
20 system or participants in the plan.

21 (2) Does not require the segregation of the alternate
22 payee's share of the participant's individual investment
23 account into a subaccount or newly established individual
24 account titled in the name of the alternate payee.

25 (3) Does not require the plan to recover or distribute
26 any funds that were distributed to the participant or at the
27 participant's direction prior to the approval of the domestic
28 relations order by the secretary of the board or his
29 designated representative.

30 (4) Requires the plan to pay to the alternate payee no
31 more than the lesser of the vested amount of the
32 participant's individual investment account specified by the
33 domestic relations order or the vested amount of the
34 participant's individual investment account as of the date of
35 the transfer of the alternate payee's share to the alternate
36 payee.

37 (5) States that the plan shall not be required to recoup
38 or make good for losses in value to the participant's
39 individual investment account incurred between the date of
40 the valuation of the account used for equitable distribution
41 purposes and the date of distribution to the alternate payee.

42 (6) Specifies the amount or percentage of the
43 participant's individual investment account to be paid to the
44 alternate payee and the date upon which such valuation is
45 based.

46 (7) Specifies the name and last known mailing address,
47 if any, of the participant and the name and last known
48 mailing address of each alternate payee covered by the order
49 and states that it is the responsibility of each alternate
50 payee to keep a current mailing address on file with the
51 plan.

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

3 (9) Requires the participant to execute an authorization
4 allowing each alternate payee to monitor the participant's
5 compliance with the terms of the domestic relations order
6 through access to information concerning the participant
7 maintained by the plan. Any authorization granted under this
8 section shall be construed as an authorization for the
9 alternate payee to receive information concerning the
10 participant that relates to the administration, calculation
11 and payment of the alternate payee's share of the
12 participant's account and not as an authorization to exercise
13 the rights afforded to participants or obtain information
14 that is not related to the administration, calculation and
15 payment of alternate payee's share of the participant's
16 individual investment account.

17 (10) Requires the immediate distribution of the
18 alternate payee's share of the participant's individual
19 investment account, which may be made by direct payment,
20 eligible rollover or trustee-to-trustee transfer to another
21 eligible plan or qualified account owned by the alternate
22 payee.

23 (11) In the case of a participant who is currently
24 receiving distributions from the plan as of the date the
25 domestic relations order is approved by the secretary of the
26 board or his designated representative, may not order the
27 board to pay the alternate payee more than the vested balance
28 available in the participant's individual investment account
29 as of the date the order is approved or require that
30 distributions continue to the alternate payee after the death
31 of the participant and final settlement of the participant's
32 individual investment account.

33 (b) Determination by secretary.--Within a reasonable period
34 of time after receipt of a domestic relations order, the
35 secretary of the board, or his designated representative, shall
36 determine whether [this] the order is an approved domestic
37 relations order and notify the member or participant and each
38 alternate payee of this determination. Notwithstanding any other
39 provision of law, the exclusive remedy of any member,
40 participant or alternate payee aggrieved by a decision of the
41 secretary of the board, or his designated representative, shall
42 be the right to an adjudication by the board under 2 Pa.C.S. Ch.
43 5 (relating to practice and procedure) with appeal therefrom to
44 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
45 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
46 appeals from government agencies).

47 (c) Other orders.--The requirements for approval identified
48 in [subsection (a)] subsections (a) and (a.1) shall not apply to
49 any domestic relations order which is an order for support as
50 that term is defined in 23 Pa.C.S. § 4302 (relating to
51 definitions) or an order for the enforcement of arrearages as

1 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
2 arrearages). These orders shall be approved to the extent that
3 they do not attach moneys in excess of the limits on attachments
4 as established by the laws of this Commonwealth and the United
5 States[.], require distributions of benefits in a manner that
6 would violate the laws of the United States, any other state or
7 this Commonwealth or require the distribution of funds for
8 support or enforcement of arrearages against any participant who
9 is not receiving distributions from the plan at the time the
10 order is entered. These orders may be approved notwithstanding
11 any other provision of this part or the plan that would
12 otherwise require a distribution of accumulated employer defined
13 contributions in the form of an annuity or to require the
14 purchase of an annuity.

15 (d) Obligation discharged.--Only the requirements of this
16 part and any regulations promulgated hereunder shall be used to
17 govern the approval or disapproval of a domestic relations
18 order. Therefore, if the secretary of the board, or his
19 designated representative, acts in accordance with the
20 provisions of this part and any promulgated regulations in
21 approving or disapproving a domestic relations order, then the
22 obligations of the system or plan with respect to such approval
23 or disapproval shall be discharged.

24 § 8533.2. Irrevocable beneficiary.

25 Notwithstanding any other provision of this part, a domestic
26 relations order may provide for an irrevocable beneficiary. A
27 domestic relations order requiring the nomination of an
28 irrevocable beneficiary shall be deemed to be one that requires
29 a member or participant to nominate an alternate payee as a
30 beneficiary and that prohibits the removal or change of that
31 beneficiary without approval of a court of competent
32 jurisdiction, except by operation of law. Such a domestic
33 relations order may be certified as an approved domestic
34 relations order by the secretary of the board, or his designated
35 representative, after the member or participant makes such
36 nomination, in which case the irrevocable beneficiary so ordered
37 by the court cannot be changed by the member or participant
38 without approval by the court.

39 § 8533.3. Irrevocable survivor annuitant.

40 Notwithstanding any other provisions of this part, a domestic
41 relations order may provide for an irrevocable survivor
42 annuitant pertaining to a member. A domestic relations order
43 requiring the designation of an irrevocable survivor annuitant
44 of a member of the fund shall be deemed to be one that requires
45 a member to designate an alternate payee as a survivor annuitant
46 and that prohibits the removal or change of that survivor
47 annuitant for benefits payable from the fund without approval of
48 a court of competent jurisdiction, except by operation of law.
49 Such a domestic relations order may be certified as an approved
50 domestic relations order by the secretary of the board, or his
51 designated representative, in which case the irrevocable

1 survivor annuitant so ordered by the court cannot be changed by
2 the member without approval by the court. A person ineligible to
3 be designated as a survivor annuitant may not be designated an
4 irrevocable survivor annuitant.

5 § 8533.4. Amendment of approved domestic relations orders.

6 (a) Deceased alternate payee.--In the event that the
7 alternate payee predeceases the member or participant and there
8 are benefits payable to the alternate payee, the divorce court
9 may amend the approved domestic relations order to substitute a
10 person for the deceased alternate payee to receive any benefits
11 payable to the deceased alternate payee.

12 * * *

13 Section 120. Title 24 is amended by adding a section to
14 read:

15 § 8533.5. Irrevocable successor payee.

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

21 (b) Determination.--A domestic relations order requiring the
22 designation of an irrevocable successor payee shall be deemed to
23 be one that requires a participant who is receiving payments
24 from an annuity or other distribution option to designate an
25 alternate payee as a successor payee and that prohibits the
26 removal or change of that successor payee without approval of a
27 court of competent jurisdiction, except by operation of law.

28 (c) Certification.--A domestic relations order under
29 subsection (b) may be certified as an approved domestic
30 relations order by the secretary of the board, or his designated
31 representative, in which case the irrevocable successor payee so
32 ordered by the court cannot be changed by the participant
33 without approval by the court.

34 (d) Ineligibility.--A person ineligible to be designated as
35 a successor payee may not be designated as an irrevocable
36 successor payee. A court may not name an irrevocable successor
37 payee if the alternate payee is eligible to receive a lump sum
38 distribution of the alternate payee's portion of the marital
39 portion of the pension benefit.

40 Section 121. Sections 8534 and 8535 of Title 24 are amended
41 to read:

42 § 8534. Fraud and adjustment of errors.

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

48 (b) Adjustment of errors.--Should any change or mistake in
49 records result in any member, participant, beneficiary, [or]
50 survivor annuitant or successor payee receiving from the system
51 or plan more or less than he would have been entitled to receive

1 had the records been correct, then regardless of the intentional
2 or unintentional nature of the error and upon the discovery of
3 such error, the board shall correct the error and if the error
4 affects contributions to or payments from the system, then so
5 far as practicable shall adjust the payments which may be made
6 for and to such person in such a manner that the actuarial
7 equivalent of the benefit to which he was correctly entitled
8 shall be paid. If the error affects contributions to or payments
9 from the plan, the board shall take such action as shall be
10 provided for in the plan document.

11 § 8535. Payments to school entities by Commonwealth.

12 For each school year beginning with the 1995-1996 school year
13 and ending with the 2018-2019 school year, each school entity
14 shall be paid by the Commonwealth for contributions based upon
15 school service of active members of the system after June 30,
16 1995, as follows:

17 (1) The Commonwealth shall pay each school entity for
18 contributions made to the Public School Employees' Retirement
19 Fund based upon school service of all active members,
20 including members on activated military service leave, whose
21 effective dates of employment with their school entities are
22 after June 30, 1994, and who also had not previously been
23 employed by any school entity within this Commonwealth an
24 amount equal to the amount certified by the Public School
25 Employees' Retirement Board as necessary to provide, together
26 with the members' contributions, reserves on account of
27 prospective annuities, supplemental annuities and the premium
28 assistance program as provided in this part in accordance
29 with section 8328 (relating to actuarial cost method),
30 multiplied by the market value/income aid ratio of the school
31 entity. For no school year shall any school entity receive
32 less than the amount that would result if the market
33 value/income aid ratio as defined in section 2501(14.1) of
34 the Public School Code [of 1949] was 0.50.

35 (2) The Commonwealth shall pay each school entity for
36 contributions made to the Public School Employees' Retirement
37 Fund based upon school service of all active members,
38 including members on activated military service leave, who
39 are not described in paragraph (1), one-half of the amount
40 certified by the Public School Employees' Retirement Board as
41 necessary to provide, together with the members'
42 contributions, reserves on account of prospective annuities,
43 supplemental annuities and the premium assistance program as
44 provided in this part in accordance with section 8328.

45 (3) School entities shall have up to five days after
46 receipt of the Commonwealth's portion of the employer's
47 liability to [make] forward the payment to the Public School
48 Employees' Retirement Fund. School entities are expected to
49 make the full payment to the Public School Employees'
50 Retirement Fund in accordance with section 8327 (relating to
51 payments by employers) in the event the receipt of the

Commonwealth's portion of the employer's liability is delayed because of delinquent salary reporting or other conduct by the school entities.

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

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

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

(1) The Commonwealth shall pay each school entity for contributions made to the fund or the trust based upon school service of all active members or active participants, including members or participants on activated or USERRA military service leave, whose effective dates of employment with their school entities are after June 30, 1994, and who also had not previously been employed by any school entity within this Commonwealth, an amount equal to the amount certified by the board as necessary to provide, together with the members' and participants' contributions, reserves on account of prospective annuities, supplemental annuities and the premium assistance program as provided in this part in accordance with section 8328 (relating to actuarial cost method), multiplied by the market value/income aid ratio of the school entity. For no school year shall any school entity receive less than the amount that would result if the market value/income aid ratio as defined in section 2501(14.1) of the Public School Code was 0.50.

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

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

(4) Employers whose payments to the Public School Employees' Retirement Fund are delinquent shall be charged

interest by the Public School Employees' Retirement Fund at the annual interest rate adopted by the board under section 8328 in effect in the fiscal year in which the payments are required to be paid.

§ 8537. Internal Revenue Code limitations.

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

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

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

(1) The Governor.

(2) The President pro tempore of the Senate.

(3) The Minority Leader of the Senate.

(4) The Speaker of the House of Representatives.

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

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

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

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

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

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

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

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

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

1 return.
2 (4) Publish extensive and detailed findings online,
3 including findings about:
4 (i) Assets.
5 (ii) Returns.
6 (iii) Financial managers.
7 (iv) Consultants.
8 (v) Requests for proposals.
9 (vi) Investment performance measured against
10 benchmarks.
11 (5) Recommend an amount of investment fees sufficient
12 for the board to achieve the board's assumed annual rate of
13 return and to develop recommendations to reduce expenditures
14 to generate actuarial savings of \$1,500,000,000 over 30 years
15 from the effective date of this section.
16 (6) Report its findings and recommendations to the
17 Governor and the General Assembly within six months of its
18 first organizational meeting.
19 (c) Quorum.--A majority of appointed members shall
20 constitute a quorum for the purpose of conducting business. The
21 members shall select one of their number to be chairperson and
22 another to be vice chairperson.
23 (d) Transparency and ethics.--The Public Pension Management
24 and Asset Investment Review Commission shall be subject to the
25 following laws:
26 (1) The act of February 14, 2008 (P.L.6, No.3), known as
27 the Right-to-Know Law.
28 (2) The former act of July 3, 1986 (P.L.388, No.84),
29 known as the Sunshine Act.
30 (3) The act of October 4, 1978 (P.L.883, No.170), known
31 as the Public Official and Employee Ethics Law.
32 (4) The act of July 19, 1957 (P.L.1017, No.451), known
33 as the State Adverse Interest Act.
34 (e) Information gathering.--The Public Pension Management
35 and Asset Investment Review Commission may conduct hearings and
36 otherwise gather pertinent information and analysis that it
37 considers appropriate and necessary to fulfill its duties.
38 (f) Logistical and other support.--The Public Pension
39 Management and Asset Investment Review Commission shall receive
40 logistical and other support from the Joint State Government
41 Commission and may employ additional temporary staff as needed.
42 (g) Reimbursement.--The members of the Public Pension
43 Management and Asset Investment Review Commission shall be
44 reimbursed for reasonable expenses.
45 (h) Expiration.--The Public Pension Management and Asset
46 Investment Review Commission shall expire 60 days after delivery
47 of its report in accordance with subsection (b)(5). Any unspent
48 appropriation shall lapse back to the General Fund.
49 Section 123. The definition of "eligible person" in section
50 8702(a) of Title 24 is amended to read:
51 § 8702. Definitions.

1 (a) General rule.--Subject to additional definitions
2 contained in subsequent provisions of this part which are
3 applicable to specific provisions of this part, the following
4 words and phrases when used in this part shall have the meanings
5 given to them in this section unless the context clearly
6 indicates otherwise:

7 "Eligible person." An individual who is:

8 (1) an annuitant or survivor annuitant or the spouse or
9 dependent of an annuitant or survivor annuitant[.]; or

10 (2) a participant receiving distributions or a successor
11 payee, or the spouse or dependent of a participant receiving
12 distributions or a successor payee.

13 * * *

14 ARTICLE II

15 Section 201. Section 7306(a) introductory paragraph of Title
16 51 is amended and the section is amended by adding a subsection
17 to read:

18 § 7306. Retirement rights.

19 (a) Options available to employees.--Any employee who is a
20 member of a retirement system other than an active member or
21 inactive member on leave without pay of the State Employees'
22 Retirement System [or], an active participant or inactive
23 participant on leave without pay of the State Employees' Defined
24 Contribution Plan, an active or inactive member of the Public
25 School Employees' Retirement System or an active or inactive
26 participant of the School Employees' Defined Contribution Plan
27 at the time he is granted a military leave of absence shall be
28 entitled to exercise any one of the following options in regard
29 thereto:

30 * * *

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

32 (1) (Reserved).

33 (2) An employee who is an active participant or inactive
34 participant on leave without pay of the State Employees'
35 Defined Contribution Plan at the time the employee is granted
36 a military leave of absence shall be entitled to make
37 contributions to the State Employees' Defined Contribution
38 Trust for the leave as provided by 71 Pa.C.S. Pt. XXV
39 (relating to retirement for State employees and officers).

40 ARTICLE III

41 Section 301. (Reserved).

42 Section 302. The definitions of "alternate payee," "average
43 noncovered salary," "beneficiary," "class of service
44 multiplier," "compensation," "creditable nonstate service,"
45 "credited service," "date of termination of service,"
46 "distribution," "domestic relations order," "eligibility
47 points," "final average salary," "inactive member," "intervening
48 military service," "irrevocable beneficiary," "member's
49 annuity," "reemployed from USERRA leave," "regular member
50 contributions," "required beginning date," "retirement
51 counselor," "salary deductions," "shared-risk member

contributions," "special vestee," "standard single life annuity," "State employee," "superannuation age," "valuation interest" and "vestee" in section 5102 of Title 71 are amended and the section is amended by adding definitions to read: § 5102. Definitions.

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

* * *

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

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

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

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

* * *

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

* * *

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

* * *

"Average noncovered salary." The average of the amounts of compensation received as an active member each calendar year since January 1, 1956, exclusive of the amount which was or

could have been covered by the Federal Social Security Act[, 42 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et seq.), during that portion of the member's service since January 1, 1956, for which he has received social security integration credit.

* * *

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

* * *

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

(1) A sworn police officer.
(2) An enforcement officer.
(3) A wildlife conservation officer or other commissioned law enforcement personnel employed by the Pennsylvania Game Commission who has and exercises the same law enforcement powers as a wildlife conservation officer. The term shall not include a deputy wildlife conservation officer.

(4) A Delaware River Port Authority policeman.

(5) A park ranger.

(6) A Capitol Police officer.

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

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

(9) A correction officer.

"Class of service multiplier."

Class of Service		Multiplier
A		1
AA	for all purposes except calculating regular member contributions on compensation paid prior to January 1, 2002	1.25
AA	for purposes of calculating regular member contributions	

1		on compensation	
2		paid prior to	
3		January 1, 2002	1
4	A-3	for all purposes	
5		except the	
6		calculation of	
7		regular member	
8		contributions	
9		and	
10		contributions	
11		for creditable	
12		nonstate service	1
13	A-3	for purposes of	
14		calculating	
15		regular member	
16		contributions	
17		and	
18		contributions	
19		for creditable	
20		nonstate service	1.25
21	A-4	for all purposes	
22		except the	
23		calculation of	
24		regular member	
25		contributions	1.25
26	A-4	for purposes of	
27		calculating	
28		regular member	
29		contributions	1.86
30	<u>A-5</u>	<u>for all purposes</u>	
31		<u>except the</u>	
32		<u>calculation of</u>	
33		<u>regular member</u>	
34		<u>contributions</u>	<u>.625</u>
35	<u>A-5</u>	<u>for purposes of</u>	
36		<u>calculating</u>	
37		<u>regular member</u>	
38		<u>contributions</u>	<u>1</u>
39	<u>A-6</u>	<u>for all purposes</u>	
40		<u>except the</u>	
41		<u>calculation of</u>	
42		<u>regular member</u>	
43		<u>contributions</u>	<u>.5</u>
44	<u>A-6</u>	<u>for purposes of</u>	
45		<u>calculating</u>	
46		<u>regular member</u>	
47		<u>contributions</u>	<u>.8</u>
48	B		.625
49	C		1
50	D		1.25
51	D-1	prior to January	

1		1, 1973	1.875	
2	D-1	on and		
3		subsequent to		
4		January 1, 1973	1.731	
5	D-2	prior to January		
6		1, 1973	2.5	
7	D-2	on and		
8		subsequent to		
9		January 1, 1973	1.731	
10	D-3	prior to January		
11		1, 1973	3.75	
12	D-3	on and		
13		subsequent to		
14		January 1, 1973	1.731	except prior to
15				December 1, 1974
16				as applied to
17				any additional
18				legislative
19				compensation as
20				an officer of
21				the General
22				Assembly
23			3.75	
24	D-4	for all purposes		
25		except		
26		calculating		
27		regular member		
28		contributions		
29		on compensation		
30		paid prior to		
31		July 1, 2001	1.5	
32	D-4	for purposes of		
33		calculating		
34		regular member		
35		contributions on		
36		compensation		
37		paid prior to		
38		July 1, 2001	1	
39	E, E-1	prior to January		
40		1, 1973	2	for each of the
41				first ten years
42				of judicial
43				service, and
44			1.5	for each
45				subsequent year
46				of judicial
47				service
48	E, E-1	on and		
49		subsequent to		
50		January 1, 1973	1.50	for each of the
51				first ten years

1			of judicial
2			service and
3		1.125	for each
4			subsequent year
5			of judicial
6			service
7	E-2	prior to	
8		September 1,	
9		1973	1.5
10	E-2	on and	
11		subsequent to	
12		September 1,	
13		1973	1.125
14	G		0.417
15	H		0.500
16	I		0.625
17	J		0.714
18	K		0.834
19	L		1.000
20	M		1.100
21	N		1.250
22	T-C (Public School		
23	Employees'		
24	Retirement Code)	1	
25	T-E (Public School		
26	Employees'		
27	Retirement Code)	1	
28	T-F (Public School		
29	Employees'		
30	Retirement Code)	1	
31	<u>T-G (Public School</u>		
32	<u>Employees'</u>		
33	<u>Retirement Code)</u>	<u>1</u>	
34	<u>T-H (Public School</u>		
35	<u>Employees'</u>		
36	<u>Retirement Code)</u>	<u>1</u>	

37 * * *

38 "Compensation." Pickup contributions and mandatory pickup
39 participant contributions plus remuneration actually received as
40 a State employee excluding refunds for expenses, contingency and
41 accountable expense allowances; excluding any severance payments
42 or payments for unused vacation or sick leave; and excluding
43 payments for military leave and any other payments made by an
44 employer while on USERRA leave, leave of absence granted under
45 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
46 government employees), military leave of absence granted under
47 51 Pa.C.S. § 7302 (relating to granting military leaves of
48 absence) or other types of military leave, including other types
49 of leave payments, stipends, differential wage payments as
50 defined in IRC § 414(u)(12) and any other payments: Provided,
51 however, That for purposes of determining member and employer

1 contributions to the system and for calculating annuities and
2 benefits from the system resulting from service performed as a
3 Class A-5 exempt employee who first became a member on or after
4 January 1, 2019, compensation shall not include remuneration
5 received in any pay period for voluntary overtime service or
6 duty that exceeds 10% of a Class A-5 exempt employee's base
7 salary or wages in that pay period, notwithstanding the
8 provisions of a binding arbitration award issued before July 1,
9 1989, under the act of June 24, 1968 (P.L.237, No.111), referred
10 to as the Policemen and Firemen Collective Bargaining Act, and
11 implemented by the board: Provided further, That compensation
12 received prior to January 1, 1973, shall be subject to the
13 limitations for retirement purposes in effect December 31, 1972,
14 if any: Provided further, That the limitation under section
15 401(a)(17) of the Internal Revenue Code of 1986 (Public Law 99-
16 514, 26 U.S.C. § 401(a)(17)) taken into account for the purpose
17 of member contributions, including any additional member
18 contributions in addition to regular or joint coverage member
19 contributions and Social Security integration contributions,
20 regardless of class of service, shall apply to each member who
21 first became a member of the State Employees' Retirement System
22 on or after January 1, 1996, and who by reason of such fact is a
23 noneligible member subject to the application of the provisions
24 of section 5506.1(a) (relating to annual compensation limit
25 under IRC § 401(a)(17)) and shall apply to each participant
26 pertaining to his participation in the plan.

27 * * *

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

- 30 (1) service as a State employee;
- 31 (2) service converted to State service pursuant to
32 section 5303.1 (relating to election to convert county
33 service to State service); or
- 34 (3) school service converted to State service pursuant
35 to section 5303.2 (relating to election to convert school
36 service to State service) [for which an active member may
37 obtain credit].

38 "Credited service." State or creditable nonstate service for
39 which the required contributions have been made to the fund or
40 for which the contributions otherwise required for such service
41 were not made solely by reason of section 5502.1 (relating to
42 waiver of regular member contributions and Social Security
43 integration member contributions) or any provision of this part
44 relating to the limitations under section 401(a)(17) or 415 of
45 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
46 § 401(a)(17) or 415), except as otherwise provided in this part,
47 or for which salary deductions or lump sum payments to the
48 system have been agreed upon in writing.

49 "Date of termination of service." The latest of the
50 following dates:

- 51 (1) the last day of service for which pickup

1 contributions are made for an active member or for which the
2 contributions otherwise required for such service are not
3 made solely by reason of any provision of this part relating
4 to the limitations under section 401(a)(17) or 415 of the
5 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
6 401(a)(17) or 415);

7 (2) in the case of an inactive member on leave without
8 pay or an inactive participant on leave without pay, the date
9 of his resignation or the date his employment is formally
10 discontinued by his employer[.]; or

11 (3) the last day of service for which mandatory pickup
12 participant contributions are made for an active participant.

13 * * *

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

18 "Domestic relations order." Any judgment, decree or order,
19 including approval of a property settlement agreement, entered
20 on or after the effective date of this definition by a court of
21 competent jurisdiction pursuant to a domestic relations law
22 which relates to the marital property rights of the spouse or
23 former spouse of a member or participant, including the right to
24 receive all or a portion of the moneys payable to that member or
25 participant under this part in furtherance of the equitable
26 distribution of marital assets. The term includes orders of
27 support as that term is defined by 23 Pa.C.S. § 4302 (relating
28 to definitions) and orders for the enforcement of arrearages as
29 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
30 arrearages).

31 * * *

32 "Eligibility points." Points which are accrued by an active
33 member, active participant or a multiple service member who is
34 an active member in the Public School Employees' Retirement
35 System for credited service or a member who has been reemployed
36 from USERRA leave or a member who dies while performing USERRA
37 leave and are used in the determination of eligibility for
38 benefits.

39 "Employer defined contributions." Contributions equal to a
40 percentage of an active participant's compensation that are made
41 by the Commonwealth or other employer to the trust to be
42 credited in an active participant's individual investment
43 account as follows:

44 (1) 2.25% of compensation for service credited as a
45 Class A-5 member;

46 (2) 2% of compensation for service credited as a Class
47 A-6 member; and

48 (3) 3.5% of compensation for service performed solely as
49 a participant.

50 * * *

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

1 (1) For members with an effective date of retirement
2 before January 1, 2019, and for purposes of calculating
3 standard single life annuities and benefits resulting from
4 credited service other than Class A-5 service and Class A-6
5 service regardless of the effective date of retirement, the
6 highest average compensation received as a member during any
7 three nonoverlapping periods of four consecutive calendar
8 quarters during which the member was a State employee, with
9 the compensation for part-time service being annualized on
10 the basis of the fractional portion of the year for which
11 credit is received; except if the employee was not a member
12 for three nonoverlapping periods of four consecutive calendar
13 quarters, the total compensation received as a member,
14 annualized in the case of part-time service, divided by the
15 number of nonoverlapping periods of four consecutive calendar
16 quarters of membership[;].

17 (2) For purposes of calculating standard single life
18 annuities and benefits from the system attributable to
19 service as a member of Class A-5 or Class A-6, the highest
20 average compensation received as a member during any five
21 calendar years during which the member was a State employee,
22 with the compensation for part-time service or for any
23 partial year of credit annualized on the basis of the
24 fractional portion of the year for which credit is received;
25 except if the employee was not a member during five calendar
26 years, the average of the number of calendar years during
27 which the employee was an active member.

28 (3) For all members and for the calculation of all
29 standard single life annuities without regard to class of
30 membership and credited service, in the case of a member with
31 multiple service, the final average salary shall be
32 determined on the basis of the compensation received by him
33 as a [State employee or as a school employee] member of the
34 system or as a member of the Public School Employees'
35 Retirement System, or both[;], and, in the case of a member
36 with [Class A-3 or Class A-4 service and] service in more
37 than one [or more other classes] class of service, the final
38 average salary for purposes of calculating annuities and
39 benefits from all classes of service shall be determined on
40 the basis of the compensation received by him in all classes
41 of State service credited in the system; and, in the case of
42 a member who first became a member on or after January 1,
43 1996, the final average salary shall be determined as
44 hereinabove provided but subject to the application of the
45 provisions of section 5506.1(a) (relating to annual
46 compensation limit under IRC § 401(a)(17)). Final average
47 salary shall be determined by including in compensation
48 payments deemed to have been made to a member reemployed from
49 USERRA leave to the extent member contributions have been
50 made as provided in section 5302(f)(2) (relating to credited
51 State service) and payments made to a member on leave of

1 absence under 51 Pa.C.S. § 4102 (relating to leaves of
2 absence for certain government employees) as provided in
3 section 5302(f)(6).

4 * * *

5 "Inactive member." A member for whom no pickup contributions
6 are being made to the fund, except in the case of an active
7 member for whom such contributions otherwise required for
8 current State service are not being made solely by reason of
9 section 5502.1 (relating to waiver of regular member
10 contributions and Social Security integration member
11 contributions) or any provision of this part relating to the
12 limitations under section 401(a)(17) or 415 of the Internal
13 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
14 or 415), but who has accumulated deductions standing to his
15 credit in the fund and who is not eligible to become or has not
16 elected to become a vestee or has not filed an application for
17 an annuity.

18 "Inactive member on leave without pay." The term does not
19 include a State employee who is performing service solely as a
20 participant in the plan unless the participant concurrently is
21 employed as a Class A-5 exempt employee and on leave without
22 pay.

23 "Inactive participant." A participant for whom no mandatory
24 pickup participant contributions are being made to the trust,
25 except in the case of an active participant for whom such
26 contributions otherwise required for current State service are
27 not being made solely by reason of any provision of this part
28 relating to limitations under section 401(a)(17) or 415 of the
29 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
30 401(a)(17) or 415), but who has vested accumulated total defined
31 contributions standing to his credit in the trust and who has
32 not filed an application for a distribution.

33 "Inactive participant on leave without pay." The term does
34 not include a Class A-5 exempt employee who is an active member
35 on leave without pay unless the Class A-5 exempt employee
36 concurrently is employed in an office or position in which the
37 Class A-5 exempt employee is a participant in the plan and on
38 leave without pay.

39 "Individual investment account." The account in the trust to
40 which are credited the amounts of the contributions made by a
41 participant and the participant's employer in accordance with
42 the provisions of this part, together with all interest and
43 investment earnings after deduction for fees, costs, expenses
44 and investment losses and charges for distributions.

45 "Intervening military service." Active military service of a
46 member who was a State employee and active member of the system
47 immediately preceding his induction into the armed services or
48 forces of the United States in order to meet a military
49 obligation excluding any voluntary extension of such service and
50 who becomes a State employee within 90 days of the expiration of
51 such service.

1 * * *

2 "Irrevocable beneficiary." The person or persons permanently
3 designated by a member or participant in writing to the State
4 Employees' Retirement Board pursuant to an approved domestic
5 relations order to receive all or a portion of the accumulated
6 deductions, vested accumulated total defined contributions or
7 lump sum benefit payable upon the death of such member or
8 participant.

9 "Irrevocable successor payee." The person permanently
10 designated by a participant receiving distributions in writing
11 to the board pursuant to an approved domestic relations order to
12 receive one or more distributions from the plan upon the death
13 of the participant.

14 * * *

15 "Mandatory pickup participant contributions." Contributions
16 equal to a percentage of compensation that are made by the
17 Commonwealth or other employer for an active participant for
18 current State service that are picked up by the employer and
19 credited in the plan as follows:

20 (1) for a participant who did not make the election
21 under section 5306.5 (relating to election by active members
22 to become a Class A-5 member, Class A-6 member or plan
23 participant):

24 (i) 3.25% of compensation for service credited as a
25 Class A-5 member;

26 (ii) 3.5% of compensation for service credited as a
27 Class A-6 member;

28 (iii) 7.5% of compensation for service performed
29 solely as a participant; or

30 (2) for a participant who makes the election under
31 section 5306.5, the percentage of compensation otherwise
32 provided under section 5306.5(e).

33 * * *

34 "Member's annuity." The single life annuity which is
35 actuarially equivalent, at the effective date of retirement and
36 taking into account any delay in the receipt of the portion of
37 the annuity based on Class A-5 service or Class A-6 service, if
38 the effective date of retirement is under the age at which the
39 member can receive a withdrawal annuity based on Class A-5
40 service or Class A-6 service, to the sum of the regular
41 accumulated deductions, shared-risk accumulated deductions, the
42 additional accumulated deductions and the social security
43 integration accumulated deductions standing to the member's
44 credit in the members' savings account.

45 * * *

46 "Participant." An active participant, inactive participant
47 or participant receiving distributions.

48 "Participant receiving distributions." A participant in the
49 plan who has commenced receiving distributions from his
50 individual investment account but who has not received a total
51 distribution of his vested interest in the individual investment

1 account.

2 * * *

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

5 "Plan document." The documents created by the board under
6 section 5802 (relating to plan document) that contain the terms
7 and provisions of the plan and trust as established by the board
8 regarding the establishment, administration and investment of
9 the plan and trust.

10 * * *

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

19 * * *

20 "Regular member contributions." The product of the basic
21 contribution rate, the class of service multiplier [if greater
22 than one] and the compensation of the member[.], subject to any
23 adjustment under section 5501.1(c) (relating to shared-risk
24 member contributions and shared-gain adjustments to regular
25 member contributions).

26 "Required beginning date." The latest date by which
27 distributions of a member's interest or a participant's interest
28 in his individual investment account must commence under section
29 401(a)(9) of the Internal Revenue Code of 1986 (Public Law 99-
30 514, 26 U.S.C. § 401(a)(9)).

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

35 "Salary deductions." The amounts certified by the board,
36 deducted from the compensation of an active member or active
37 participant, or the school service compensation of a multiple
38 service member who is an active member of the Public School
39 Employees' Retirement System, and paid into the fund or trust.

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

43 * * *

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

48 * * *

49 "Special vestee." An employee of The Pennsylvania State
50 University who is a member of the State Employees' Retirement
51 System with five or more but less than ten eligibility points

1 and who has a date of termination of service from The
2 Pennsylvania State University of June 30, 1997, because of the
3 transfer of his job position or duties to a controlled
4 organization of the Penn State Geisinger Health System or
5 because of the elimination of his job position or duties due to
6 the transfer of other job positions or duties to a controlled
7 organization of the Penn State Geisinger Health System, provided
8 that:

9 (1) subsequent to termination of State service as an
10 employee of The Pennsylvania State University, the member has
11 not returned to State service in any other capacity or
12 position as a State employee;

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

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

19 (4) the member elects to leave the member's total
20 accumulated deductions in the fund and to defer receipt of an
21 annuity until attainment of superannuation age or the
22 member's required beginning date.

23 "Standard single life annuity." An annuity equal to 2% of
24 the final average salary, multiplied by the total number of
25 years and fractional part of a year of credited service of a
26 member in each class of service.

27 "State employee." Any person holding a State office or
28 position under the Commonwealth, employed by the State
29 Government of the Commonwealth, in any capacity whatsoever,
30 except an independent contractor or any person compensated on a
31 fee basis or any person paid directly by an entity other than a
32 State Employees' Retirement System employer, and shall include
33 members of the General Assembly, and any officer or employee of
34 the following:

35 (1) (i) The Department of Education.

36 (ii) State-owned educational institutions.

37 (iii) Community colleges.

38 (iv) The Pennsylvania State University, except an
39 employee in the College of Agriculture who is paid wholly
40 from Federal funds or an employee who is participating in
41 the Federal Civil Service Retirement System. The
42 university shall be totally responsible for all employer
43 contributions under section 5507 (relating to
44 contributions to the system by the Commonwealth and other
45 employers) and all employer defined contributions to the
46 trust under section 5806 (relating to employer defined
47 contributions).

48 (2) The Pennsylvania Turnpike Commission, the Delaware
49 River Port Authority, the Port Authority Transit Corporation,
50 the Philadelphia Regional Port Authority, the Delaware River
51 Joint Toll Bridge Commission, the State Public School

1 Building Authority, The General State Authority, the State
2 Highway and Bridge Authority, the Delaware Valley Regional
3 Planning Commission, the Interstate Commission of the
4 Delaware River Basin, and the Susquehanna River Basin
5 Commission any time subsequent to its creation, provided the
6 commission or authority agrees to contribute and does
7 contribute to the fund or trust, from time to time, the
8 moneys required to build up the reserves necessary for the
9 payment of the annuities or other benefits of such officers
10 and employees without any liability on the part of the
11 Commonwealth to make appropriations for such purposes, and
12 provided in the case of employees of the Interstate
13 Commission of the Delaware River Basin, that the employee
14 shall have been a member of the system for at least ten years
15 prior to January 1, 1963.

16 (3) Any separate independent public corporation created
17 by statute, not including any municipal or quasi-municipal
18 corporation, so long as he remains an officer or employee of
19 such public corporation, and provided that such officer or
20 employee of such public corporation was an employee of the
21 Commonwealth immediately prior to his employment by such
22 corporation, and further provided such public corporation
23 shall agree to contribute and contributes to the fund or
24 trust, from time to time, the moneys required to build up the
25 reserves necessary for the payment of the annuities or other
26 benefits of such officers and employees without any liability
27 on the part of the Commonwealth to make appropriations for
28 such purposes.

29 * * *

30 "Successor payee." The person or persons last designated in
31 writing to the board by a participant receiving distributions to
32 receive one or more distributions upon the death of the
33 participant.

34 "Superannuation age." For classes of service in the system
35 other than Class A-3 [and], Class A-4, Class A-5 and Class A-6,
36 any age upon accrual of 35 eligibility points or age 60, except
37 for a member of the General Assembly who has no service as a
38 member of the General Assembly in Class A-3, Class A-4, Class A-
39 5 or Class A-6, an enforcement officer, a correction officer, a
40 psychiatric security aide, a Delaware River Port Authority
41 policeman or an officer of the Pennsylvania State Police, age
42 50, and, except for a member with Class G, Class H, Class I,
43 Class J, Class K, Class L, Class M or Class N service, age 55
44 upon accrual of 20 eligibility points. For Class A-3 and Class
45 A-4 service, any age upon attainment of a superannuation score
46 of 92, provided the member has accrued 35 eligibility points, or
47 age 65, or for park rangers or capitol police officers, age 55
48 with 20 years of service as a park ranger or capitol police
49 officer, except for a member of the General Assembly whose
50 service as a member of the General Assembly is performed as a
51 Class A-3 or Class A-4 member, an enforcement officer, a

1 correction officer, a psychiatric security aide, a Delaware
2 River Port Authority policeman or an officer of the Pennsylvania
3 State Police, age 55. For Class A-5 and Class A-6 service, any
4 age upon attainment of a superannuation score of 97, provided
5 the member has accrued 35 eligibility points, or age 67. A
6 vestee with Class A-3 or Class A-4 service credit attains
7 superannuation age on the birthday the vestee attains the age
8 resulting in a superannuation score of 92, provided that the
9 vestee has at least 35 eligibility points, or attains another
10 applicable superannuation age, whichever occurs first.

11 * * *

12 "Sworn police officer." A State police officer who is
13 employed and serving as an officer of the Pennsylvania State
14 Police.

15 * * *

16 "Trust." The State Employees' Defined Contribution Trust
17 established under Chapter 58 (relating to State Employees'
18 Defined Contribution Plan).

19 * * *

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

23 "Vestee." A member with:

24 (1) five or more eligibility points in a class of
25 service other than Class A-3 [or], Class A-4, Class A-5 or
26 Class A-6 or, if a multiple service member, Class T-E [or],
27 Class T-F, Class T-G or Class T-H in the Public School
28 Employees' Retirement System[, a member with];

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

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

37 "Voluntary contributions." Contributions made by a
38 participant to the trust and credited to his individual
39 investment account in excess of his mandatory pickup participant
40 contributions, either by salary deductions paid through the
41 Commonwealth or other employer, or through an eligible rollover
42 or through a direct trustee-to-trustee transfer.

43 Section 303. Section 5103 of Title 71 is amended to read:
44 § 5103. Notice to members and participants.

45 Notice by publication, including, without being limited to,
46 newsletters, newspapers, forms, first class mail, letters,
47 manuals and, to the extent authorized by a policy adopted by the
48 board, electronically, including, without being limited to, e-
49 mail or [World Wide Web sites] Internet websites, distributed or
50 made available to members and participants in a manner
51 reasonably calculated to give actual notice of [those sections

1 of the State Employees' Retirement Code] the provisions of this
2 part that require notice to members or participants shall be
3 deemed sufficient notice for all purposes.

4 Section 304. Title 71 is amended by adding a section to
5 read:

6 § 5104. Reference to State Employees' Retirement System.

7 (a) Construction.--As of the effective date of this section,
8 unless the context clearly indicates otherwise, any reference to
9 the State Employees' Retirement System in a statutory provision
10 other than this part and 24 Pa.C.S. Pt. IV (relating to
11 retirement for school employees) shall include a reference to
12 the State Employees' Defined Contribution Plan, and any
13 reference to the State Employees' Retirement Fund shall include
14 a reference to the State Employees' Defined Contribution Trust.

15 (b) Agreement.--The agreement of an employer listed in the
16 definition of "State employee" or any other law to make
17 contributions to the fund or to enroll its employees as members
18 in the system shall be deemed to be an agreement to make
19 contributions to the trust or to enroll its employees in the
20 plan. An employer may not agree or elect to make contributions
21 to the trust or to enroll its employees in the plan without also
22 agreeing or electing to make contributions to the fund or to
23 enroll its employees as members in the system.

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

27 § 5301. Mandatory and optional membership in the system and
28 participation in the plan.

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

- 32 (1) Governor.
- 33 (2) Lieutenant Governor.
- 34 (3) Members of the General Assembly.
- 35 (4) Heads or deputy heads of administrative departments.
- 36 (5) Members of any independent administrative board or
37 commission.
- 38 (6) Members of any departmental board or commission.
- 39 (7) Members of any advisory board or commission.
- 40 (8) Secretary to the Governor.
- 41 (9) Budget Secretary.
- 42 (10) Legislative employees.
- 43 (11) School employees who have elected membership in the
44 Public School Employees' Retirement System.
- 45 (12) School employees who have elected membership in an
46 independent retirement program approved by the employer,
47 provided that in no case, except as hereinafter provided,
48 shall the employer contribute on account of such elected
49 membership at a rate greater than the employer normal
50 contribution rate as determined in section 5508(b) (relating
51 to actuarial cost method). For the fiscal year 1986-1987 an

1 employer may contribute on account of such elected membership
2 at a rate which is the greater of 7% or the employer normal
3 contribution rate as determined in section 5508(b) and for
4 the fiscal year 1992-1993 and all fiscal years after that at
5 a rate of 9.29%.

6 (13) Persons who have elected to retain membership in
7 the retirement system of the political subdivision by which
8 they were employed prior to becoming eligible for membership
9 in the State Employees' Retirement System.

10 (14) Persons who are not members of the system and are
11 employed on a per diem or hourly basis for less than 100 days
12 or 750 hours in a [12-month period] calendar year.

13 (15) Employees of the Philadelphia Regional Port
14 Authority who have elected to retain membership in the
15 pension plan or retirement system in which they were enrolled
16 as employees of the predecessor Philadelphia Port Corporation
17 prior to the creation of the Philadelphia Regional Port
18 Authority.

19 (16) Employees of the Juvenile Court Judges' Commission
20 who, before the effective date of this paragraph, were
21 transferred from the State System of Higher Education to the
22 Juvenile Court Judges' Commission as a result of an
23 interagency transfer of staff approved by the Office of
24 Administration and who, while employees of the State System
25 of Higher Education, had elected membership in an independent
26 retirement program approved by the employer.

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

36 (a.1) Mandatory participation in the plan.--A State employee
37 who is a member of the system as a member of Class A-5 or Class
38 A-6 shall be a mandatory participant in the plan for that same
39 service as of the effective date of Class A-5 or Class A-6
40 membership in the system except for service as a Class A-5
41 exempt employee. A State employee who elected to be solely a
42 participant in the plan shall be a mandatory participant in the
43 plan for all service except for service as a Class A-5 exempt
44 employee.

45 (b) Optional membership in the system.--The State employees
46 listed in subsection (a)(1) through (11) shall have the right to
47 elect membership in the system; once such election is exercised,
48 membership shall continue until the termination of State
49 service. State employees listed in subsection (a)(17) who are
50 listed in subsection (a)(1) through (11) shall have the right to
51 elect membership in Class A-5 or Class A-6 provided they have

1 not previously elected to be solely participants in the plan.

2 (b.1) Optional participation in the plan.--The State
3 employees who are optional members of the system as members of
4 Class A-5 or Class A-6 also are optional participants in the
5 plan. The State employees who elect membership in the system as
6 members of Class A-5 or Class A-6, including the employees who
7 elect to become members of Class A-5 or Class A-6 under section
8 5306.5 (relating to election by active members to become a Class
9 A-5 member, Class A-6 member or plan participant) also
10 automatically elect participation in the plan as of the date
11 they elect membership in the system, except for service as a
12 Class A-5 exempt employee. A State employee can elect
13 participation in the plan without also electing membership in
14 the system under section 5306.4 (relating to election to become
15 a Class A-6 member or solely a participant in the plan).

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

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

32 (d) Return to service.--

33 (1) An annuitant who returns to service as a State
34 employee before January 1, 2019, or returns to State service
35 as a Class A-5 exempt employee after December 31, 2018, shall
36 resume active membership in the system as of the effective
37 date of employment, except as otherwise provided in section
38 5706(a) (relating to termination of annuities), regardless of
39 the optional membership category of the position.

40 (2) An annuitant or a participant receiving
41 distributions who returns to service as a State employee on
42 or after January 1, 2019, shall resume active membership in
43 the system and, if an active member of Class A-5 or Class A-
44 6, shall be an active participant in the plan as of the
45 effective date of employment, except as otherwise provided in
46 section 5706(a), regardless of the optional membership or
47 participation category of the position: Provided, however,
48 That a participant or former participant who previously
49 elected to be solely a participant under section 5306.4 or
50 5306.5 shall be a participant in the plan and not an active
51 member of the system, except for service as a Class A-5

1 exempt employee.

2 * * *

3 Section 306. Sections 5302(a), (b), (e) and (f), 5303(b)(1)
4 and (2), (d)(1) and (e)(1) and (4), 5303.2(a) and 5304(a) and
5 (b) of Title 71 are amended to read:
6 § 5302. Credited State service.

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

40 (b) Creditable leaves of absence.--

41 (1) A member on leave without pay who is studying under
42 a Federal grant approved by the head of his department or who
43 is engaged up to a maximum of two years of temporary service
44 with the United States Government, another state or a local
45 government under the Intergovernmental Personnel Act of 1970
46 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
47 be eligible for credit for such service: Provided, That
48 contributions are made in accordance with sections 5501
49 (relating to regular member contributions for current
50 service), 5501.1 (relating to shared-risk member
51 contributions [for Class A-3 and Class A-4 service] and

1 shared-gain adjustments to regular member contributions),
2 5505.1 (relating to additional member contributions) and 5507
3 (relating to contributions to the system by the Commonwealth
4 and other employers), the member returns from leave without
5 pay to active State service as a member of the system for a
6 period of at least one year, and he is not entitled to
7 retirement benefits for such service under a retirement
8 system administered by any other governmental agency.

9 (2) An active member or active participant on paid leave
10 granted by an employer for purposes of serving as an elected
11 full-time officer for a Statewide employee organization which
12 is a collective bargaining representative under the act of
13 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
14 and Firemen Collective Bargaining Act, or the act of July 23,
15 1970 (P.L.563, No.195), known as the Public Employe Relations
16 Act, and up to 14 full-time business agents appointed by an
17 employee organization that represents correction officers
18 employed at State correctional institutions: Provided, That
19 for elected full-time officers such leave shall not be for
20 more than three consecutive terms of the same office and for
21 up to 14 full-time business agents appointed by an employee
22 organization that represents correction officers employed at
23 State correctional institutions no more than three
24 consecutive terms of the same office; that the employer shall
25 fully compensate the member or participant, including, but
26 not limited to, salary, wages, pension and retirement
27 contributions and benefits, other benefits and seniority, as
28 if he were in full-time active service; and that the
29 Statewide employee organization shall fully reimburse the
30 employer for all expenses and costs of such paid leave,
31 including, but not limited to, contributions and payment in
32 accordance with sections 5501, 5501.1, 5505.1 [and], 5507,
33 5804 (relating to participant contributions), 5805 (relating
34 to mandatory pickup participant contributions) and 5806
35 (relating to employer defined contributions), if the employee
36 organization either directly pays, or reimburses the
37 Commonwealth or other employer for, contributions made in
38 accordance with [section 5507] sections 5507, 5804, 5805 and
39 5806.

40 * * *

41 (e) Cancellation of credited service.--

42 (1) All credited service in the system shall be
43 cancelled if a member withdraws his total accumulated
44 deductions, except that a member with Class A-3 [or], Class
45 A-4, Class A-5 or Class A-6 service credit and one or more
46 other classes of service credit shall not have his service
47 credit as a member of any classes of service other than as a
48 member of Class A-3 [or], Class A-4, Class A-5 or Class A-6
49 cancelled when the member receives a lump sum payment of
50 accumulated deductions resulting from Class A-3 [or], Class
51 A-4, Class A-5 or Class A-6 service pursuant to section

5705.1 (relating to payment of accumulated deductions resulting from [Class A-3 and Class A-4] more than one class of service).

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

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

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

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

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

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

(i) A State employee who is reemployed from USERRA leave as an active member of the system shall be treated as not having incurred a break in State service by reason of the USERRA leave and shall be granted eligibility points as if the State employee had not been on the USERRA leave. If a State employee who is reemployed from USERRA leave as an active member of the system subsequently makes regular member contributions, additional member contributions, Social Security integration member contributions, shared-risk member contributions and any other member contributions in the amounts and in the time periods required by 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) and IRC § 414(u) as if the State employee had continued in State office or employment and performed State service and was compensated during the period of USERRA leave, then the State employee shall be granted State service credit for the period of USERRA leave. The State employee shall have

1 the State employee's benefits, rights and obligations
2 determined under this part as if the State employee was
3 an active member who performed creditable State service
4 during the USERRA leave in the job position that the
5 State employee would have held had the State employee not
6 been on USERRA leave and received the compensation on
7 which the member contributions to receive State service
8 credit for the USERRA leave were determined.

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

28 (iii) A State employee who is reemployed from USERRA
29 leave as an active member of the system who does not make
30 the required member contributions or makes only part of
31 the required member contributions within the allowed
32 payment period shall not be granted credited service for
33 the period of USERRA leave for which the required member
34 contributions were not timely made, shall not be eligible
35 to subsequently make contributions and shall not be
36 granted either State service credit or nonstate service
37 credit for the period of USERRA leave for which the
38 required member contributions were not timely made.

39 (2.1) (i) A participant who is reemployed from USERRA
40 leave shall be treated as not having incurred a break in
41 State service by reason of the USERRA leave and shall be
42 granted eligibility points as if the participant had not
43 been on USERRA leave. If a participant who is reemployed
44 from USERRA leave subsequently makes mandatory pickup
45 participant contributions in the amounts and in the time
46 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
47 if the participant had continued in his State office or
48 employment and performed State service and been
49 compensated during the period of USERRA leave, the
50 participant's employer shall make the corresponding
51 employer defined contributions. The employee shall have

1 his contributions, benefits, rights and obligations
2 determined under this part as if he were an active
3 participant who performed State service during the USERRA
4 leave in the job position that he would have held had he
5 not been on USERRA leave and received the compensation on
6 which the mandatory pickup participant contributions to
7 receive State service credit for the USERRA leave were
8 determined.

9 (ii) A participant who is reemployed from USERRA
10 leave who does not make the mandatory pickup participant
11 contributions or makes only part of the mandatory pickup
12 participant contributions within the allowed payment
13 period shall not be eligible to make mandatory pickup
14 participant contributions or voluntary contributions at a
15 later date for the period of USERRA leave for which the
16 mandatory pickup participant contributions were not
17 timely made.

18 (3) A State employee who is a member of the system and
19 performs USERRA leave from which the employee could have been
20 reemployed from USERRA leave had the State employee returned
21 to State service in the time frames required by 38 U.S.C. Ch.
22 43 for reemployment rights, but did not do so, shall be able
23 to receive creditable nonstate service as nonintervening
24 military service for the period of USERRA leave should the
25 employee later return to State service as an active member of
26 the system and is otherwise eligible to purchase the service
27 as nonintervening military service.

28 (3.1) A State employee who is a participant in the plan
29 and performs USERRA leave from which the employee could have
30 been reemployed from USERRA leave had the 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 not be
33 eligible to make mandatory pickup participant contributions
34 or voluntary contributions for the period of USERRA leave
35 should the employee later return to State service and be a
36 participant in the plan.

37 (4) [A State employee] An active member or inactive
38 member on leave without pay who on or after the effective
39 date of this subsection is granted a leave of absence under
40 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
41 government employees) or a military leave under 51 Pa.C.S.
42 Ch. 73, that is not USERRA leave shall be able to receive
43 creditable nonstate service as nonintervening military
44 service should the employee return to State service as an
45 active member of the system and is otherwise eligible to
46 purchase the service as nonintervening military service.

47 (4.1) An active participant or inactive participant on
48 leave without pay who on or after the effective date of this
49 paragraph is granted a leave of absence under 51 Pa.C.S. §
50 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
51 USERRA leave shall not be able to make mandatory pickup

1 participant contributions or voluntary contributions during
2 or for the leave of absence or military leave and shall not
3 have employer defined contributions made during such leave,
4 without regard to whether or not the State employee received
5 salary, wages, stipends, differential wage payments or other
6 payments from his employer during the leave, notwithstanding
7 any provision to the contrary under 51 Pa.C.S. § 4102 or 51
8 Pa.C.S. Ch. 73.

9 (5) If a member dies while performing USERRA leave, then
10 the beneficiaries or survivor annuitants, as the case may be,
11 of the deceased member are entitled to any additional
12 benefits, including eligibility points, other than benefit
13 accruals relating to the period of qualified military
14 service, provided under this part had the member resumed and
15 then terminated employment on account of death.

16 (5.1) If a participant dies while performing USERRA
17 leave, the beneficiaries or successor payees of the deceased
18 participant are entitled to any additional benefits, other
19 than benefit accruals relating to the period of qualified
20 military service, provided under this part had the
21 participant resumed and then terminated employment on account
22 of death.

23 (6) A State employee who is on a leave of absence from
24 his duties as a State employee for which 51 Pa.C.S. § 4102
25 provides that he is not to suffer a loss of pay, time or
26 efficiency rating shall not be an active member, receive
27 service credit or make member contributions for the leave of
28 absence, except as provided for in this part. Notwithstanding
29 this paragraph, any pay the member receives pursuant to 51
30 Pa.C.S. § 4102 shall be included in the determination of
31 final average salary and other calculations in the system
32 utilizing compensation as if the payments were compensation
33 under this part.

34 § 5303. Retention and reinstatement of service credits.

35 * * *

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

37 (1) Every active member of the system or a multiple
38 service member who is a school employee and a member of the
39 Public School Employees' Retirement System on or after the
40 effective date of this part shall receive eligibility points
41 in accordance with section 5307 for current State service,
42 previous State service, or creditable nonstate service upon
43 compliance with sections 5501 (relating to regular member
44 contributions for current service), 5501.1 (relating to
45 shared-risk member contributions [for Class A-3 and Class A-4
46 service] and shared-gain adjustments to regular member
47 contributions), 5504 (relating to member contributions for
48 the purchase of credit for previous State service or to
49 become a full coverage member), 5505 (relating to
50 contributions for the purchase of credit for creditable
51 nonstate service), 5505.1 (relating to additional member

1 contributions) or 5506 (relating to incomplete payments).
2 Subject to the limitations in sections 5306.1 (relating to
3 election to become a Class AA member) and 5306.2 (relating to
4 elections by members of the General Assembly), the class or
5 classes of service in which the member may be credited for
6 previous State service prior to the effective date of this
7 part shall be the class or classes in which he was or could
8 have at any time elected to be credited for such service,
9 except that a State employee who first becomes a member of
10 the system on or after January 1, 2011, or on or after
11 December 1, 2010, as a member of the General Assembly and:

12 (i) is credited with Class A-3 service for such
13 membership and is not a member of Class A-5 or Class A-6,
14 shall be credited only with Class A-3 service for
15 previous State service performed before January 1, 2011,
16 that was not previously credited in the system; [or]

17 (ii) is credited with Class A-4 service for such
18 membership and is not a member of Class A-5 or Class A-6,
19 shall be credited only with Class A-4 service for
20 previous State service performed before January 1, 2011,
21 that was not previously credited in the system[.];

22 (iii) is credited with Class A-5 service for such
23 membership shall be credited only with Class A-5 service
24 for previous State service performed before January 1,
25 2019, other than service as a Class A-5 exempt employee,
26 that was not previously credited in the system; or

27 (iv) is credited with Class A-6 service for such
28 membership shall be credited only with Class A-6 service
29 for previous State service performed before January 1,
30 2019, other than service as a Class A-5 exempt employee,
31 that was not previously credited in the system.

32 The class of service in which a member shall be credited for
33 service subsequent to the effective date of this part shall
34 be determined in accordance with section 5306 (relating to
35 classes of service).

36 * * *

37 (2) A special vestee or person otherwise eligible to be
38 a special vestee who returns to State service, other than
39 solely as a participant in the plan, or withdraws his
40 accumulated deductions pursuant to section 5311 (relating to
41 eligibility for refunds) or 5701 (relating to return of total
42 accumulated deductions) shall receive or retain eligibility
43 points in accordance with paragraph (1) but upon subsequent
44 termination of State service shall only be eligible to be an
45 annuitant vestee or inactive member without regard to
46 previous status as a special vestee and without regard to the
47 provisions of this part providing for special vestees.

48 * * *

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

50 (1) Any person who was an employee of any county in this
51 Commonwealth on the personal staff of an appellate court

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

1 transferred to the system by the county or other municipal
2 pension plans or retirement systems.

3 * * *

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

6 (1) Any employee of the Philadelphia Regional Port
7 Authority who becomes a State employee, as defined in section
8 5102 (relating to definitions), and an active member of the
9 system shall be eligible to obtain retirement credit for
10 prior uncredited service with the Philadelphia Port
11 Corporation, a Pennsylvania not-for-profit corporation
12 ("predecessor corporation"), provided that the Commonwealth
13 does not incur any liability for the funding of the annuities
14 attributable to the prior, uncredited "predecessor
15 corporation" service, the cost of which shall be determined
16 according to paragraph (2).

17 * * *

18 (4) Any person who became employed by the Philadelphia
19 Regional Port Authority between July 10, 1989, and passage of
20 this act and who becomes a State employee, as defined in
21 section 5102, and an active member of the system shall be
22 eligible to obtain retirement credit for service from the
23 date of employment with the Philadelphia Regional Port
24 Authority, provided that the contributions are made in
25 accordance with sections 5501, 5504, 5505.1 and 5506.

26 * * *

27 § 5303.2. Election to convert school service to State service.

28 (a) Eligibility.--An active member or inactive member on
29 leave without pay who was an employee transferred from the
30 Department of Education to the Department of Corrections
31 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
32 No.175), known as The Administrative Code of 1929, and who on
33 the effective date of that transfer did not participate in an
34 independent retirement program approved by the Department of
35 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
36 and optional membership in the system and participation in the
37 plan) or section 5301(a)(12) (relating to mandatory and optional
38 membership in the system and participation in the plan),
39 notwithstanding any other provision of law or any collective
40 bargaining agreement, arbitration award, contract or term or
41 conditions of any retirement system or pension plan, may make a
42 one-time election to convert all service credited in the Public
43 School Employees' Retirement System as of June 30, 1999, and
44 transfer to the system all accumulated member contributions and
45 statutory interest credited in the members' savings account in
46 the Public School Employees' Retirement System as of June 30,
47 1999, plus statutory interest on that amount credited by the
48 Public School Employees' Retirement System from July 1, 1999, to
49 the date of transfer to the system.

50 * * *

51 § 5304. Creditable nonstate service.

(a) Eligibility.--

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

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

(3) An active member of Class A-5 or Class A-6 or a multiple service member who has service credited only as Class A-5 or Class A-6 and is a school employee and an active member of the Public School Employees' Retirement System shall be eligible for Class A-5 service credit if a Class A-5 member and Class A-6 service credit if a Class A-6 member for creditable nonstate service as set forth in subsections (b) and (c) for which the member makes the required contributions to the fund.

* * *

(b) Limitations on eligibility.--An active member or a multiple service member who is a school employee and an active member of the Public School Employees' Retirement System shall

1 be eligible as provided under subsection (a) to receive credit
2 for nonstate service provided that he does not have credit for
3 such service in the system or in the [school system] Public
4 School Employees' Retirement System and is not entitled to
5 receive, eligible to receive now or in the future, or is
6 receiving retirement benefits for such service in the system or
7 under a retirement system administered and wholly or partially
8 paid for by any other governmental agency or by any private
9 employer, or a retirement program approved by the employer in
10 accordance with section 5301(a)(12) (relating to mandatory and
11 optional membership in the system and participation in the
12 plan), and further provided, that such service is certified by
13 the previous employer and contributions are agreed upon and made
14 in accordance with section 5505 (relating to contributions for
15 the purchase of credit for creditable nonstate service).

16 * * *

17 Section 306.1. Section 5305(b) of Title 71 is amended and
18 the section is amended by adding a subsection to read:

19 § 5305. Social security integration credits.

20 * * *

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

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

39 (2) terminates such continuous service in the [State or
40 school] system or the Public School Employees' Retirement
41 System and returns to active membership in the [State] system
42 within six months; or

43 (3) terminates his status as a vestee or an annuitant
44 and returns to State service as an active member of the
45 system.

46 * * *

47 (e) Class A-5 and Class A-6 service ineligible for credit.--
48 No Social Security integration credits shall accrue for any
49 service performed or credited as Class A-5 or Class A-6 service.

50 Section 306.2. Section 5305.1 of Title 71 is amended to
51 read:

1 § 5305.1. Eligibility for actuarial increase factor.

2 A person who is:

- 3 (1) an active member;
- 4 (2) an inactive member on leave without pay; [or]
- 5 (3) a multiple service member who is a school employee
- 6 and an active member of the Public School Employees'
- 7 Retirement System; or
- 8 (4) an active participant or an inactive participant on
- 9 leave without pay;

10 who terminates State service or school service, as the case may

11 be, after attaining age 70 and who applies for a superannuation

12 annuity with an effective date of retirement the day after the

13 date of termination of State service or school service shall

14 have that person's maximum single life annuity calculated

15 pursuant to section 5702(a.1) (relating to maximum single life

16 annuity).

17 Section 307. Section 5306(a), (a.1), (a.2), (a.3) and (b)(2)

18 of Title 71 are amended and the section is amended by adding

19 subsections to read:

20 § 5306. Classes of service.

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

22 (1) A State employee who is a member of Class A on the

23 effective date of this part or who first becomes a member of

24 the system subsequent to the effective date of this part and

25 before January 1, 2011, or before December 1, 2010, as a

26 member of the General Assembly, shall be classified as a

27 Class A member and receive credit for Class A service upon

28 payment of regular and additional member contributions for

29 Class A service, provided that the State employee does not

30 become a member of Class AA pursuant to subsection (a.1) or a

31 member of Class D-4 pursuant to subsection (a.2)[.] or a

32 member of Class A-5 or Class A-6 or solely a participant in

33 the plan under section 5306.5 (relating to election by active

34 members to become a Class A-5 member, Class A-6 member or

35 plan participant).

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, 2019, 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) or a member of Class A-5 or Class A-6 or

45 solely a participant in the plan under section 5306.5, except

46 that a member of the judiciary shall be classified as a

47 member of such other class of service for which the member of

48 the judiciary is eligible, shall elect and make regular

49 member contributions[.] unless the member of the judiciary

50 becomes a member of Class A-5 or Class A-6 or solely a

51 participant in the plan under section 5306.5.

1 (3) A State employee who first becomes a member of the
2 system on or after January 1, 2011, or on or after December
3 1, 2010, as a member of the General Assembly, and a Class A-5
4 exempt employee on or after January 1, 2019, shall receive
5 credit for all service as a Class A-5 exempt employee as a
6 member of Class A-3 upon payment of the required member
7 contributions and shall not be eligible to be a member of
8 Class A-5 or Class A-6 or a participant in the plan for such
9 service. Notwithstanding the provisions of a binding
10 arbitration award issued before July 1, 1989, under the act
11 of June 24, 1968 (P.L.237, No.111), referred to as the
12 Policemen and Firemen Collective Bargaining Act, and
13 implemented by the board, all other State service shall be
14 credited in the system or in the plan as otherwise provided
15 under this part. Class A-3 service provided for under this
16 paragraph shall be subject to an election to be credited as
17 Class A-4 provided that the State employee has not previously
18 had the opportunity to elect Class A-3 service and failed to
19 do so.

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

21 (1) A person who becomes a State employee and an active
22 member of the system after June 30, 2001, and who first
23 became an active member before January 1, 2011, or before
24 December 1, 2010, as a member of the General Assembly, and
25 who is not a State police officer and not employed in a
26 position for which a class of service other than Class A is
27 credited or could be elected shall be classified as a Class
28 AA member and receive credit for Class AA State service upon
29 payment of regular member contributions for Class AA service,
30 provided that the State employee does not become a member of
31 Class A-5 or Class A-6 or solely a participant in the plan
32 under section 5306.5, and, subject to the limitations
33 contained in paragraph (7), if previously a member of Class A
34 or previously employed in a position for which Class A
35 service could have been earned, shall have all Class A State
36 service (other than State service performed as a State police
37 officer or for which a class of service other than Class A
38 was earned or could have been elected) classified as Class AA
39 service.

40 (2) A person who is a State employee on June 30, 2001,
41 and July 1, 2001, but is not an active member of the system
42 because membership in the system is optional or prohibited
43 pursuant to section 5301 (relating to mandatory and optional
44 membership in the system and participation in the plan) and
45 who first becomes an active member after June 30, 2001, and
46 before January 1, 2011, or before December 1, 2010, as a
47 member of the General Assembly, and who is not a State police
48 officer and not employed in a position for which a class of
49 service other than Class A is credited or could be elected
50 shall be classified as a Class AA member and receive credit
51 for Class AA State service upon payment of regular member

1 contributions for Class AA service, provided that the State
2 employee does not become a member of Class A-5 or Class A-6
3 or solely a participant in the plan under section 5306.5,
4 and, subject to the limitations contained in paragraph (7),
5 if previously a member of Class A or previously employed in a
6 position for which Class A service could have been earned,
7 shall have all Class A State service (other than State
8 service performed as a State Police officer or for which a
9 class of service other than Class A was earned or could have
10 been elected) classified as Class AA service.

11 (3) Provided that an election to become a Class AA
12 member is made pursuant to section 5306.1 (relating to
13 election to become a Class AA member), a State employee,
14 other than a State employee who is a State police officer on
15 or after July 1, 1989, who on June 30, 2001, and July 1,
16 2001, is:

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

20 (ii) an inactive member on a leave without pay from
21 a position in which the State employee would be a Class A
22 active member if the employee was not on leave without
23 pay, other than a position in which the State employee
24 could elect membership in Class C, Class D-3, Class E-1
25 or Class E-2;

26 shall be classified as a Class AA member and receive
27 credit for Class AA State service performed after June 30,
28 2001, upon payment of regular member contributions for Class
29 AA service, provided that the State employee does not become
30 a member of Class A-5 or Class A-6 or solely a participant in
31 the plan under section 5306.5, and, subject to the
32 limitations contained in paragraph (7), shall receive Class
33 AA service credit for all Class A State service, other than
34 State service performed as a State police officer or as a
35 State employee in a position for which the member could have
36 elected membership in Class C, Class D-3, Class E-1 or Class
37 E-2, performed before July 1, 2001.

38 (4) Provided that an election to become a Class AA
39 member is made pursuant to section 5306.1, a former State
40 employee, other than a former State employee who was a State
41 police officer on or after July 1, 1989, who on June 30,
42 2001, and July 1, 2001, is a multiple service member and a
43 school employee and a member of the Public School Employees'
44 Retirement System, subject to the limitations contained in
45 paragraph (7), shall receive Class AA service credit for all
46 Class A State service, other than State service performed as
47 a State police officer or as a State employee in a position
48 in which the former State employee could have elected a class
49 of service other than Class A, performed before July 1, 2001.

50 (5) A former State employee who first becomes a member
51 before January 1, 2011, or before December 1, 2010, as a

1 member of the General Assembly, other than a former State
2 employee who was a State police officer on or after July 1,
3 1989, who is a school employee and who on or after July 1,
4 2001, becomes a multiple service member, subject to the
5 limitations contained in paragraph (7), shall receive Class
6 AA service credit for all Class A State service other than
7 State service performed as a State employee in a position in
8 which the former State employee could have elected a class of
9 service other than Class A.

10 (6) A State employee who after June 30, 2001, becomes a
11 State police officer or [who is employed in a position in
12 which the member could elect membership in a class of service
13 other than Class AA or Class D-4] a member of the judiciary
14 shall retain any Class AA service credited prior to becoming
15 a State police officer or being so employed but shall be
16 ineligible to receive Class AA credit thereafter and instead
17 shall receive Class A credit for service as a member of the
18 judiciary if the State employee first becomes a member of the
19 system before January 1, 2019, and the member of the
20 judiciary does not become a member of Class A-5 or Class A-6
21 or solely a participant in the plan under section 5306.5 or
22 if he first became a member before January 1, 2011, or
23 December 1, 2010, as a member of the General Assembly, or
24 Class A-3 credit for service other than as a member of the
25 judiciary and he first became a member on or after January 1,
26 2011, or December 1, 2010, as a member of the General
27 Assembly, if the nonjudicial service is service as a Class A-
28 5 exempt employee, or Class A-5 service credit, Class A-6
29 service credit or solely as a participant in the plan if the
30 nonjudicial service is as a member who elected to become a
31 member of Class A-5 or Class A-6 or solely a participant of
32 the plan under section 5306.5, or the State employee first
33 became a member on or after January 1, 2019, and the service
34 is not as a Class A-5 exempt employee, unless a class of
35 membership other than Class A is elected.

36 (7) (i) State service performed as Class A service
37 before July 1, 2001, and State service for which Class A
38 service could have been credited but was not credited
39 because membership in the system was optional or
40 prohibited pursuant to section 5301 shall be credited as
41 Class AA service only upon the completion of all acts
42 necessary for the State service to be credited as Class A
43 service had this subsection not been enacted and upon
44 payment of required Class AA member contributions as
45 provided in section 5504 (relating to member
46 contributions for the purchase of credit for previous
47 State service or to become a full coverage member).

48 (ii) A person who is not a State employee or a
49 school employee on June 30, 2001, and July 1, 2001, and
50 who has previous State service (except a disability
51 annuitant who returns to State service after June 30,

2001, upon termination of the disability annuity) shall not receive Class AA service credit for State service performed before July 1, 2001, until such person becomes an active member, or an active member of the Public School Employees' Retirement System and a multiple service member, and earns three eligibility points by performing credited State service or credited school service after June 30, 2001.

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

(1) A person who:

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

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

and who was not a State police officer on or after July 1, 1989, shall be classified as a Class D-4 member and receive credit as a Class D-4 member for all State service as a member of the system as a member of the General Assembly that is not performed as a member who elected to become a member of Class A-5 or Class A-6 or solely a participant in the plan under section 5306.5 upon payment of regular member contributions for Class D-4 service and, subject to the limitations contained in subsection (a.1)(7), if previously a member of Class A or employed in a position for which Class A service could have been earned, shall receive Class AA service credit for all Class A State service, other than State service performed as a State police officer or for which a class of service other than Class A or Class D-4 was or could have been elected or credited.

(2) Provided an election to become a Class D-4 member is made pursuant to section 5306.2 (relating to elections by members of the General Assembly), a State employee who was not a State police officer on or after July 1, 1989, who on July 1, 2001, is a member of the General Assembly and an active member of the system and not a member of Class D-3 shall be classified as a Class D-4 member and receive credit as a Class D-4 member for all State service as a member of the system performed as a member of the General Assembly that is not performed as a member who elected to become a member of Class A-5 or Class A-6 or solely a participant of the plan under section 5306.5 and not credited as another class other than Class A upon payment of regular member contributions for Class D-4 service and, subject to the limitations contained in paragraph (a.1)(7), shall receive Class AA service credit for all Class A State service, other than State service performed as a State police officer or as a State employee in

1 a position in which the member could have elected a class of
2 service other than Class A, performed before July 1, 2001.

3 (3) A member of the General Assembly who after June 30,
4 2001, becomes a State police officer shall retain any Class
5 AA service or Class D-4 service credited prior to becoming a
6 State police officer or being so employed but shall be
7 ineligible to receive Class AA or Class D-4 credit thereafter
8 and instead shall receive Class A credit or Class A-3 credit
9 if he first becomes a member of the system on or after
10 January 1, 2011[.], and before January 1, 2019, or as a Class
11 A-5 exempt employee, and Class A-5 or Class A-6 credit if he
12 first becomes a member of the system on or after January 1,
13 2019, and is not a Class A-5 exempt employee.

14 (4) Notwithstanding the provisions of this subsection,
15 no service as a member of the General Assembly performed
16 before December 1, 2010, that is not credited as Class D-4
17 service on November 30, 2010, shall be credited as Class D-4
18 service, unless such service was previously credited in the
19 system as Class D-4 service and the member withdrew his total
20 accumulated deductions as provided in section 5311 (relating
21 to eligibility for refunds) or 5701 (relating to return of
22 total accumulated deductions). No service as a member of the
23 General Assembly performed on or after December 1, 2010,
24 shall be credited as Class D-4 service unless the member
25 previously was credited with Class D-4 service credits.

26 (a.3) Class A-4 membership.--Provided that an election to
27 become a Class A-4 member is made pursuant to section 5306.3
28 (relating to election to become a Class A-4 member), a State
29 employee who first becomes a member before January 1, 2019, or
30 is a Class A-5 exempt employee who otherwise would be a member
31 of Class A-3 shall be classified as a Class A-4 member and
32 receive Class A-4 credit for all creditable State service
33 performed after the effective date of membership in the system,
34 except as a member of the judiciary[,], or as a member who
35 elected to become a member of Class A-5 or Class A-6 or solely a
36 participant in the plan if the employee first becomes a member
37 before January 1, 2019, and for all creditable State service
38 performed as a Class A-5 exempt employee if the employee first
39 becomes a member on or after January 1, 2019, upon payment of
40 regular member contributions and shared-risk member
41 contributions for Class A-4 service.

42 (a.4) Class A-5 membership.--A State employee who first
43 becomes a member of the system on or after January 1, 2019,
44 other than as a Class A-5 exempt employee, and who does not make
45 an election to be a member of Class A-6 or an election to be
46 solely a participant in the plan under section 5306.4 (relating
47 to election to become a Class A-6 member or solely a participant
48 in the plan), shall be classified as a Class A-5 member and
49 receive credit for Class A-5 service for service other than as a
50 Class A-5 exempt employee upon payment of regular member
51 contributions and shared-risk member contributions for Class A-5

1 service. A Class A-5 exempt employee who first becomes a member
2 of the system on or after January 1, 2019, shall be classified
3 in the applicable class other than Class A-5 for service
4 performed as a Class A-5 exempt employee and classified as a
5 Class A-5 member for any service performed in a position or
6 office other than as a Class A-5 exempt employee,
7 notwithstanding the provisions of a binding arbitration award
8 issued before July 1, 1989, under the act of June 24, 1968
9 (P.L.237, No.111), referred to as the Policemen and Firemen
10 Collective Bargaining Act, and implemented by the board. A State
11 employee who elects Class A-5 membership under section 5306.5
12 shall be classified as a Class A-5 member and receive credit for
13 Class A-5 service upon payment of regular member contributions
14 and shared-risk member contributions for Class A-5 without
15 regard to any other class of service the State employee might
16 have been at any time before the election under section 5306.5.

17 (a.5) Class A-6 membership.--Provided that an election to
18 become a Class A-6 member is made pursuant to section 5306.4, a
19 State employee who otherwise would be a member of Class A-5
20 shall be classified as a Class A-6 member and receive Class A-6
21 credit for all creditable State service performed after the
22 effective date of membership in the system, except as a Class A-
23 5 exempt employee, upon payment of regular member contributions
24 and shared-risk member contributions for Class A-6 service. A
25 State employee who elects Class A-6 membership under section
26 5306.5 shall be classified as a Class A-6 member and receive
27 credit for Class A-6 service upon payment of regular member
28 contributions and shared-risk member contributions for Class A-6
29 without regard to any other class of service the State employee
30 might have been at any time before the election under section
31 5306.5.

32 (b) Other class membership.--

33 * * *

34 (2) Notwithstanding any other provision of this section,
35 a State employee [who] whose first period of State service
36 began before January 1, 2019, is appointed [bail
37 commissioner] an arraignment court magistrate of the
38 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a) (5)
39 (relating to jurisdiction and venue) and is eligible to be a
40 member of the system as an arraignment court magistrate may,
41 within 30 days of the effective date of this sentence or
42 within 30 days of his initial appointment as [a bail
43 commissioner] an arraignment court magistrate, whichever is
44 later, elect Class E-2 service credit for service performed
45 as [a bail commissioner] an arraignment court magistrate
46 until the termination of State service. [This] The class of
47 service multiplier for E-2 service as [a bail commissioner]
48 an arraignment court magistrate shall be 1.5.

49 * * *

50 (e) Ineligibility for classes of service.--An individual who
51 is or was a State employee on or before January 1, 2019, but is

1 not and was not a member of the system on or before January 1,
2 2019, or who first becomes a State employee on or after January
3 1, 2019, shall be ineligible for active membership in the system
4 other than as a member of Class A-5 or Class A-6, or the several
5 classes of State service for service performed as a Class A-5
6 exempt employee as otherwise provided for under this section.
7 Any such State employee, if eligible, may be a participant in
8 the plan as a result of such State service.

9 Section 308. Sections 5306.1(c) and (d), 5306.2(b) and (c)
10 and 5306.3(b), (c) and (d) of Title 71 are amended to read:
11 § 5306.1. Election to become a Class AA member.

12 * * *

13 (c) Effect of election.--An election to become a Class AA
14 member shall become effective the later of July 1, 2001, or the
15 date when the election is filed with the board and shall remain
16 in effect until the termination of employment[.] or an election
17 is made to become a member of Class A-5 or Class A-6 or solely a
18 participant in the plan under section 5306.5 (relating to
19 election by active members to become a Class A-5 member, Class
20 A-6 member or plan participant). Upon termination and subsequent
21 reemployment, the member's class of service shall be credited in
22 the class of service otherwise provided for in this part, and
23 the State employee's eligibility for participation in the plan
24 shall be as provided in this part.

25 (d) Effect of failure to make election.--[Failure] Subject
26 to the provisions of this part relating to election of Class A-5
27 or Class A-6 or to be solely a participant in the plan, failure
28 to elect to become a Class AA member within the election period
29 set forth in subsection (b) shall result in all of the member's
30 Class A State service, other than service performed as a State
31 police officer or in a position in which the member could elect
32 a class of membership other than Class A, being credited as
33 Class A service and not subject to further election or crediting
34 as Class AA service upon termination and subsequent employment.
35 § 5306.2. Elections by members of the General Assembly.

36 * * *

37 (b) Effect of election.--Membership as a Class D-4 member
38 shall become effective on July 1, 2001, and shall remain in
39 effect until the termination of service as a member of the
40 General Assembly[.] or an election is made to become a member of
41 Class A-5 or Class A-6 or solely a participant in the plan under
42 section 5306.5 (relating to election by active members to become
43 a Class A-5 member, Class A-6 member or plan participant). Upon
44 termination and a subsequent reemployment, the member's class of
45 service shall be credited in the class of service otherwise
46 provided for in this part, and the State employee's eligibility
47 for participation in the plan shall be as provided in this part.

48 (c) Effect of failure to make election.--A member of the
49 General Assembly who is a member of Class A as a result of
50 failure to elect to become a member of another class or who is a
51 member of another class other than Class D-4 as a result of

electing membership in such class for legislative service shall not be eligible to receive or elect a different class of service for such legislative service either during the period of legislative service or upon termination and subsequent employment[.] unless the State employee elects to become a member of Class A-5 or Class A-6 or solely a participant in the plan under section 5306.5.

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

* * *

(b) Time for making election.--The election to become a Class A-4 member must be made by the member filing written notice with the board in a form and manner determined by the board no later than 45 days after notice from the board of the member's eligibility to elect Class A-4 membership. A State employee who is eligible to elect to become a Class A-4 member who begins USERRA leave during the election period without having elected Class A-4 membership [may make the election within 45 days after being reemployed from] shall have the election period extended by the number of days on USERRA leave.

(c) Effect of election.--An election to become a Class A-4 member shall be irrevocable and shall become effective on the effective date of membership in the system and shall remain in effect for all future [creditable] State service creditable to the system, other than service performed as a member of the judiciary[.], but shall not apply to service performed as a member who elected to become a member of Class A-5 or Class A-6 or solely a participant in the plan under section 5306.5 (relating to election by active members to become a Class A-5 member, Class A-6 member or plan participant) to service not performed as a Class A-5 exempt employee if the State employee first becomes a member of the system on or after January 1, 2019. Payment of regular member contributions and shared-risk member contributions for Class A-4 State service performed prior to the election of Class A-4 membership shall be made in a form, manner and time determined by the board. Upon termination of State service and subsequent reemployment, a member who elected Class A-4 membership shall be credited as a Class A-4 member for creditable State service performed after reemployment, except as a member of the judiciary, or unless the reemployment is as a member who elected to become a member of Class A-5 or Class A-6 or solely a participant in the plan under section 5306.5, provided that if the State employee first becomes a member of the system on or after January 1, 2019, the reemployment is as a Class A-5 exempt employee, regardless of termination of employment, termination of membership by withdrawal of accumulated deductions or status as an annuitant, vestee or inactive member after the termination of service.

(d) Effect of failure to make election.--Failure to elect to become a Class A-4 member within the election period set forth in subsection (b) shall result in all of the member's State service, other than service performed as a member of the

1 judiciary, or if the State employee first becomes a member of
2 the system on or after January 1, 2019, all service as a Class
3 A-5 exempt employee, being credited as Class A-3 service and not
4 subject to further election or crediting as Class A-4 service,
5 unless the State employee elects to become a member of Class A-5
6 or Class A-6 or solely a participant in the plan under section
7 5306.5. Upon termination and subsequent employment, a member who
8 failed to elect to become a Class A-4 member shall not be
9 eligible to make another election to become a Class A-4 member
10 for either past or future State service.

11 Section 309. Title 71 is amended by adding sections to read:
12 § 5306.4. Election to become a Class A-6 member or solely a
13 participant in the plan.

14 (a) General rule.--A State employee who was not eligible to
15 make an election under section 5306.5 (relating to election by
16 active members to become a Class A-5 member, Class A-6 member or
17 plan participant) and who otherwise is eligible for Class A-5
18 membership who has not previously elected or declined to elect
19 Class A-6 membership or to be solely a participant in the plan
20 may elect to become either a member of Class A-6 or solely a
21 participant in the plan.

22 (b) Time for making election.--The election to become a
23 Class A-6 member or solely a participant in the plan must be
24 made by the member filing written notice with the board in a
25 form and manner determined by the board no later than 45 days
26 after notice from the board of the member's eligibility to elect
27 Class A-6 membership or to be solely a participant in the plan.
28 This notice shall be given upon a State employee first beginning
29 State service in a position eligible to be a member of the
30 system that is not as a Class A-5 exempt employee. A State
31 employee who is eligible to elect to become a Class A-6 member
32 or solely a participant in the plan who begins USERRA leave
33 during the election period without having elected Class A-6
34 membership or to be solely a participant in the plan will have
35 the election period extended by the number of days on USERRA
36 leave.

37 (c) Effect of election to be a Class A-6 member.--An
38 election to become a Class A-6 member shall be irrevocable and
39 shall become effective on the effective date of membership in
40 the system and shall remain in effect for all future creditable
41 State service, other than service performed as a Class A-5
42 exempt employee. Payment of regular member contributions for
43 Class A-6 State service performed prior to the election of Class
44 A-6 membership shall be made in a form, manner and time
45 determined by the board. Upon termination and subsequent
46 reemployment, a member who elected Class A-6 membership shall be
47 credited as a Class A-6 member for creditable State service
48 performed after reemployment, except as a Class A-5 exempt
49 employee, regardless of termination of employment, termination
50 of membership by withdrawal of accumulated deductions or status
51 as an annuitant, vestee or inactive member after the termination

1 of service.

2 (d) Effect of election to be solely a participant in the
3 plan.--An election to become solely a participant in the plan
4 shall be irrevocable and shall become effective on the date that
5 membership in the system would have been effective had the
6 election not been made and shall remain in effect for all future
7 State service, other than service performed as a Class A-5
8 exempt employee. Payment of mandatory participant pickup
9 contributions for service solely as a participant in the plan
10 performed prior to the election shall be made in a form, manner
11 and time determined by the board. Upon termination and
12 subsequent reemployment, a State employee who elected to be
13 solely a participant in the plan shall resume active
14 participation for State service performed after reemployment,
15 except as a Class A-5 exempt employee, regardless of termination
16 of employment, termination of participation by a partial or
17 total distribution of vested total defined contributions or
18 status as an annuitant, vestee or inactive member of the system
19 as a Class A-5 exempt employee after the termination of service.

20 (e) Effect of failure to make election.--Failure to elect to
21 become a Class A-6 member or solely a participant in the plan
22 within the election period set forth in subsection (b) shall
23 result in all of the member's State service not performed as a
24 Class A-5 exempt employee being credited as Class A-5 service
25 and not subject to further election or crediting as Class A-6
26 service or solely as a participant in the plan. Upon termination
27 and subsequent employment, a member who failed to elect to
28 become a Class A-6 member or solely a participant in the plan
29 shall not be eligible to make another election to become a Class
30 A-6 member or solely a participant in the plan for either past
31 or future State service.

32 § 5306.5. Election by active members to become a Class A-5
33 member, Class A-6 member or plan participant.

34 (a) General rule.--A State employee, except for a Class A-5
35 exempt employee, who is an active member or inactive member on
36 leave without pay on December 31, 2018, and January 1, 2019, may
37 elect to become a member of Class A-5, a member of Class A-6 or
38 solely a participant in the plan. A State employee who was
39 previously a member of the system before January 1, 2019, and
40 who returns to State service on or after January 1, 2019, or who
41 is a Class A-5 exempt employee on December 31, 2018, and January
42 1, 2019, is not eligible to elect Class A-5 membership, Class A-
43 6 membership or participation in the plan.

44 (b) Time for making election.--The election to become a
45 Class A-5 member, Class A-6 member or solely a participant in
46 the plan must be made by the employee filing written notice with
47 the board before the termination of State service or by March
48 31, 2019, whichever occurs first, but may not be made before
49 January 1, 2019. A State employee who is eligible to elect to
50 become a Class A-5 member, Class A-6 member or solely a
51 participant in the plan who begins USERRA leave during the

1 election period without having elected Class A-5 membership,
2 Class A-6 membership or participation in the plan will have the
3 election period extended by the number of days the employee is
4 on USERRA leave.

5 (c) Effect of election.--An election to become a Class A-5
6 member, a Class A-6 member or solely a participant in the plan
7 shall be irrevocable as of the earlier of the date of
8 termination of State service or the day after the election
9 period expires. The election shall apply to all service
10 performed on or after July 1, 2019, and shall remain in effect
11 for all future creditable State service, other than service
12 performed as a Class A-5 exempt employee. A member who elects
13 Class A-5 membership shall be subject to all provisions of this
14 part applicable to Class A-5 membership and participation in the
15 plan as a Class A-5 member for all service other than service as
16 a Class A-5 exempt employee performed on and after July 1, 2019.
17 A member who elects Class A-6 membership shall be subject to all
18 provisions of this part applicable to Class A-6 membership and
19 participation in the plan as a Class A-6 member for all service
20 other than service as a Class A-5 exempt employee performed on
21 and after July 1, 2019. A member who elects to be solely a
22 participant in the plan shall be subject to all provisions of
23 this part applicable to participation in the plan for all
24 service other than service as a Class A-5 exempt employee
25 performed on and after July 1, 2019. Upon termination and
26 subsequent reemployment, a member who elected Class A-5
27 membership, Class A-6 membership or to be solely a participant
28 in the plan shall be credited as a Class A-5 member, a Class A-6
29 member, or solely as a participant in the plan, as the case may
30 be, for creditable State service performed after reemployment,
31 except as a Class A-5 exempt employee, regardless of termination
32 of employment, termination of membership by withdrawal of
33 accumulated deductions, termination of participation by a
34 distribution of vested total defined contributions or status as
35 an annuitant, vestee, inactive member or participant receiving
36 distributions after the termination of service.

37 (d) Effect of failure to make election.--If the employee
38 fails to file timely an election to become a Class A-5 member, a
39 Class A-6 member or solely a participant in the plan, the
40 employee shall continue to be enrolled in the applicable class
41 of service and shall never be able to elect Class A-5
42 membership, Class A-6 membership or participation in the plan,
43 regardless of whether the employee terminates service or has a
44 break in service.

45 (e) Mandatory pickup participant contributions.--An
46 individual who has made the election under subsection (a) shall
47 make the following mandatory pickup participant contributions
48 for service:

49 (1) If the participant elected to be a member of Class
50 A-5, then:

51 (i) If the participant would have been a member of

1 Class A if the election had not been made, no mandatory
2 pickup participant contributions shall be made.

3 (ii) If the participant would have been a member of
4 Class AA if the election had not been made, at a rate of
5 1.25% of compensation.

6 (iii) If the participant would have been a member of
7 Class A-3 if the election had not been made, at a rate of
8 1.25% of compensation.

9 (iv) If the participant would have been a member of
10 Class A-4 if the election had not been made, at a rate of
11 4.3% of compensation.

12 (v) If the participant would have been a member of
13 Class D-4 if the election had not been made, at a rate of
14 2.5% of compensation.

15 (vi) If the participant would have been a member of
16 Class E-1 if the election had not been made, at a rate of
17 5% of compensation for service for which the regular
18 member contributions would have been 10% of compensation
19 or at a rate of 2.5% for service for which the regular
20 member contributions would have been 7.5% of
21 compensation.

22 (vii) If the participant would have been a member of
23 Class E-2 if the election had not been made, at a rate of
24 2.5% of compensation.

25 (2) If the participant elected to be a member of Class
26 A-6, then:

27 (i) If the participant would have been a member of
28 Class A if the election had not been made, at a rate of
29 1% of compensation.

30 (ii) If the participant would have been a member of
31 Class AA if the election had not been made, at a rate of
32 2.25% of compensation.

33 (iii) If the participant would have been a member of
34 Class A-3 if the election had not been made, at a rate of
35 2.25% of compensation.

36 (iv) If the participant would have been a member of
37 Class A-4 if the election had not been made, at a rate of
38 5.3% of compensation.

39 (v) If the participant would have been a member of
40 Class D-4 if the election had not been made, at a rate of
41 3.5% of compensation.

42 (vi) If the participant would have been a member of
43 Class E-1 if the election had not been made, at a rate of
44 6% of compensation for service for which the regular
45 member contributions would have been 10% of compensation
46 or at a rate of 3.5% for service for which the regular
47 member contributions would have been 7.5% of
48 compensation.

49 (vii) If the participant would have been a member of
50 Class E-2 if the election had not been made, at a rate of
51 3.5% of compensation.

1 (3) If the participant elected to be solely a
2 participant in the plan, then:

3 (i) If the participant would have been a member of
4 Class A if the election had not been made, at a rate of
5 5% of compensation.

6 (ii) If the participant would have been a member of
7 Class AA if the election had not been made, at a rate of
8 6.25% of compensation.

9 (iii) If the participant would have been a member of
10 Class A-3 if the election had not been made, at a rate of
11 6.25% of compensation.

12 (iv) If the participant would have been a member of
13 Class A-4 if the election had not been made, at a rate of
14 9.3% of compensation.

15 (v) If the participant would have been a member of
16 Class D-4 if the election had not been made, at a rate of
17 7.5% of compensation.

18 (vi) If the participant would have been a member of
19 Class E-1 if the election had not been made, at a rate of
20 10% of compensation for service for which the regular
21 member contributions would have been 10% of compensation
22 or at a rate of 7.5% for service for which the regular
23 member contributions would have been 7.5% of
24 compensation.

25 (vii) If the participant would have been a member of
26 Class E-2 if the election had not been made, at a rate of
27 7.5% of compensation.

28 (viii) If the participant would have been making
29 shared-risk member contributions if the election had not
30 been made, then the mandatory pickup participant
31 contributions shall be a percentage of compensation
32 greater than the amounts listed in this subsection equal
33 to the shared-risk member contribution rate that would
34 have been applicable. This percentage rate shall be
35 subject to any subsequent changes in the shared-risk
36 member contributions.

37 (ix) If the participant would have had regular
38 member contributions adjusted by the shared-gain
39 adjustment if the election had not been made, then the
40 mandatory pickup participant contributions shall be
41 reduced by the same percentage of compensation regular
42 member contributions would have been reduced by the
43 shared-gain adjustment. This percentage rate shall be
44 subject to any subsequent changes in the shared-gain
45 adjustment to regular member contributions.

46 (4) If the participant would have been making Social
47 Security Integration contributions if the election had not
48 been made, then the mandatory pickup participant
49 contributions on compensation for which Social Security
50 Integration contributions would have been made shall be 5% of
51 compensation greater than the amounts listed in this

1 subsection.

2 Section 310. Sections 5307, 5308, 5308.1 introductory
3 paragraph and (1), 5309, 5310, 5311(a), 5501.1, 5502, 5503.1(a)
4 and 5504 of Title 71 are amended to read:

5 § 5307. Eligibility points.

6 (a) General rule.--An active member of the system shall
7 accrue one eligibility point for each year of credited service
8 as a member of the [State or] system and if a multiple service
9 member as a member of the Public School Employees' Retirement
10 System. A member shall accrue an additional two-thirds of an
11 eligibility point for each year of Class D-3 credited service.
12 In the case of a fractional part of a year of credited service,
13 a member shall accrue the corresponding fractional portion of
14 eligibility points to which the class of service entitles him. A
15 State employee who is performing State service solely as a
16 participant in the plan shall accrue eligibility points at the
17 same rate and manner as if the State employee was performing
18 State service credited as a member of Class A-5. No eligibility
19 points shall accrue in the system or the plan for service as a
20 school employee credited as Class DC service in the Public
21 School Employees' Retirement System.

22 (a.1) USERRA leave.--A member of the system or participant
23 in the plan who is reemployed from USERRA leave or who dies
24 while performing USERRA leave shall be granted the eligibility
25 points that he would have accrued had he continued in his State
26 office or employment instead of performing USERRA leave. In the
27 event that a State employee who is reemployed from USERRA leave
28 makes the member contributions or mandatory pickup participant
29 contributions to be granted State service credit for the USERRA
30 leave, no additional eligibility points will be granted.

31 (b) Transitional rule.--

32 (1) In determining whether a member who is not a State
33 employee or school employee on June 30, 2001, and July 1,
34 2001, and who has previous State service (except a disability
35 annuitant who returns to State service after June 30, 2001,
36 upon termination of the disability annuity) has the five
37 eligibility points required by sections 5102 (relating to
38 definitions), 5308(b) (relating to eligibility for
39 annuities), 5309 (relating to eligibility for vesting),
40 5704(b) (relating to disability annuities) and 5705(a)
41 (relating to member's options), only eligibility points
42 earned by performing credited State service, USERRA leave or
43 credited school service as an active member of the Public
44 School Employees' Retirement System after June 30, 2001,
45 shall be counted until such member earns one eligibility
46 point by performing credited State service or, if a multiple
47 service member, credited school service as an active member
48 of the Public School Employees' Retirement System after June
49 30, 2001, at which time all eligibility points as determined
50 pursuant to subsection (a) shall be counted.

51 (2) Any member to whom paragraph (1) applies shall be

1 considered to have satisfied any requirement for five
2 eligibility points contained in this part if the member:

3 (i) has ten or more eligibility points as determined
4 pursuant to subsection (a); or

5 (ii) has Class G, Class H, Class I, Class J, Class
6 L, Class M or Class N service and has eight or more
7 eligibility points as determined pursuant to subsection
8 (a).

9 (c) Application of eligibility points.--Eligibility points
10 accrued for service as either member of the system or
11 participant in the plan may be used to determine the eligibility
12 for benefits from either the system or the plan unless the
13 provision is restricted to eligibility points accrued from
14 specific types of State service. Eligibility points accrued from
15 service as an active member of the Public School Employees'
16 Retirement System shall apply only if a State employee has
17 elected multiple service. Eligibility points accrued by a State
18 employee for service solely as a participant in the plan for
19 which he received a total distribution of accumulated total
20 defined contributions shall not apply when determining
21 eligibility for benefits from the system or the plan resulting
22 from any State service subsequently credited in the system or
23 performed after the total distribution.

24 § 5308. Eligibility for annuities.

25 (a) Superannuation annuity.--Attainment of superannuation
26 age by an active member [or], an inactive member on leave
27 without pay or a participant with service credited as a member
28 of the system with three or more eligibility points other than
29 eligibility points resulting from nonstate service or nonschool
30 service shall entitle him to receive a superannuation annuity
31 upon termination of State service and compliance with section
32 5907(f) (relating to rights and duties of State employees [and
33 members], members and participants).

34 (b) Withdrawal annuity.--

35 (1) Any vestee or any active member [or], inactive
36 member on leave without pay or participant with service
37 credited as a member of the system who terminates State
38 service having five or more eligibility points and who does
39 not have Class A-3 [or], Class A-4, Class A-5 or Class A-6
40 service credit or, if a multiple service member, Class T-E
41 [or], Class T-F, Class T-G or Class T-H service credit in the
42 Public School Employees' Retirement System, or who has Class
43 G, Class H, Class I, Class J, Class K, Class L, Class M or
44 Class N service and terminates State service having five or
45 more eligibility points, upon compliance with section
46 5907(f), (g) or (h) shall be entitled to receive an annuity.

47 (2) Any vestee, active member [or], inactive member on
48 leave without pay or participant with service credited as a
49 member of the system who has Class A-3 [or], Class A-4, Class
50 A-5 or Class A-6 service credit or, if a multiple service
51 member, Class T-E [or], Class T-F, Class T-G or Class T-H

1 service credit in the Public School Employees' Retirement
2 System who terminates State service having ten or more
3 eligibility points, upon compliance with section 5907(f), (g)
4 or (h), shall be entitled to receive an annuity.

5 (3) Any vestee, active member or inactive member on
6 leave without pay or participant with service credited as a
7 member of the system who has either Class A-3 [or], Class A-
8 4, Class A-5 or Class A-6 service credit or, if a multiple
9 service member, Class T-E [or], Class T-F, Class T-G or Class
10 T-H service credit in the Public School Employees' Retirement
11 System and also has service credited in the system in one or
12 more other classes of service who has five or more, but fewer
13 than ten, eligibility points, upon compliance with section
14 5907(f), (g) or (h), shall be eligible to receive an annuity
15 calculated on his service credited in classes of service
16 other than Class A-3 [or], Class A-4, Class A-5 or Class A-6,
17 provided that the member has five or more eligibility points
18 resulting from service in classes other than Class A-3 [or],
19 Class A-4, Class A-5 or Class A-6 or Class T-E [or], Class T-
20 F, Class T-G or Class T-H service in the Public School
21 Employees' Retirement System.

22 (4) Notwithstanding paragraphs (2) and (3), no single
23 life annuity determined on service credited as Class A-5 or
24 Class A-6 shall be paid before a member attains age 62, or in
25 the case of a member with service credited as Class A-5 who
26 has 25 or more eligibility points before that member attains
27 age 57. In the event that a member is eligible to receive an
28 annuity on service credited in classes other than Class A-5
29 or Class A-6, the member may receive an annuity before
30 attaining age 57 or age 62 on classes of service other than
31 Class A-5 and Class A-6, with payment of an annuity on
32 service credited in Class A-5 and Class A-6, other than a
33 payment of a lump sum under section 5705(a.1) (relating to
34 member's options), deferred until the annuitant attains age
35 57 or age 62 as provided under sections 5702 (relating to
36 maximum single life annuity) and 5705.

37 (c) Disability annuity.--An active member or inactive member
38 on leave without pay who has five or more eligibility points
39 other than eligibility points resulting from membership in the
40 Public School Employees' Retirement System or any active member
41 or inactive member on leave without pay who is an officer of the
42 Pennsylvania State Police or an enforcement officer shall, upon
43 compliance with section 5907(k), be entitled to a disability
44 annuity if he becomes mentally or physically incapable of
45 continuing to perform the duties for which he is employed and
46 qualifies in accordance with the provisions of section 5905(c)
47 (1) (relating to duties of the board regarding applications and
48 elections of members and participants).

49 (d) Required beginning date.--Members eligible for an
50 annuity must commence receiving the annuity by the member's
51 required beginning date.

1 § 5308.1. Eligibility for special early retirement.

2 Notwithstanding any provisions of this title to the contrary,
3 the following special early retirement provisions shall be
4 applicable to specified eligible members [as follows]:

5 (1) During the period of July 1, 1985, to September 30,
6 1991, an active member who has attained the age of at least
7 53 years and has accrued at least 30 eligibility points shall
8 be entitled, upon termination of State service and compliance
9 with section 5907(f) (relating to rights and duties of State
10 employees [and], members and participants), to receive a
11 maximum single life annuity calculated under section 5702
12 (relating to maximum single life annuity) without a reduction
13 by virtue of an effective date of retirement which is under
14 the superannuation age.

15 * * *

16 § 5309. Eligibility for vesting.

17 Any member who:

18 (1) Does not have Class A-3 [or], Class A-4, Class A-5
19 or Class A-6 service credit or, if a multiple service member,
20 Class T-E [or], Class T-F, Class T-G or Class T-H service
21 credit in the Public School Employees' Retirement System and
22 terminates State service, or if a multiple service member and
23 an active member of the Public School Employees' Retirement
24 System terminates school service, with five or more
25 eligibility points, or any member with Class G, Class H,
26 Class I, Class J, Class K, Class L, Class M or Class N
27 service with five or more eligibility points, shall be
28 eligible until his required beginning date to vest his
29 retirement benefits.

30 (2) Has only 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, only Class T-E [or], Class T-F, Class T-G or Class T-
33 H service credit in the Public School Employees' Retirement
34 System and terminates State service, or if a multiple service
35 member and an active member of the Public School Employees'
36 Retirement System terminates school service, with ten or more
37 eligibility points shall be eligible until his required
38 beginning date to vest his retirement benefits.

39 (3) Has either Class A-3 [or], Class A-4, Class A-5 or
40 Class A-6 service credit [or] and, if a multiple service
41 member, Class T-E [or], Class T-F, Class T-G or Class T-H
42 service credit in the Public School Employees' Retirement
43 System, also has service credited in the system in one or
44 more other classes of service and has five or more, but fewer
45 than ten, eligibility points and terminates State service, or
46 if a multiple service member and an active member of the
47 Public School Employees' Retirement System terminates school
48 service, shall be eligible until his required beginning date
49 to vest his retirement benefits calculated on his service
50 credited in classes of service other than Class A-3 [or],
51 Class A-4, Class A-5 or Class A-6 and to be credited with

1 statutory interest on total accumulated deductions,
2 regardless of whether or not any part of his accumulated
3 deductions are a result of Class A-3 [or], Class A-4, Class
4 A-5 or Class A-6 service credit.

5 § 5310. Eligibility for death benefits.

6 In the event of the death of a member who is eligible for an
7 annuity in accordance with section 5308(a) or (b) (relating to
8 eligibility for annuities), his beneficiary shall be entitled to
9 a death benefit. For purposes of this section, a member with ten
10 or more eligibility points shall be considered eligible for an
11 annuity based on Class A-5 service or Class A-6 service even if
12 under superannuation age.

13 § 5311. Eligibility for refunds.

14 (a) Total accumulated deductions.--Any active member,
15 regardless of eligibility for benefits, may elect to receive his
16 total accumulated deductions by his required beginning date upon
17 termination of service in lieu of any benefit from the system to
18 which he is entitled.

19 * * *

20 § 5501.1. Shared-risk member contributions [for Class A-3 and
21 Class A-4 service] and shared-gain adjustments to
22 regular member contributions.

23 (a) General.--Shared-risk member contributions shall be made
24 to the fund on behalf of each member of Class A-3 [or], Class A-
25 4, Class A-5 or Class A-6 for current service credited [as Class
26 A-3 or Class A-4] in each such class of service as provided
27 under this section, except for any period of current service in
28 which the making of the contributions has ceased solely by
29 reason of any provision of this part relating to the limitations
30 under IRC § 401(a)(17) or 415. Shared-risk member contributions
31 shall be credited to the members' savings account. A shared-gain
32 adjustment to regular member contributions for Class A-3, Class
33 A-4, Class A-5 and Class A-6 shall be made as provided under
34 this section.

35 (a.1) Exception for certain members who elected under
36 section 5306.5.--Notwithstanding subsection (a), shared-risk
37 member contributions and shared-gain adjustments to regular
38 member contributions for Class A-5 and Class A-6 service shall
39 not be made for any member who elected Class A-5 or Class A-6
40 membership under section 5306.5 (relating to election by active
41 members to become a Class A-5 member, Class A-6 member or plan
42 participant) who were members of a class of service other than
43 Class A-3 or Class A-4 before making the election.

44 (b) Determination of shared-risk contribution rate[.--] for
45 Class A-3 and Class A-4 service.--The shared-risk contribution
46 for Class A-3 and Class A-4 service shall be determined as
47 follows:

48 (1) For the period from the effective date of this
49 section until June 30, 2014, the shared-risk contribution
50 rate for Class A-3 and Class A-4 shall be zero.

51 (2) For the period from July 1, 2014, to June 30, 2017,

1 if the annual interest rate adopted by the board for use
2 during the period from January 1, 2011, to December 31, 2013,
3 for the calculation of the normal contribution rate is more
4 than 1% greater than the actual rate of return, net of fees,
5 of the investments of the fund based on market value over the
6 period, the shared-risk contribution rate shall be .5%. In
7 all other situations, the shared-risk contribution rate shall
8 be zero.

9 (3) For each subsequent three-year period, if the
10 shared-gain adjustment to regular member contributions is
11 zero, the shared-risk contribution rate shall be increased by
12 .5% if the annual interest rate adopted by the board for use
13 during the previous ten-year period for the calculation of
14 the normal contribution rate is more than 1% greater than the
15 actual rate of return, net of fees, of the investments of the
16 fund based on market value over the period. The shared-risk
17 contribution rate shall be decreased by .5% if the annual
18 interest rate adopted by the board for use during the
19 previous ten-year period for the calculation of the normal
20 contribution rate is equal to or less than the actual rate of
21 return, net of fees, of the investments of the fund based on
22 market value over that period.

23 (4) Notwithstanding paragraphs (2) and (3), the shared-
24 risk contribution rate shall not be less than zero and shall
25 not be more than the experience adjustment factor resulting
26 from investment gains or losses during the determination
27 period in effect on the first day when the new rate would be
28 applied, expressed as a percentage of member compensation,
29 and shall not be more than 2%. For the determination of the
30 shared-risk contribution rate to be effective July 1, 2017,
31 the determination period shall be January 1, 2011, through
32 December 31, 2016. For the determination of the shared-risk
33 contribution rate to be effective July 1, 2020, the
34 determination period shall be January 1, 2011, through
35 December 31, 2019.

36 (5) The shared-risk contribution rate and the factors
37 entering into its calculation shall be certified by the
38 actuary as part of the annual valuations and the actuarial
39 investigation and evaluation of the system conducted every
40 five years under section 5902(j) (relating to administrative
41 duties of the board).

42 (6) In the event that the annual interest rate adopted
43 by the board for the calculation is changed during the period
44 used to determine the shared-risk contribution rate, the
45 board, with the advice of the actuary, shall determine the
46 applicable rate during the entire period, expressed as an
47 annual rate.

48 (7) For any fiscal year in which the actual
49 contributions by the Commonwealth or an employer are lower
50 than [those required to be made under section 5507(d)
51 (relating to contributions by the Commonwealth and other

employers)] the actuarially required contributions, the prospective shared-risk contribution rate for those employees whose employers are not making the actuarially required contributions [required by section 5507(d)] shall be zero and shall not subsequently be increased, except as otherwise provided in this section. For purposes of this paragraph, the actuarially required contribution shall be no less than the normal cost plus the cost to fully amortize the unfunded actuarial accrued liability calculated using actuarial methods and assumptions that are consistent with generally accepted actuarial standards and generally accepted accounting principles, including professional actuarial standards of practice.

(8) If the actuary certifies that the accrued liability contributions calculated in accordance with the actuarial cost method provided in section 5508(b) [(relating to actuarial cost method)], as adjusted by the experience adjustment factor, are zero or less, then the shared-risk contribution rate for the next fiscal year shall be zero and shall not subsequently be increased, except as otherwise provided in this section.

(9) The shared-risk contribution rate for Class A-5 or Class A-6 service performed by State employees who were members of Class A-3 or Class A-4 and who elected to be members of Class A-5 or Class A-6 under section 5306.5 shall be determined under this subsection and not subsection (e).

(c) Determination of shared-gain adjustment to regular member contributions for Class A-3 and Class A-4 service.--The regular member contributions for Class A-3 and Class A-4 service shall be determined as follows:

(1) For the period from the effective date of this section until June 30, 2017, the regular member contributions for Class A-3 and Class A-4 service shall be determined as otherwise provided in this part.

(2) For the period from July 1, 2017, to June 30, 2020, if the shared-risk contribution rate for Class A-3 and Class A-4 service is zero and the annual interest rate adopted by the board for use during the period from January 1, 2011, to December 31, 2016, for the calculation of the normal contribution rate is more than 1% lower than the actual rate of return, net of fees, of the investments of the fund based on market value over the period, then the regular member contribution rate of each member for Class A-3 and Class A-4 service shall be reduced by .5%. In all other situations, the regular member contributions shall be determined as otherwise provided in this part.

(3) For each subsequent three-year period, if the shared-risk contribution rate for Class A-3 and Class A-4 is zero, the regular member contribution rate shall be decreased by .5% if the annual interest rate adopted by the board for use during the previous ten-year period for the calculation

1 of the normal contribution rate is more than 1% lower than
2 the actual rate of return, net of fees, of the investments of
3 the fund based on market value over the period. The regular
4 member contribution rate shall be increased by .5% if the
5 annual interest rate adopted by the board for use during the
6 previous ten-year period for the calculation of the normal
7 contribution rate is equal to or greater than the actual rate
8 of return, net of fees, of the investments of the fund based
9 on market value over that period.

10 (4) Notwithstanding paragraphs (2) and (3), the regular
11 member contribution rate may not be greater than the product
12 of the basic contribution rate and the class of service
13 multiplier; and the amount of the adjustment to a lower
14 regular member contribution rate may not be greater than the
15 reduction in the actuarially required contribution rate by
16 the experience adjustment factor resulting from investment
17 gains or losses during the determination period in effect on
18 the first day when the new rate would be applied, expressed
19 as a percentage of member compensation. In no event may the
20 adjustment to the regular member contribution rate be more
21 than 2%. For the determination of the regular member
22 contribution rate to be effective July 1, 2020, the
23 determination period shall be January 1, 2011, through
24 December 31, 2019.

25 (5) The shared-gain adjustment to the regular member
26 contribution rate and the factors entering into its
27 calculation shall be certified by the actuary as part of the
28 annual valuations and the actuarial investigation and
29 evaluation of the system conducted every five years under
30 section 5902(j).

31 (6) If the annual interest rate adopted by the board for
32 the calculation is changed during the period used to
33 determine the shared-gain adjustment to the regular member
34 contribution rate, the board, with the advice of the actuary,
35 shall determine the applicable rate during the entire period,
36 expressed as an annual rate.

37 (7) The shared-gain adjustment to the regular member
38 contribution rate for Class A-5 or Class A-6 service
39 performed by State employees who were members of Class A-3 or
40 Class A-4 and who elected to be members of Class A-5 or Class
41 A-6 under section 5306.5 shall be determined under this
42 subsection and not subsection (f).

43 (d) Calculation of regular member contribution rate.--For
44 purposes of this section, the regular member contribution rate
45 for each member is the product of the basic contribution rate
46 and the class of service multiplier used to determine the
47 regular member contributions for each member.

48 (e) Determination of shared-risk contribution rate for Class
49 A-5 and Class A-6 service.--The shared-risk contribution for
50 Class A-5 or Class A-6 service shall be determined as follows:

51 (1) For the period from the effective date of this

1 section until June 30, 2023, the shared-risk contribution
2 rate shall be zero.

3 (2) For the period from July 1, 2023, to June 30, 2026,
4 if the annual interest rate adopted by the board for use
5 during the period from January 1, 2020, to December 31, 2022,
6 for the calculation of the normal contribution rate is more
7 than 1% greater than the actual rate of return, net of fees,
8 of the investments of the fund based on market value over the
9 period, the shared-risk contribution rate shall be 0.75%. In
10 all other situations, the shared-risk contribution rate shall
11 be zero.

12 (3) For each subsequent three-year period, if the
13 shared-gain adjustment to regular member contributions is
14 zero, the shared-risk contribution rate shall be increased by
15 .75% if the annual interest rate adopted by the board for use
16 during the previous ten-year period for the calculation of
17 the normal contribution rate is more than 1% greater than the
18 actual rate of return, net of fees, of the investments of the
19 fund based on market value over the period. The shared-risk
20 contribution rate shall be decreased by .75% if the annual
21 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 equal to or less than the actual rate of
24 return, net of fees, of the investments of the fund based on
25 market value over that period.

26 (4) Notwithstanding paragraphs (2) and (3), the shared-
27 risk contribution rate may not be less than zero and may not
28 be more than the experience adjustment factor resulting from
29 investment gains or losses during the determination period in
30 effect on the first day when the new rate would be applied,
31 expressed as a percentage of member compensation, and shall
32 not be more than 3%. For the determination of the shared-risk
33 contribution rate to be effective July 1, 2026, the
34 determination period shall be January 1, 2020, through
35 December 31, 2025. For the determination of the shared-risk
36 contribution rate to be effective July 1, 2029, the
37 determination period shall be January 1, 2020, through
38 December 31, 2028.

39 (5) The shared-risk contribution rate and the factors
40 entering into its calculation shall be certified by the
41 actuary as part of the annual valuations and the actuarial
42 investigation and evaluation of the system conducted every
43 five years under section 5902(j).

44 (6) In the event that the annual interest rate adopted
45 by the board for the calculation is changed during the period
46 used to determine the shared-risk contribution rate, the
47 board, with the advice of the actuary, shall determine the
48 applicable rate during the entire period, expressed as an
49 annual rate.

50 (7) For any fiscal year in which the actual
51 contributions by the Commonwealth or an employer are lower

1 than the actuarially required contributions, the prospective
2 shared-risk contribution rate for those employees whose
3 employers are not making the actuarially required
4 contributions shall be zero and shall not subsequently by
5 increased, except as otherwise provided in this section. For
6 purposes of this paragraph, the actuarially required
7 contribution shall be no less than the normal cost plus the
8 cost to fully amortize the unfunded actuarial accrued
9 liability calculated using actuarial methods and assumptions
10 that are consistent with generally accepted actuarial
11 standards and generally accepted accounting principles,
12 including professional actuarial standards of practice.

13 (8) If the actuary certifies that the accrued liability
14 contributions calculated in accordance with the actuarial
15 cost method provided in section 5508(b), as adjusted by the
16 experience adjustment factor, are zero or less, then the
17 shared-risk contribution rate for the next fiscal year shall
18 be zero and shall not subsequently be increased, except as
19 otherwise provided in this section.

20 (9) The shared-risk contribution rate for Class A-5 or
21 Class A-6 service performed by State employees who were
22 members of Class A-3 or Class A-4 and who elected to be
23 members of Class A-5 or Class A-6 under section 5306.5 shall
24 be determined under subsection (b) and not this subsection.

25 (f) Determination of shared-gain adjustment to regular
26 member contributions for Class A-5 or Class A-6 service.--The
27 regular member contributions for Class A-5 or Class A-6 service
28 shall be determined as follows:

29 (1) For the period from the effective date of this
30 section until June 30, 2023, the regular member contributions
31 shall be determined as otherwise provided in this part.

32 (2) For the period from July 1, 2023, to June 30, 2026,
33 if the annual interest rate adopted by the board for use
34 during the period from January 1, 2020, to December 31, 2022,
35 for the calculation of the normal contribution rate is more
36 than 1% lower than the actual rate of return, net of fees, of
37 the investments of the fund based on market value over the
38 period, then the regular member contribution rate of each
39 member for Class A-5 and Class A-6 service shall be reduced
40 by .75%. In all other situations, the regular member
41 contributions shall be determined as otherwise provided in
42 this part.

43 (3) For each subsequent three-year period, if the
44 shared-risk contribution rate for Class A-5 and Class A-6
45 service is zero, the regular member contribution rate shall
46 be decreased by .75% if the annual interest rate adopted by
47 the board for use during the previous ten-year period for the
48 calculation of the normal contribution rate is more than 1%
49 lower than the actual rate of return, net of fees, of the
50 investments of the fund based on market value over the
51 period. The regular member contribution rate shall be

1 increased by .75% if the annual interest rate adopted by the
2 board for use during the previous ten-year period for the
3 calculation of the normal contribution rate is equal to or
4 greater than the actual rate of return, net of fees, of the
5 investments of the fund based on market value over that
6 period.

7 (4) Notwithstanding paragraphs (2) and (3), the regular
8 member contribution rate may not be greater than the product
9 of the basic contribution rate and the class of service
10 multiplier; and the amount of the adjustment to a lower
11 regular member contribution rate may not be greater than the
12 reduction in the actuarially required contribution rate by
13 the experience adjustment factor resulting from investment
14 gains or losses during the determination period in effect on
15 the first day when the new rate would be applied, expressed
16 as a percentage of member compensation. In no event may the
17 adjustment to the regular member contribution rate be more
18 than 3%. For the determination of the regular member
19 contribution rate to be effective July 1, 2026, the
20 determination period shall be January 1, 2020, through
21 December 31, 2025. For the determination of the regular
22 member contribution rate to be effective July 1, 2029, the
23 determination period shall be January 1, 2020, through
24 December 31, 2028.

25 (5) The shared-gain adjustment to the regular member
26 contribution rate and the factors entering into its
27 calculation must be certified by the actuary as part of the
28 annual valuations and the actuarial investigation and
29 evaluation of the system conducted every five years under
30 section 5902(j).

31 (6) If the annual interest rate adopted by the board for
32 the calculation is changed during the period used to
33 determine the shared-gain adjustment to the regular member
34 contribution rate, the board, with the advice of the actuary,
35 shall determine the applicable rate during the entire period,
36 expressed as an annual rate.

37 (7) The shared-gain adjustment to the regular member
38 contribution rate for Class A-5 or Class A-6 service
39 performed by State employees who were members of Class A-3 or
40 Class A-4 and who elected to be members of Class A-5 or Class
41 A-6 under section 5306.5 shall be determined under subsection
42 (c) and not this subsection.

43 § 5502. Social Security integration member contributions.

44 Except for any period of current service in which the making
45 of regular member contributions has ceased solely by reason of
46 section 5502.1 (relating to waiver of regular member
47 contributions and Social Security integration member
48 contributions) or any provision of this part relating to
49 limitations under IRC § 401(a)(17) or 415, contributions shall
50 be made on behalf of [a] an active member of any class who prior
51 to March 1, 1974, has elected Social Security integration

1 coverage. The amount of such contributions shall be 6 1/4% of
2 that portion of his compensation as an active member in excess
3 of the maximum wages taxable under the provisions of the Social
4 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
5 addition to the regular member contributions which, after such
6 election, shall be determined on the basis of the basic
7 contribution rate of 5% and the additional member contribution
8 of 1 1/4%: Provided, That a member may elect to discontinue
9 Social Security integration coverage and shall thereafter be
10 ineligible to accrue any further Social Security integration
11 credits or any additional benefits on account of Social Security
12 integration membership.

13 § 5503.1. Pickup contributions.

14 (a) Treatment for purposes of IRC § 414(h).--All
15 contributions to the fund required to be made under sections
16 5501 (relating to regular member contributions for current
17 service), 5501.1 (relating to shared-risk member contributions
18 [for Class A-3 and Class A-4 service] and shared-gain
19 adjustments to regular member contributions), 5502 (relating to
20 Social Security integration member contributions), 5503
21 (relating to joint coverage member contributions) and [section]
22 5505.1 (relating to additional member contributions), with
23 respect to current State service rendered by an active member on
24 or after January 1, 1982, shall be picked up by the Commonwealth
25 or other employer and shall be treated as the employer's
26 contribution for purposes of IRC § 414(h).

27 * * *

28 § 5504. Member contributions for the purchase of credit for
29 previous State service or to become a full coverage
30 member.

31 (a) Amount of contributions for service in other than Class
32 G through N.--

33 (1) The contributions to be paid by an active member or
34 eligible school employee for credit in the system for the
35 portion of total previous State service other than service in
36 Class G, Class H, Class I, Class J, Class K, Class L, Class M
37 and Class N that a member is eligible to have credited or to
38 become a full coverage member shall be sufficient to provide
39 an amount equal to the regular accumulated deductions,
40 shared-risk accumulated deductions and additional accumulated
41 deductions which would have been standing to the credit of
42 the member for such service had regular accumulated
43 deductions, shared-risk accumulated deductions and additional
44 member contributions been made with full coverage in the
45 class of service and at the rate of contribution applicable
46 during such period of previous service and had his regular
47 and additional accumulated deductions been credited with
48 statutory interest during all periods of subsequent State and
49 school service up to the date of purchase.

50 (2) Notwithstanding paragraph (1), members [with Class
51 A-3 State service] who are performing State service credited

1 in Class A-3, Class A-4, Class A-5 or Class A-6 shall make
2 contributions and receive credit as if the [previous]
3 previously uncredited State service was [Class A-3 service,
4 and members with Class A-4 State service shall make
5 contributions and receive credit as if the previous State
6 service was Class A-4 service,] performed in the class in
7 which they are an active member at the time the service is
8 credited even if it would have been credited as a different
9 class of service had the State employee been a member of the
10 system at the time the service was performed unless it was
11 mandatory that the State employee be an active member of the
12 system and the previous State service is being credited as
13 the result of a mandatory active membership requirement.
14 Notwithstanding section 5303(b) (relating to retention and
15 reinstatement of service credits), a State employee who is an
16 active member of the system as a result of concurrently
17 performing service in more than one position or office at the
18 time previously uncredited State service is credited shall
19 elect which position or office is used for the determination
20 of required contributions and crediting and classification of
21 the previously uncredited service.

22 (a.1) Converted county service.--No contributions shall be
23 required to restore credit for previously credited State service
24 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
25 and Class N. Such service shall be restored upon the
26 commencement of payment of the contributions required to restore
27 credit in the system for all other previous State service.

28 (b) Certification and method of payment.--

29 (1) The amount payable shall be certified in each case
30 by the board in accordance with methods approved by the
31 actuary and shall be paid in a lump sum within 30 days or in
32 the case of an active member or eligible school employee who
33 is an active member of the Public School Employees'
34 Retirement System may be amortized with statutory interest
35 through salary deductions to the system in amounts agreed
36 upon by the member and the board. The salary deduction
37 amortization plans agreed to by members and the board may
38 include a deferral of payment amounts and statutory interest
39 until the termination of school service or State service as
40 the board in its sole discretion decides to allow. The board
41 may limit the salary deduction amortization plans to such
42 terms as the board in its sole discretion determines. In the
43 case of an eligible school employee who is an active member
44 of the Public School Employees' Retirement System, the agreed
45 upon salary deductions shall be remitted to the Public School
46 Employees' Retirement Board, which shall certify and transfer
47 to the board the amounts paid.

48 (2) No payments for service or coverage shall be allowed
49 for which the required contributions would cause a violation
50 of the limitation related to contributions applicable to
51 governmental plans contained in IRC § 415. In the event that

1 any service credit or coverage based on such disallowed
2 contributions is granted after the effective date of this
3 paragraph, then such service credit shall be canceled and
4 benefits calculated without regard to such service or
5 contributions and any member contributions in excess of the
6 limitations and statutory interest credited on those
7 contributions shall be refunded to the member by the board.

8 Section 311. Section 5505(b), (c), (d) and (i)(2) and (4) of
9 Title 71 are amended and the section is amended by adding a
10 subsection to read:

11 § 5505. Contributions for the purchase of credit for creditable
12 nonstate service.

13 * * *

14 (b) Nonintervening military service.--

15 (1) The amount due for the purchase of credit for
16 military service other than intervening military service
17 shall be determined by applying the member's basic
18 contribution rate, the additional contribution rate plus the
19 Commonwealth normal contribution rate for active members at
20 the time of entry, subsequent to such military service, of
21 the member into State service to his average annual rate of
22 compensation as a member of the system over the first three
23 years of such subsequent State service and multiplying the
24 result by the number of years and fractional part of a year
25 of creditable nonintervening military service being purchased
26 together with statutory interest during all periods of
27 subsequent State and school service to date of purchase. Upon
28 application for credit for such service, payment shall be
29 made in a lump sum within 30 days or in the case of an active
30 member or eligible school employee who is an active member of
31 the Public School Employees' Retirement System it may be
32 amortized with statutory interest through salary deductions
33 to the system in amounts agreed upon by the member and the
34 board. The salary deduction amortization plans agreed to by
35 members and the board may include a deferral of payment
36 amounts and statutory interest until the termination of
37 school service or State service as the board in its sole
38 discretion decides to allow. The board may limit salary
39 deduction amortization plans to such terms as the board in
40 its sole discretion determines. In the case of an eligible
41 school employee who is an active member of the Public School
42 Employees' Retirement System, the agreed upon salary
43 deductions shall be remitted to the Public School Employees'
44 Retirement Board, which shall certify and transfer to the
45 board the amounts paid. Application may be filed for all such
46 military service credit upon completion of three years of
47 subsequent State service as a member of the system and shall
48 be credited as Class A service except as provided in section
49 5304(a) (relating to creditable nonstate service).

50 (1.1) In the case of an active member who is purchasing
51 the military service as Class A-3 service, for purposes of

1 paragraph (1), the Commonwealth normal contribution rate for
2 active members at the time of entry, subsequent to the
3 military service, shall be determined using only the average
4 new Class A-3 member.

5 (1.2) In the case of an active member who is purchasing
6 the military service as Class A-5 service, for purposes of
7 paragraph (1), the Commonwealth normal contribution rate for
8 active members at the time of entry, subsequent to the
9 military service, shall be determined using only the average
10 new Class A-5 member, and the member's basic contribution
11 rate shall be multiplied by the class of service multiplier
12 used to calculate regular member contributions for Class A-5
13 service.

14 (1.3) In the case of an active member who is purchasing
15 the military service as Class A-6 service, for purposes of
16 paragraph (1), the Commonwealth normal contribution rate for
17 active members at the time of entry, subsequent to the
18 military service, shall be determined using only the average
19 new Class A-6 member, and the member's basic contribution
20 rate shall be multiplied by the class of service multiplier
21 used to calculate regular member contributions for Class A-6
22 service.

23 (2) Applicants may purchase credit as follows:

24 (i) one purchase of the total amount of creditable
25 nonintervening military service; or

26 (ii) one purchase per 12-month period of a portion
27 of creditable nonintervening military service.

28 The amount of each purchase shall be not less than one year
29 of creditable nonintervening military service.

30 (c) Intervening military service.--Contributions on account
31 of credit for intervening military service shall be determined
32 by the member's regular contribution rate, shared-risk
33 contribution rate, Social Security integration contribution
34 rate, the additional contribution rate which shall be applied
35 only to those members who began service on or after the
36 effective date of this amendatory act and compensation as a
37 member of the system at the time of entry of the member into
38 active military service, together with statutory interest during
39 all periods of subsequent State and school service to date of
40 purchase. Upon application for such credit the amount due shall
41 be certified in the case of each member by the board in
42 accordance with methods approved by the actuary, and
43 contributions may be made by:

44 (1) regular monthly payments during active military
45 service; or

46 (2) a lump sum payment within 30 days of certification;
47 or

48 (3) salary deductions to the system in amounts agreed
49 upon by the member or eligible school employee who is an
50 active member of the Public School Employees' Retirement
51 System and the board.

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

12 (d) Nonmilitary and nonmagisterial service.--Contributions
13 on account of credit for creditable nonstate service other than
14 military and magisterial service by State employees who first
15 become members of the system before January 1, 2011, or before
16 December 1, 2010, as a member of the General Assembly shall be
17 determined by applying the member's basic contribution rate, the
18 additional contribution rate plus the Commonwealth normal
19 contribution rate for active members at the time of entry
20 subsequent to such creditable nonstate service of the member
21 into State service to his compensation as a member of the system
22 at the time of entry into State service and multiplying the
23 result by the number of years and fractional part of a year of
24 creditable nonstate service being purchased together with
25 statutory interest during all periods of subsequent State and
26 school service to the date of purchase. Upon application for
27 credit for such service payment shall be made in a lump sum
28 within 30 days or in the case of an active member or eligible
29 school employee who is an active member of the Public School
30 Employees' Retirement System it may be amortized with statutory
31 interest through salary deductions to the system in amounts
32 agreed upon by the member and the board. The salary deduction
33 amortization plans agreed to by members and the board may
34 include a deferral of payment amounts and statutory interest
35 until the termination of school service or State service as the
36 board in its sole discretion decides to allow. The board may
37 limit salary deduction amortization plans to such terms as the
38 board in its sole discretion determines. In the case of an
39 eligible school employee who is an active member of the Public
40 School Employees' Retirement System, the agreed upon salary
41 deduction shall be remitted to the Public School Employees'
42 Retirement Board, which shall certify and transfer to the board
43 the amounts paid.

44 * * *

45 (i) Purchases of nonstate service credit by State employees
46 who first became members of the system on or after December 1,
47 2010.--

48 * * *

49 (2) The full actuarial cost of the increased benefit
50 attributable to the purchased nonstate service credit shall
51 be the difference between:

(i) the present value of a standard single life annuity, beginning at the earliest possible superannuation age assuming Class A-3 service credit for the nonstate service to be purchased[; and] by an active member of Class A-3 or Class A-4 and assuming Class A-5 service credit for the nonstate service to be purchased by an active member of Class A-5 and assuming Class A-6 service credit for the nonstate service to be purchased by an active member of Class A-6; and

(ii) the present value of a standard single life annuity, beginning at the earliest possible superannuation age, excluding the nonstate service credit to be purchased.

* * *

(4) The payment for credit purchased under this subsection shall be certified in each case by the board in accordance with methods approved by the actuary and shall be paid in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and interest until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit the salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible school employee who is an active member of the Public School Employees' Retirement System, the agreed upon salary deductions shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

* * *

(k) Inapplicability of election and adjustments.--If a member is purchasing creditable nonstate service, the regular member contribution rate used to determine the contributions necessary to purchase such credit shall be determined without regard to any adjustments applicable under section 5501.1(c) (relating to shared-risk member contributions and shared-gain adjustments to regular member contributions).

Section 312. Section 5506.1(a) of Title 71 is amended to read:

§ 5506.1. Annual compensation limit under IRC § 401(a)(17).

(a) General rule.--In addition to other applicable limitations set forth in this part, and notwithstanding any provision of this part to the contrary, the annual compensation of each noneligible member and each participant, both before and after any annualization, taken into account for benefit purposes under this part shall not exceed the limitation under IRC §

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

15 * * *

16 Section 313. Section 5507 heading, (a), (b) and (d) of Title
17 71 are amended and the section is amended by adding subsections
18 to read:

19 § 5507. Contributions to the system by the Commonwealth and
20 other employers.

21 (a) Contributions on behalf of active members.--The
22 Commonwealth and other employers whose employees are members of
23 the system or participants in the plan shall make contributions
24 to the fund on behalf of all active members in such amounts as
25 shall be certified by the board as necessary to provide,
26 together with the members' total accumulated deductions, annuity
27 reserves on account of prospective annuities other than those
28 provided in sections 5708 (relating to supplemental annuities),
29 5708.1 (relating to additional supplemental annuities), 5708.2
30 (relating to further additional supplemental annuities), 5708.3
31 (relating to supplemental annuities commencing 1994), 5708.4
32 (relating to special supplemental postretirement adjustment),
33 5708.5 (relating to supplemental annuities commencing 1998),
34 5708.6 (relating to supplemental annuities commencing 2002),
35 5708.7 (relating to supplemental annuities commencing 2003) and
36 5708.8 (relating to special supplemental postretirement
37 adjustment of 2002), in accordance with the actuarial cost
38 method provided in section 5508(a), (b), (c), (d) and (f)
39 (relating to actuarial cost method).

40 (b) Contributions on behalf of annuitants.--The Commonwealth
41 and other employers whose employees are members of the system or
42 participants in the plan shall make contributions on behalf of
43 annuitants in such amounts as shall be certified by the board as
44 necessary to fund the liabilities for supplemental annuities in
45 accordance with the actuarial cost method provided in section
46 5508(e) [(relating to actuarial cost method)].

47 (b.1) Payment of employer contributions to the system.--

48 (1) Payment of employer normal contributions shall be as
49 a percentage of compensation of active members.

50 (2) Payment of accrued liability contributions as
51 modified by the experience adjustment factor and supplemental

annuity contributions shall be as a percentage of
compensation of active members and active participants.

* * *

(d) Payment of final contribution rate.--Notwithstanding the calculation of the actuarially required contribution rate and the provisions of subsections (a) and (b), the Commonwealth and other employers whose employees are members of the system or participants in the plan shall make contributions to the fund on behalf of all active members and annuitants in such amounts as shall be certified by the board in accordance with section 5508(i).

* * *

(g) Payment of additional accrued liability contributions.--
In addition to all other contributions required under this
section and sections 5508 and 5941, the Commonwealth and other
employers whose employees are members of the system or
participants in the plan shall make contributions as certified
by the board as a percentage of the compensation of each member
and each participant as provided in this subsection, unless the
actuary certifies that the accrued liability contribution rate
determined under section 5508(c) is zero or less for that fiscal
year. Additional accrued liability contributions received by the
board as a result of this subsection shall be recognized as part
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, 2018</u>	<u>0.00%</u>
<u>July 1, 2019</u>	<u>0.71%</u>
<u>July 1, 2020</u>	<u>0.66%</u>
<u>July 1, 2021</u>	<u>0.62%</u>
<u>July 1, 2022</u>	<u>0.00%</u>
<u>July 1, 2023</u>	<u>0.00%</u>
<u>July 1, 2024</u>	<u>0.00%</u>
<u>July 1, 2025</u>	<u>0.00%</u>
<u>July 1, 2026</u>	<u>0.00%</u>
<u>July 1, 2027</u>	<u>0.00%</u>
<u>July 1, 2028</u>	<u>0.00%</u>
<u>July 1, 2029</u>	<u>0.00%</u>
<u>July 1, 2030</u>	<u>0.00%</u>
<u>July 1, 2031</u>	<u>0.00%</u>
<u>July 1, 2032</u>	<u>0.10%</u>
<u>July 1, 2033</u>	<u>0.22%</u>
<u>July 1, 2034</u>	<u>0.33%</u>
<u>July 1, 2035</u>	<u>0.43%</u>
<u>July 1, 2036</u>	<u>0.53%</u>
<u>July 1, 2037</u>	<u>0.62%</u>
<u>July 1, 2038</u>	<u>0.71%</u>
<u>July 1, 2039</u>	<u>0.79%</u>
<u>July 1, 2040</u>	<u>0.86%</u>
<u>July 1, 2041</u>	<u>0.93%</u>

Section 314. Section 5508(a), (b), (c) (1), (e) (2), (f) and

(h) of Title 71 are amended and subsection (c) is amended by adding a paragraph to read:

§ 5508. Actuarial cost method.

(a) Employer contribution rate on behalf of active members.--[The] For each fiscal year, the amount of the Commonwealth and other employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the board. The actuarially required contribution rate on behalf of all active members shall consist of the employer normal contribution rate, as defined in subsection (b), and the accrued liability contribution rate as defined in subsection (c). The actuarially required contribution rate on behalf of all active members shall be modified by the experience adjustment factor as calculated in subsection (f).

(b) Employer normal contribution rate.--The employer normal contribution rate shall be determined after each actuarial valuation on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles. The employer normal contribution rate shall be determined as [a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through his entire period of active State service, would be sufficient to fund the liability for any prospective benefit payable to him in excess of that portion funded by his prospective member contributions, excluding shared-risk member contributions.] follows:

(1) From the effective date of this paragraph through fiscal year 2021-2022, as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through his entire period of active State service, would be sufficient to fund the liability for any prospective benefit payable to him in excess of that portion funded by his prospective member contributions, excluding shared-risk member contributions and shared-gain adjustments to regular member contributions. In no case shall the employer normal contribution rate in the aggregate or for each class of service separately be less than zero.

(2) For fiscal year 2022-2023 and each fiscal year thereafter, as a level percentage of the compensation of all active members, which percentage, if contributed from the start of their employment on the basis of their prospective compensation through their entire period of active State service, would be sufficient to fund the liability for any prospective benefit payable to them in excess of that portion funded by their prospective member contributions, excluding shared-risk member contributions and shared-gain adjustments to regular member contributions. In no case shall the

1 employer normal contribution rate in the aggregate or for
2 each class of service separately be less than zero.

3 (c) Accrued liability contribution rate.--

4 (1) For the fiscal years beginning July 1, 2002, and
5 July 1, 2003, the accrued liability contribution rate shall
6 be computed as the rate of total compensation of all active
7 members which shall be certified by the actuary as sufficient
8 to fund over a period of ten years from July 1, 2002, the
9 present value of the liabilities for all prospective
10 benefits, except for the supplemental benefits as provided in
11 sections 5708 (relating to supplemental annuities), 5708.1
12 (relating to additional supplemental annuities), 5708.2
13 (relating to further additional supplemental annuities),
14 5708.3 (relating to supplemental annuities commencing 1994),
15 5708.4 (relating to special supplemental postretirement
16 adjustment), 5708.5 (relating to supplemental annuities
17 commencing 1998), 5708.6 (relating to supplemental annuities
18 commencing 2002), 5708.7 (relating to supplemental annuities
19 commencing 2003) and 5708.8 (relating to special supplemental
20 postretirement adjustment of 2002), in excess of the total
21 assets in the fund (calculated recognizing all investment
22 gains and losses over a five-year period), excluding the
23 balance in the supplemental annuity account, and the present
24 value of employer normal contributions and of member
25 contributions payable with respect to all active members on
26 December 31, 2001, and excluding contributions to be
27 transferred by county retirement systems or pension plans
28 pursuant to section 5507(c) (relating to contributions to the
29 system by the Commonwealth and other employers). The amount
30 of each annual accrued liability contribution shall be equal
31 to the amount of such contribution for the fiscal year
32 beginning July 1, 2002, except that, if the accrued liability
33 is increased by legislation enacted subsequent to June 30,
34 2002, but before July 1, 2003, such additional liability
35 shall be funded over a period of ten years from the first day
36 of July, coincident with or next following the effective date
37 of the increase. The amount of each annual accrued liability
38 contribution for such additional legislative liabilities
39 shall be equal to the amount of such contribution for the
40 first annual payment.

41 * * *

42 (4) For fiscal years beginning on or after July 1, 2018,
43 the accrued liability contribution rate shall be computed as
44 provided for under this section, except that the rate shall
45 be computed as a rate of total compensation of all active
46 members and active participants for the applicable period. If
47 the accrued liability is changed by legislation enacted
48 subsequent to December 31, 2016, such change in liability
49 shall be funded in equal dollar installments as a percentage
50 of compensation of all active members and active participants
51 over a period of ten years from the first day of July

1 following the valuation date coincident with or next
2 following the date such legislation is enacted. In addition
3 to any employer defined contributions made to the trust, the
4 Commonwealth and other employers of participants shall make
5 the accrued liability contributions to the fund certified by
6 the board.

7 * * *

8 (e) Supplemental annuity contribution rate.--

9 * * *

10 (2) For fiscal years beginning on or after July 1, 2010,
11 contributions from the Commonwealth and other employers whose
12 employees are members of the system required to provide for
13 the payment of supplemental annuities as provided in sections
14 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
15 and 5708.8 shall be paid as part of the accrued liability
16 contribution rate as provided for in subsection (c)(3), and
17 there shall not be a separate supplemental annuity
18 contribution rate attributable to those supplemental
19 annuities. In the event that supplemental annuities are
20 increased by legislation enacted subsequent to December 31,
21 2009, the additional liability for the increase in benefits
22 shall be funded in equal dollar installments as a percentage
23 of compensation of all active members and active participants
24 over a period of ten years from the first day of July
25 following the valuation date coincident with or next
26 following the date such legislation is enacted.

27 (f) Experience adjustment factor.--

28 (1) For each fiscal year after the establishment of the
29 accrued liability contribution rate and the supplemental
30 annuity contribution rate for the fiscal year beginning July
31 1, 2010, any increase or decrease in the unfunded accrued
32 liability and any increase or decrease in the liabilities and
33 funding for supplemental annuities, due to actual experience
34 differing from assumed experience (recognizing all realized
35 and unrealized investment gains and losses over a five-year
36 period), changes in contributions caused by the final
37 contribution rate being different from the actuarially
38 required contribution rate, State employees making shared-
39 risk member contributions or having shared-gain adjustments
40 to their regular member contributions, payment of additional
41 accrued liability contributions under section 5507(g),
42 changes in actuarial assumptions or changes in the terms and
43 conditions of the benefits provided by the system by
44 judicial, administrative or other processes other than
45 legislation, including, but not limited to, reinterpretation
46 of the provisions of this part, shall be amortized in equal
47 dollar annual contributions as a percentage of compensation
48 of all active members and active participants over a period
49 of 30 years beginning with the July 1 succeeding the
50 actuarial valuation determining said increases or decreases.

51 (2) The actuarially required contribution rate shall be

1 the sum of the normal contribution rate, the accrued
2 liability contribution rate and the supplemental annuity
3 contribution rate, modified by the experience adjustment
4 factor as calculated in paragraph (1).

5 * * *

6 (h) Temporary application of collared contribution rate.--
7 The collared contribution rate for each fiscal year shall be
8 determined by comparing the actuarially required contribution
9 rate calculated without regard for costs added by legislation to
10 the prior year's final contribution rate. If, for any of the
11 fiscal years beginning July 1, 2011, July 1, 2012, and on or
12 after July 1, 2013, the actuarially required contribution rate
13 calculated without regard for costs added by legislation is more
14 than 3%, 3.5% and 4.5%, respectively, of the total compensation
15 of all active members greater than the prior year's final
16 contribution rate, then the collared contribution rate shall be
17 applied and be equal to the prior year's final contribution rate
18 increased by the respective percentage above of total
19 compensation of all active members. Otherwise, and for all
20 subsequent fiscal years, the collared contribution rate shall
21 not [be applicable] apply. In no case shall the collared
22 contribution rate be less than 4% of total compensation of all
23 active members.

24 * * *

25 Section 315. Section 5509 of Title 71 is amended to read:
26 § 5509. Appropriations and assessments by the Commonwealth.

27 (a) Annual submission of budget.--The board shall prepare
28 and submit annually an itemized budget consisting of the amounts
29 necessary to be appropriated by the Commonwealth out of the
30 General Fund and special operating funds and the amounts to be
31 assessed the other employers required to meet the separate
32 obligations to the fund and the trust accruing during the fiscal
33 period beginning the first day of July of the following year.

34 (b) Appropriation and payment.--The General Assembly shall
35 make an appropriation sufficient to provide for the separate
36 obligations of the Commonwealth to the fund and the trust. Such
37 amount shall be paid by the State Treasurer through the
38 Department of Revenue into the fund or trust in accordance with
39 requisitions presented by the board. The contributions to the
40 system by the Commonwealth on behalf of active members who are
41 officers of the Pennsylvania State Police shall be charged to
42 the General Fund and to the Motor License Fund in the same
43 ratios as used to apportion the appropriations for salaries of
44 members of the Pennsylvania State Police. The contributions to
45 the system by the Commonwealth on behalf of active members who
46 are enforcement officers and investigators of the Pennsylvania
47 Liquor Control Board shall be charged to the General Fund and to
48 the State Stores Fund.

49 (c) Contributions from funds other than General Fund.--The
50 amounts assessed other employers who are required to make the
51 necessary separate contributions to the fund and the trust out

1 of funds other than the General Fund shall be paid by such
2 employers into the fund or trust in accordance with requisitions
3 presented by the board. The General Fund of the Commonwealth
4 shall not be held liable to appropriate the moneys required to
5 build up the reserves in the fund necessary for the payment of
6 benefits from the system to employees or to make the employer
7 defined contributions for employees of such other employers. In
8 case any such other employer shall fail to provide to the fund
9 the moneys necessary for such purpose, then the service of such
10 members of the system for such period for which money is not so
11 provided shall be credited and pickup contributions with respect
12 to such members shall continue to be credited to the members'
13 savings account. The annuity to which such member is entitled
14 shall be determined as actuarially equivalent to the present
15 value of the maximum single life annuity of each such member
16 reduced by the amount of employer contributions to the system
17 payable on account and attributable to his compensation during
18 such service, except that no reduction shall be made as a result
19 of the failure of an employer to make contributions required for
20 a period of USERRA leave.

21 Section 316. (Reserved).

22 Section 317. Sections 5701 and 5701.1 of Title 71 are
23 amended to read:

24 § 5701. Return of total accumulated deductions.

25 Any member upon termination of service may, in lieu of all
26 benefits payable from the system under this chapter to which he
27 may be entitled, elect to receive his total accumulated
28 deductions by his required beginning date.

29 § 5701.1. Transfer of accumulated deductions.

30 When an employee of the Juvenile Court Judges' Commission
31 elects membership in an independent retirement program pursuant
32 to section 5301(f) (relating to mandatory and optional
33 membership in the system and participation in the plan), the
34 board shall transfer directly to the trustee or administrator of
35 the independent retirement program all accumulated deductions
36 resulting from service credited while an employee of the
37 Juvenile Court Judges' Commission.

38 Section 318. Sections 5702(a)(1), (4) and (6), (b) and (c),
39 5704(a), (c), (e) and (f) and 5705(a) of Title 71 are amended
40 and the sections are amended by adding subsections to read:

41 § 5702. Maximum single life annuity.

42 (a) General rule.--Any full coverage member who is eligible
43 to receive an annuity pursuant to the provisions of section
44 5308(a) or (b) (relating to eligibility for annuities) who
45 terminates State service, or if a multiple service member who is
46 a school employee who is an active member of the Public School
47 Employees' Retirement System who terminates school service,
48 before attaining age 70 shall be entitled to receive a maximum
49 single life annuity attributable to his credited service and
50 equal to the sum of the following single life annuities
51 beginning at the effective date of retirement:

(1) A single life annuity that is the sum of the standard single life [annuity multiplied by the sum of the products,] annuities determined separately for each class of service[, obtained by multiplying] multiplied by the appropriate class of service multiplier [by the ratio of years of service credited in that class to the total credited service] applicable to each standard single life annuity. In case the member on the effective date of retirement is under superannuation age for any service, a reduction factor calculated to provide benefits actuarially equivalent to an annuity starting at superannuation age shall be applied to the product determined for that service[.]: Provided, however, That any standard single life annuity resulting from Class A-5 service shall be reduced by a percentage determined by multiplying the number of months, including a fraction of a month as a full month, by which the effective date of retirement precedes superannuation age by 0.25% if the effective date of retirement is on or after the date the member has attained age 57 and the member has 25 or more eligibility points, and that any standard single life annuity resulting from Class A-6 service shall be reduced by a percentage determined by multiplying the number of months, including a fraction of a month as a full month, by which the effective date of retirement precedes superannuation age by 0.25% if the effective date of retirement is on or after the date the member has attained age 62 and the member has 25 or more eligibility points. The class of service multiplier for any period of concurrent service shall be multiplied by the proportion of total State and school compensation during such period attributable to State service as a member of the system. In the event a member has two multipliers for one class of service [the class of service multiplier to be used for calculating benefits for that class shall be the average of the two multipliers weighted by the proportion of compensation attributable to each multiplier during the three years of highest annual compensation in that class of service: Provided, That in the case of a member of Class E-1, a portion but not all of whose three years of highest annual judicial compensation is prior to January 1, 1973, two class of service multipliers shall be calculated on the basis of his entire judicial service, the one applying the judicial class of service multipliers effective prior to January 1, 1973 and the second applying the class of service multipliers effective subsequent to January 1, 1973. The average class of service multiplier to be used for calculating benefits for his judicial service shall be the average of the two calculated multipliers weighted by the proportion of compensation attributable to each of the calculated multipliers during the three years of highest annual compensation in that class of service.], separate standard single life annuities shall be calculated for the portion of

1 service in the class applicable to each class of service
2 multiplier. In the case of a member with Class A-5 service
3 credit or Class A-6 service credit and credit in one or more
4 other classes of service who has not attained age 62 on the
5 effective date of retirement, or in the case of a member with
6 Class A-5 service credit who has 25 eligibility points and
7 credit in one or more other classes of service who has not
8 attained age 57 on the effective date of retirement, but who
9 is otherwise eligible for an annuity resulting from his Class
10 A-5 service or Class A-6 service, and who commences receipt
11 of a superannuation annuity or withdrawal annuity based on
12 the other classes of service, no annuity based on the
13 member's Class A-5 service credit or Class A-6 service credit
14 shall be paid until the attainment of age 62 or age 57 for
15 Class A-5 for a member who has 25 eligibility points.

16 * * *

17 (4) If eligible, a single life annuity which is
18 actuarially equivalent to the amount by which his regular and
19 additional accumulated deductions attributable to any
20 credited service other than as a member of Class A-3, Class
21 A-4, Class A-5, Class A-6 and Class C are greater than one-
22 half of the actuarially equivalent value on the effective
23 date of retirement of the annuity as provided in paragraph
24 (1) attributable to service other than Class A-3, Class A-4,
25 Class A-5, Class A-6 and Class C for which regular or joint
26 coverage member contributions were made. [This paragraph
27 shall not apply to any member with State service credited as
28 Class A-3 or Class A-4.]

29 * * *

30 (6) If eligible, a single life annuity sufficient
31 together with the annuity provided for in paragraph (1) as a
32 Class A, Class AA, Class A-3 [and], Class A-4, Class A-5 or
33 Class A-6 member and the highest annuity provided for in
34 paragraph (2) to which he is entitled, or at his option could
35 have been entitled, to produce that percentage of [a] the
36 sums of the standard single life [annuity] annuities adjusted
37 by the application of the class of service multiplier for
38 Class A, Class AA, Class A-3 [or], Class A-4, Class A-5 or
39 Class A-6 as set forth in paragraph (1) in the case where any
40 service is credited as a member of Class A, Class AA, Class
41 A-3 [or], Class A-4, Class A-5 or Class A-6 on the effective
42 date of retirement as determined by his total years of
43 credited service as a member of Class A, Class AA, Class A-3
44 [and], Class A-4, Class A-5 or Class A-6 and by the following
45 table:

46 Total Years of	Percentage of <u>Sums of</u>
47 Credited Service	Standard
48 as a Member of	Single Life
49 Class A,	[Annuity] <u>Annuities</u> Adjusted for
50 Class AA, Class A-3	Class A, Class AA,
51 [and], <u>Class A-4, Class A-5</u>	Class A-3 [and], <u>Class A-4,</u>

and Class A-6

Class A-5 and Class A-6

Class of
Service Multipliers

35-40	100%
41	102%
42	104%
43	106%
44	108%
45 or more	110%

* * *

(b) Present value of annuity.--The present value of the maximum single life annuity as calculated in accordance with subsection (a) of this section shall be determined by multiplying the maximum single life annuity by the cost of a dollar annuity on the effective date of retirement[.], which shall take into account any delay in the receipt of the portion of the annuity based on Class A-5 service or Class A-6 service if the effective date of retirement is before the member attains age 62 or age 57 for a member with Class A-5 service who has 25 eligibility points. Such present value shall be decreased only as required under the provisions of section 5506 (relating to incomplete payments), 5509(c) (relating to appropriations and assessments by the Commonwealth) or 5703 (relating to reduction of annuities on account of social security old-age insurance benefits).

(c) Limitation on amount of annuity.--The annuity paid to a member under subsection (a) and reduced in accordance with the option elected under section 5705 (relating to member's options) shall not exceed the highest compensation received as a member of the system during any period of twelve consecutive months of credited service. No limit on the total annuity paid to a member with Class D-3 service shall be applied in the case of a member who served as a constitutional officer of the General Assembly.

* * *

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

(f) Special calculation for A-5 and A-6.--For the calculation under subsection (a) for all A-5 and A-6 members the interest used in the calculation for an annuity for a member that has not attained the age of 62 shall be the amount required to have no actuarial cost to the system. The amount to be calculated shall be certified by the system's actuary in their annual valuation and will only be valid if adopted by the board. § 5704. Disability annuities.

(a) Amount of annuity.--A member who has made application for a disability annuity and has been found to be eligible in accordance with the provisions of section 5905(c)(1) (relating to duties of the board regarding applications and elections of

members and participants) shall receive a disability annuity payable from the effective date of disability as determined by the board and continued until a subsequent determination by the board that the annuitant is no longer entitled to a disability annuity. [The] If the sum of the products of the number of years and fractional part of a year of credited service in each class and the appropriate class of service multiplier is greater than 16.667, the disability annuity shall be a single life annuity that is equal to [a] the sum of the standard single life [annuity] annuities determined separately for each class of service multiplied by the appropriate class of service multiplier [applicable to the class of service at the time of disability if the product of such class of service multiplier and the total number of years of credited service is greater than 16.667, otherwise the], otherwise each standard single life annuity shall be multiplied by the lesser of the following ratios:

$$MY^*/Y \text{ or } 16.667/Y$$

[where] Where $Y = \text{total number of years of credited service}$, $Y^* = \text{total years of credited service if the member were to continue as a State employee until attaining superannuation age as applicable to that class of service at the time of disability, or if the member has attained superannuation age, as applicable to that class of service at the time of disability, then the number of years of credited service and } M = \text{the class of service multiplier as applicable to that class of service at the effective date of disability. A member of Class C shall receive, in addition, any annuity to which he may be eligible under section 5702(a)(3) (relating to maximum single life annuity). The member shall be entitled to the election of a joint and survivor annuity on that portion of the disability annuity to which he is entitled under section 5702.}$

* * *

(c) Reduction on account of earned income.--Subsequent to January 1, 1972, payments on account of disability shall be reduced by that amount by which the earned income of the annuitant, as reported in accordance with section 5908(b) (relating to rights and duties of annuitants), for the preceding calendar year together with the disability annuity payments provided in this section other than subsection (b), for the year, exceeds the product of:

[(i)] (1) the last year's salary of the annuitant as a [State employee] member of the system; and

[(ii)] (2) the ratio of the current monthly payment to the monthly payment at the effective date of disability;

Provided, That the annuitant shall not receive less than his member's annuity or the amount to which he may be entitled under section 5702 whichever is greater.

* * *

(e) Termination of State service.--Upon termination of disability annuity payments in excess of an annuity calculated

1 in accordance with section 5702, a disability annuitant who[:
2 (1) does not have Class A-3 or Class A-4 service credit;
3 or
4 (2) has Class A-3 or Class A-4 service credit and fewer
5 than ten eligibility points;
6 and who] does not return to State service may file an
7 application with the board for an amount equal to the excess, if
8 any, of the sum of the shared-risk accumulated deductions plus
9 the regular and additional accumulated deductions standing to
10 his credit at the effective date of disability over one-third of
11 the total disability annuity payments received. If the annuitant
12 on the date of termination of service was eligible for an
13 annuity as provided in section 5308(a) or (b) (relating to
14 eligibility for annuities), he may file an application with the
15 board for an election of an optional modification of his
16 annuity.

17 (f) Supplement for service connected disability.--

18 (1) If a member has been found to be eligible for a
19 disability annuity and if the disability has been found to be
20 a service connected disability and if the member is receiving
21 workers' compensation payments for other than medical
22 benefits, such member shall receive a supplement equal to
23 [70% of his final average salary] the amount determined under
24 paragraph (2) less the sum of the annuity as determined under
25 subsection (a) and any payments paid or payable on account of
26 such disability under the act of June 2, 1915 (P.L.736,
27 No.338), known as the Workers' Compensation Act, the act of
28 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
29 Occupational Disease Act, and the Social Security Act (49
30 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
31 continue as long as he is determined to be disabled and is
32 receiving workers' compensation payments for other than
33 medical benefits on account of his service connected
34 disability in accordance with the Workers' Compensation Act
35 or The Pennsylvania Occupational Disease Act. If the member
36 has received a lump sum workers' compensation payment in lieu
37 of future weekly compensation payments, the length in weeks
38 and calculation of the service connected disability
39 supplement shall be determined by dividing the lump sum
40 payment by the average weekly wage as determined by the
41 Workers' Compensation Board.

42 (2) For a member who does not have Class A-5 or Class A-
43 6 service, the amount to be used to determine eligibility for
44 the supplement under paragraph (1) shall be 70% of the
45 member's final average salary. For a member who has Class A-5
46 or Class A-6 service, the amount to be used to determine
47 eligibility for the supplement under paragraph (1) shall be
48 calculated according to the following formula:

$$49 \quad A = .7 \left[\frac{(Y^W \text{ MULTIPLIED BY FAS}^W) + (Y^P \text{ MULTIPLIED BY FAS}^P)}{Y^T} \right]$$

50
51 (3) The following apply to the formula in paragraph (2):

1 (i) A equals the amount used to determine the
2 supplement;
3 (ii) Y^T equals total years of credited service;
4 (iii) Y^W equals years of credited service that are
5 not Class A-5 or Class A-6 service;
6 (iv) FAS^W equals final average salary calculated for
7 credited service other than Class A-5 or Class A-6
8 service;
9 (v) Y^P equals years of service credited as Class A-5
10 or Class A-6 service; and
11 (vi) FAS^P equals final average salary calculated for
12 service credited as Class A-5 or Class A-6 service.

13 * * *

14 (h) Coordination of benefits.--The determination and payment
15 of a disability annuity under this section is in addition to any
16 payments a member may be entitled to receive, has received or is
17 receiving as a result of being a participant in the plan.

18 § 5705. Member's options.

19 (a) General rule.--Any special vestee [who has attained
20 superannuation age, any vestee who does not have Class A-3 or
21 Class A-4 service credit having five or more eligibility points
22 for service other than Class T-E or Class T-F service in the
23 Public School Employees' Retirement System, or vestee who has
24 Class A-3 or Class A-4 service credit having ten or more
25 eligibility points, any member with Class G, Class H, Class I,
26 Class J, Class K, Class L, Class M or Class N service having
27 five or more eligibility points or any other eligible member
28 upon termination of State service who has not withdrawn his
29 total accumulated deductions as provided in section 5701
30 (relating to return of total accumulated deductions)], vestee or
31 any other member upon termination of State service who is
32 eligible to receive an annuity as provided in section 5308(a) or
33 (b) (relating to eligibility for annuities) may apply for and
34 elect to receive either a maximum single life annuity, as
35 calculated in accordance with the provisions of section 5702
36 (relating to maximum single life annuity), or a reduced annuity
37 certified by the actuary to be actuarially equivalent to the
38 maximum single life annuity payable after reduction under
39 subsection (a.1) and in accordance with one of the following
40 options; except that no member shall elect an annuity payable to
41 one or more survivor annuitants other than his spouse or
42 alternate payee of such a magnitude that the present value of
43 the annuity payable to him for life plus any lump sum payment
44 under this subsection and subsection (a.1) he may have elected
45 to receive is less than 50% of the present value of his maximum
46 single life annuity and no member may elect a payment option
47 that would provide benefits that do not satisfy the minimum
48 distribution requirements or would violate the incidental death
49 benefit rules of IRC § 401(a) (9):

50 (1) Option 1.--A life annuity to the member with a
51 guaranteed total payment equal to the present value of the

1 maximum single life annuity on the effective date of
2 retirement with the provision that, if, at his death, he has
3 received less than such present value, the unpaid balance
4 shall be payable to his beneficiary.

5 (2) Option 2.--A joint and survivor annuity payable
6 during the lifetime of the member with the full amount of
7 such annuity payable thereafter to his survivor annuitant, if
8 living at his death.

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

13 (4) Option 4.--Some other benefit which shall be
14 certified by the actuary to be actuarially equivalent to the
15 maximum single life annuity, subject to the following
16 restrictions:

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

19 (ii) the sum of all annuities payable to the
20 designated survivor annuitants shall not be greater than
21 [one and one-half times] the annuity payable to the
22 member; and

23 (iii) a portion of the benefit may be payable as a
24 lump sum, except that such lump sum payment shall not
25 exceed an amount equal to the total accumulated
26 deductions standing to the credit of the member that are
27 not the result of contributions and statutory interest
28 made or credited as a result of Class A-3 [or], Class A-
29 4, Class A-5 or Class A-6 service. The balance of the
30 present value of the maximum single life annuity adjusted
31 in accordance with section 5702(b) shall be paid in the
32 form of an annuity with a guaranteed total payment, a
33 single life annuity, or a joint and survivor annuity or
34 any combination thereof but subject to the restrictions
35 of subparagraphs (i) and (ii) under this option.

36 (a.1) Additional lump sum withdrawal.--The following shall
37 apply:

38 (1) If a member has an effective date of retirement
39 after December 31, 2018, and has elected to have the full
40 amount allowed under subsection (a)(4)(iii) paid in a lump
41 sum, or is not eligible to have any money paid under
42 subsection (a)(4)(iii), then the member may elect to receive
43 an additional amount payable in a lump sum at the same time
44 as the payment elected under subsection (a)(4)(iii), if any.

45 (2) The additional amount payable in a lump sum may not
46 exceed an amount equal to total accumulated deductions
47 standing to the credit of the member on the effective date of
48 retirement related to service credited as Class A-3, Class A-
49 4, Class A-5 or Class A-6.

50 (3) If a member elects to be paid an additional lump sum
51 amount under this subsection, then the maximum single life

annuity calculated under section 5702 and payable under subsection (a) shall be reduced by the additional amount withdrawn divided by the cost of a dollar annuity on the effective date of retirement computed on the basis of the annual interest rate adopted for that fiscal year by the board for the calculation of the employer normal contribution rate under section 5508(b) (relating to actuarial cost method) and the mortality tables adopted by the board for the determination of actuarially equivalent benefits under this part. The reduction in the maximum single life annuity under this paragraph shall apply before the election and calculation of any reduced annuities payable under subsection (a).

* * *

Section 319. Sections 5705.1 and 5706(a), (a.2), (a.5), (b) and (c) of Title 71 are amended to read:

§ 5705.1. Payment of accumulated deductions resulting from [Class A-3 and Class A-4] more than one class of service.

Any superannuation or withdrawal annuitant who:

(1) has Class A-3 [or], Class A-4, Class A-5 or Class A-6 service credit;

(2) has service credited in one or more classes of service; and

(3) because he has five or more, but fewer than ten, eligibility points is not eligible to receive an annuity on his Class A-3 [or], Class A-4, Class A-5 or Class A-6 service shall receive in a lump sum at the time of his retirement, in addition to any other annuity or lump sum payment which he may elect, his accumulated deductions resulting from his Class A-3 [or], Class A-4, Class A-5 or Class A-6 service credit. Payment of these accumulated deductions resulting from Class A-3 [or], Class A-4, Class A-5 or Class A-6 service credit shall not be eligible for installment payments pursuant to section 5905.1 (relating to installment payments of accumulated deductions) but shall be considered a lump sum payment for purposes of section 5905.1(d).

§ 5706. Termination of annuities.

(a) General rule.--

(1) If the annuitant returns to State service or enters or has entered school service and elects multiple service membership, any annuity payable to him under this part shall cease effective upon the date of his return to State service or entering school service without regard to whether he is a mandatory, optional or prohibited member of the system or participant in the plan or, if a multiple service member, whether he is a mandatory, optional or prohibited member or participant of the Public School Employees' Retirement System or School Employees' Defined Contribution Plan; and, in the case of an annuity other than a disability annuity the present value of such annuity, adjusted for full coverage in

1 the case of a joint coverage member who makes the appropriate
2 back contributions for full coverage, shall be frozen as of
3 the date such annuity ceases. An annuitant who is credited
4 with an additional 10% of Class A and Class C service as
5 provided in section 5302(c) (relating to credited State
6 service) and who returns to State service shall forfeit such
7 credited service and shall have his frozen present value
8 adjusted as if his 10% retirement incentive had not been
9 applied to his account. In the event that the cost-of-living
10 increase enacted December 18, 1979 occurred during the period
11 of such State or school employment, the frozen present value
12 shall be increased, on or after the member attains
13 superannuation age, by the percent applicable had he not
14 returned to service.

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

17 (i) may render services to the Commonwealth in the
18 capacity of an independent contractor; or

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

22 (A) as a member of an independent board or
23 commission or as a member of a departmental
24 administrative or advisory board or commission when
25 such members of independent or departmental boards or
26 commissions are compensated on a per diem basis for
27 not more than 150 days per calendar year; or

28 (B) as a member of an independent board or
29 commission requiring appointment by the Governor,
30 with advice and consent of the Senate, where the
31 annual salary payable to the member does not exceed
32 \$35,000 and where the member has been an annuitant
33 for at least six months immediately preceding the
34 appointment.

35 * * *

36 (a.2) Return of benefits.--In the event an annuitant whose
37 annuity from the system ceases pursuant to this section receives
38 any annuity payment, including a lump sum payment pursuant to
39 section 5705 (relating to member's options) on or after the date
40 of his return to State service or entering school service, the
41 annuitant shall return to the board the amount so received from
42 the system plus statutory interest. The amount payable shall be
43 certified in each case by the board in accordance with methods
44 approved by the actuary and shall be paid in a lump sum within
45 30 days or in the case of an active member or school employee
46 who is an active member of the Public School Employees'
47 Retirement System may be amortized with statutory interest
48 through salary deductions to the system in amounts agreed upon
49 by the member and the board. The salary deduction amortization
50 plans agreed to by the member and the board may include a
51 deferral of payment amounts and statutory interest until the

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

9 * * *

10 (a.5) No contributions or credited service.--The service of
11 an annuitant whose annuity does not cease upon his return to
12 State or school service shall not be subject to member
13 contributions or eligible for qualification as creditable State
14 service[.] and shall not be eligible for participation in the
15 plan, mandatory pickup participant contributions, voluntary
16 contributions or employer defined contributions.

17 (b) Subsequent discontinuance of service.--Upon subsequent
18 discontinuance of service, such [member] terminating State
19 employee other than a former annuitant who had the effect of his
20 frozen present value eliminated in accordance with subsection
21 (c) or a former disability annuitant shall be entitled to an
22 annuity which is actuarially equivalent to [the sum of] the
23 present value as determined under subsection (a) [and] to which
24 shall be added, if the service after reemployment was as a
25 member of the system, the present value of a maximum single life
26 annuity based on years of service credited subsequent to reentry
27 in the system and his final average salary computed by reference
28 to his compensation as a member of the system or as a member of
29 the Public School Employees' Retirement System during his entire
30 period of State and school service.

31 (c) Elimination of the effect of frozen present value.--

32 (1) An annuitant who returns to State service as an
33 active member of the system and earns three eligibility
34 points as a member of the system by performing credited State
35 service following the most recent period of receipt of an
36 annuity under this part, or an annuitant who enters school
37 service other than as a Class DC participant and:

38 (i) is a multiple service member; or

39 (ii) who elects multiple service membership, and
40 earns three eligibility points by performing credited State
41 service as a member of the system or credited school service
42 following the most recent period of receipt of an annuity
43 under this part, and who had the present value of his annuity
44 frozen in accordance with subsection (a), shall qualify to
45 have the effect of the frozen present value resulting from
46 all previous periods of retirement eliminated, provided that
47 all lump sum payments under Option 4 or under section
48 5705(a.1) and annuity payments payable during previous
49 periods of retirement plus interest as set forth in paragraph

50 (3) shall be returned to the fund in the form of an actuarial
51 adjustment to his subsequent benefits or in such form as the

1 board may otherwise direct.

2 * * *

3 Section 320. Sections 5707(a), (b) and (f) and 5709 heading,
4 (a) and (b) of Title 71 are amended and the sections are amended
5 by adding subsections to read:

6 § 5707. Death benefits.

7 (a) Members eligible for annuities.--Any active member,
8 inactive member [on leave without pay], vestee or current or
9 former State employee performing USERRA leave who dies and was
10 eligible for an annuity in accordance with section 5308(a) or
11 (b) (relating to eligibility for annuities) or special vestee
12 who has attained superannuation age and dies before applying for
13 a superannuation annuity shall be considered as having applied
14 for an annuity to become effective the day before his death and
15 in the event he has not elected an option or such election has
16 not been approved prior to his death, it shall be assumed that
17 he elected Option 1. For purposes of this subsection, a member
18 with Class A-5 service or Class A-6 service who has ten or more
19 eligibility points shall be considered eligible for an annuity
20 based on Class A-5 or Class A-6 service, subject to a reduction
21 factor calculated to provide benefits actuarially equivalent to
22 an annuity starting at superannuation age, even if the member
23 had not attained age 62.

24 (b) Members ineligible for annuities.--In the event of the
25 death of a special vestee, an active member, an inactive member
26 [on leave without pay] or a current or former State employee
27 performing USERRA leave who is not entitled to a death benefit
28 as provided in subsection (a), his designated beneficiary shall
29 be paid the full amount of his total accumulated deductions.

30 (b.1) Members eligible for annuities in some classes of
31 service and ineligible in other classes of service.--In the
32 event of the death of a member who is eligible for an annuity
33 based on service credited in some classes of service and
34 ineligible for an annuity for service credited in other classes
35 of service, a benefit shall be paid under subsection (a) based
36 on the service for which an annuity is deemed payable in
37 addition to payment under subsection (b) of the accumulated
38 deductions attributable to service for which the member was not
39 eligible for an annuity.

40 * * *

41 (f) Members subject to limitations under section 5702(c).--
42 Subject to the limitations contained in section 401(a)(9) of the
43 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
44 401(a)(9)), the present value of any annuity in excess of that
45 payable under section 5702 (relating to maximum single life
46 annuity) that is not subject to the limitations under section
47 415(b) of the Internal Revenue Code of 1986 shall be paid in a
48 lump sum to the beneficiary designated by the member after the
49 death of the member. A beneficiary receiving a benefit under
50 this subsection shall not be able to elect a payment method
51 otherwise allowed under section 5709(b)(2) and (3) (relating to

1 payment of benefits from the system).

2 * * *

3 § 5709. Payment of benefits from the system.

4 (a) Annuities.--Any annuity granted under the provisions of
5 this part and paid from the fund shall be paid in equal monthly
6 installments.

7 (b) Death benefits.--If the amount of a death benefit
8 payable from the fund to a beneficiary of a member under section
9 5707 (relating to death benefits) or under the provisions of
10 Option 1 of section 5705(a)(1) (relating to member's options) is
11 \$10,000 or more, such beneficiary may elect to receive payment
12 according to one of the following options:

13 (1) a lump sum payment;

14 (2) an annuity actuarially equivalent to the amount
15 payable; or

16 (3) a lump sum payment and an annuity such that the
17 annuity is actuarially equivalent to the amount payable less
18 the lump sum payment specified by the beneficiary.

19 * * *

20 (e) Members with Class A-5 or Class A-6 service and service
21 in one or more other classes of service.--An annuitant whose
22 receipt of the portion of his annuity attributable to Class A-5
23 service or Class A-6 service has been delayed to the attainment
24 of age 62 or age 57 in the case of a member who has Class A-5
25 service and 25 eligibility points shall have his annuity
26 increased upon attainment of the applicable age under the terms
27 and conditions of the annuity payment option selected at the
28 time of retirement or if applicable under section 5907(j)
29 (relating to rights and duties of State employees, members and
30 participants). In the event such a member selected a joint and
31 survivor annuity and died prior to attaining age 62 or age 57 in
32 the case of a member who has Class A-5 service and 25
33 eligibility points, the annuity of his survivor annuitant, if
34 surviving, will be increased at the time the member would have
35 attained age 62 or age 57 in the case of a member who has Class
36 A-5 service and 25 eligibility points.

37 Section 321. Title 71 is amended by adding a chapter to
38 read:

39 CHAPTER 58

40 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

41 Sec.

42 5801. Establishment.

43 5802. Plan document.

44 5803. Individual investment accounts.

45 5804. Participant contributions.

46 5805. Mandatory pickup participant contributions.

47 5806. Employer defined contributions.

48 5807. Eligibility for benefits.

49 5808. Death benefits.

50 5809. Vesting.

51 5810. Termination of distributions.

1 5811. (Reserved).
2 5812. Powers and duties of board.
3 5813. Responsibility for investment loss.
4 5814. Investments based on participant's investment allocation
5 choices.
6 5815. Expenses.
7 5816. Tax qualification.
8 § 5801. Establishment.
9 (a) State Employees' Defined Contribution Plan.--The State
10 Employees' Defined Contribution Plan is established. The board
11 shall administer and manage the plan which shall be a defined
12 contribution plan exclusively for the benefit of those State
13 employees who participate in the plan and their beneficiaries
14 within the meaning of and in conformity with IRC § 401(a). The
15 board shall determine the terms and provisions of the plan not
16 inconsistent with this part, the IRC or other applicable law and
17 shall provide for the plan's administration.
18 (b) State Employees' Defined Contribution Trust.--The State
19 Employees' Defined Contribution Trust is established as part of
20 the plan. The trust shall be comprised of the individual
21 investment accounts and all assets and money in those accounts,
22 and any assets and money held by the board as part of the plan
23 that are not allocated to individual investment accounts. The
24 members of the board shall be the trustees of the trust, which
25 shall be administered exclusively for the benefit of those State
26 employees who participate in the plan and their beneficiaries
27 within the meaning of and in conformity with IRC § 401(a). The
28 board shall determine the terms and provisions of the trust not
29 inconsistent with this part, the IRC or other applicable law and
30 shall provide for the investment and administration of the
31 trust.
32 (c) Assets held in trust.--All assets and income in the plan
33 that have been or shall be withheld or contributed by the
34 participants, the Commonwealth and other employers in accordance
35 with this part shall be held in trust in any funding vehicle
36 permitted by the applicable provisions of the IRC for the
37 exclusive benefit of the participants and their beneficiaries
38 until such time as the funds are distributed to the participants
39 or their beneficiaries in accordance with the terms of the plan
40 document. The assets of the plan held in trust for the exclusive
41 benefit of the participants and their beneficiaries may be used
42 for the payment of the fees, costs and expenses related to the
43 administration and investment of the plan and the trust.
44 (d) Name for transacting business.--All of the business of
45 the plan shall be transacted, the trust invested, all
46 requisitions for money drawn and payments made and all of its
47 cash and securities and other property shall be held by the name
48 of the "State Employees' Defined Contribution Plan."
49 Notwithstanding any other law to the contrary, the board may
50 establish a nominee registration procedure for the purpose of
51 registering securities to facilitate the purchase, sale or other

1 disposition of securities under the provisions of this part.
2 § 5802. Plan document.

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

16 § 5803. Individual investment accounts.

17 The board shall establish in the trust an individual
18 investment account for each participant in the plan. All
19 contributions by a participant or an employer for or on behalf
20 of a participant shall be credited to the participant's
21 individual investment account, together with all interest and
22 investment earnings and losses. Investment and administrative
23 fees, costs and expenses shall be charged to the participants'
24 individual investment accounts except as otherwise provided
25 under this part or as the General Assembly otherwise provides by
26 appropriations from the General Fund. Employer defined
27 contributions shall be recorded and accounted for separately
28 from participant contributions, but all interest, investment
29 earnings and losses, and investment and administrative fees,
30 costs and expenses shall be allocated proportionately.

31 § 5804. Participant contributions.

32 (a) Mandatory contributions.--A participant who did not make
33 the election under section 5306.5 (relating to election by
34 active members to become a Class A-5 member, Class A-6 member or
35 plan participant) shall make mandatory pickup participant
36 contributions through payroll deductions to the participant's
37 individual investment account equal to 3.25% of compensation for
38 current State service credited as a Class A-5 member or 3.5% of
39 compensation for current State service credited as a Class A-6
40 member and 7.5% of compensation for current service performed
41 solely as a participant. A participant who made the election
42 under section 5306.5 shall make mandatory pickup participant
43 contributions as provided under section 5306.5. The employer
44 shall cause those contributions for current service to be made
45 and deducted from each payroll or on such schedule as
46 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. The rollovers shall be made in a

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

4 (c) Prohibited contributions.--No contributions may 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, but minus investment fees and administrative
11 charges, shall be refunded to the participant by the board.
12 § 5805. 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 5804(a) (relating to participant contributions) with respect to
16 State service rendered by an active participant shall be picked
17 up by the Commonwealth or other employer and shall be treated as
18 the employer's contribution for purposes of IRC § 414(h). After
19 the effective date of this section, an employer employing a
20 participant in the plan shall pick up the required mandatory
21 participant contributions by a reduction in the compensation of
22 the 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 § 5806. Employer defined contributions.

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

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

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

IRC § 415 or in other provisions of law. In the event that any disallowed contributions are made, any employer defined contributions in excess of the limitations and investment earnings on the contributions, but minus investment fees and administrative charges, shall be refunded to the employer by the board.

§ 5807. Eligibility for benefits.

(a) Termination of service.--A participant who terminates State service shall be eligible to withdraw the vested accumulated total defined contributions standing to the participant's credit in the participant's individual investment account or a lesser amount as the participant may request. Payment shall be made in a lump sum unless the board has established other forms of distribution in the plan document. A participant who withdraws his vested accumulated total defined contributions shall no longer be a participant in the plan, notwithstanding that the former State employee may continue to be a member of the system or may have contracted to receive an annuity or other form of payment from a provider retained by the board for such purposes.

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

(c) (Reserved).

(d) Prohibited distributions.--A State employee must be terminated from all positions that result in either membership in the system or participation in the plan to be eligible to receive a distribution. No distribution shall be allowed that would be an in-service distribution prohibited by the IRC.

(e) Loans.--Loans or other distributions, including hardship or unforeseeable emergency distributions, from the plan to State employees who have not terminated State service are not permitted, except as required by law.

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

(g) Option to purchase annuity.--Except as prohibited by the IRC or as otherwise provided in this part, a participant who is eligible and elects to receive a distribution or vested accumulated employer defined contributions may purchase an annuity with that distribution from an annuity provider contracted by the board under section 5808(c) (relating to death benefits) and under such conditions as provided in the plan document. The conditions may include that the board is authorized to make the distribution directly to the annuity

1 provider.

2 § 5808. Death benefits.

3 (a) General rule.--In the event of the death of an active
4 participant or inactive participant, the board shall pay to the
5 participant's beneficiary the vested balance in the
6 participant's individual investment account in a lump sum or in
7 such other manner as the board may establish in the plan
8 document.

9 (b) Death of participant receiving distributions.--In the
10 event of the death of a participant receiving distributions, the
11 board shall pay to the participant's beneficiary the vested
12 balance in the participant's individual investment account in a
13 lump sum or in such other manner as the board may establish in
14 the plan document or, if the board has established alternative
15 methods of distribution in the plan document under which the
16 participant was receiving distributions, to the participant's
17 beneficiary or successor payee, as the case may be, as provided
18 in the plan document.

19 (c) Contracts.--The board shall contract with financial
20 institutions, insurance companies or other types of third-party
21 providers to allow a participant, beneficiary or successor payee
22 who receives a lump sum distribution to receive payments and
23 death benefits in a form and manner as provided by the contract.
24 To the extent commercially available, any annuity option shall
25 include an interest rate of at least 2.5% compounded annually.
26 § 5809. Vesting.

27 (a) Participant and voluntary contributions.--Subject to the
28 forfeiture and attachment provisions of section 5953 (relating
29 to taxation, attachment and assignment of funds) or otherwise as
30 provided by law, a participant shall be vested immediately with
31 respect to all mandatory pickup participant contributions and
32 voluntary contributions paid by or on behalf of the participant
33 to the trust in addition to interest and investment gains or
34 losses on the participant contributions but minus investment
35 fees and administrative charges.

36 (b) Employer defined contributions.--

37 (1) Subject to the forfeiture and attachment provisions
38 of section 5953 or otherwise as provided by law, a
39 participant shall be vested with respect to all employer
40 defined contributions paid to the participant's individual
41 investment account in the trust in addition to interest and
42 investment gains and losses on the employer defined
43 contributions but minus investment fees and administrative
44 charges according to the following schedule:

45 (i) Until such time as a participant has earned
46 three eligibility points as a member of the system or
47 participant in the plan, 0%;

48 (ii) At and after the attainment of three
49 eligibility points as a member of the system or
50 participant in the plan, 100%.

51 (2) For purposes of this subsection, all eligibility

1 points credited to a member of the system in any class of
2 service shall be used for determining vested status in the
3 plan even if the employee was not a participant in the plan
4 at the time the eligibility points were earned.

5 (3) Nonvested employer defined contributions and the
6 interest and investment gains and losses on the nonvested
7 employer defined contributions that are forfeited when a
8 participant terminates State service before accruing three
9 eligibility points as provided under section 5307(c)(3)
10 (relating to eligibility points) are credited to the
11 participant's most recent employer's future obligation
12 assessed under section 5509 (relating to appropriations and
13 assessments by the Commonwealth).

14 (c) USERRA leave and eligibility points.--A participant in
15 the plan who is reemployed from USERRA leave or who dies while
16 performing USERRA leave shall receive eligibility points under
17 this section for the State service that would have been
18 performed had the member not performed USERRA leave.
19 § 5810. Termination of distributions.

20 (a) Return to State service.--

21 (1) A participant receiving distributions or an inactive
22 participant who returns to State service shall cease
23 receiving distributions and shall not be eligible to receive
24 distributions until the participant subsequently terminates
25 State service, without regard to whether the participant is a
26 mandatory, optional or prohibited member of the system or
27 participant in the plan.

28 (2) This subsection shall not apply to distributions
29 that the participant has received or used to purchase an
30 annuity from a provider contracted by the board.

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

32 (1) If a former State employee is reemployed from USERRA
33 leave and received any distributions from the plan during the
34 USERRA leave, the employee shall return to the board the
35 amount so received plus interest as provided in the plan
36 document.

37 (2) The amount payable shall be certified in each case
38 by the board in accordance with methods approved by the
39 actuary and shall be paid in a lump sum within 30 days or in
40 the case of an active participant may be amortized with
41 interest as provided in the plan document through salary
42 deductions to the trust in amounts agreed upon by the active
43 participant and the board, but for not longer than a period
44 that starts with the date of reemployment and continues for
45 up to three times the length of the active participant's
46 immediate past period of USERRA leave. The repayment period
47 shall not exceed five years.

48 § 5811. (Reserved).

49 § 5812. Powers and duties of board.

50 The board, in addition to its powers and duties set forth in
51 Chapter 59 (relating to administration, funds, accounts, general

1 provisions), shall have the following powers and duties to
2 establish the plan and trust and administer the provisions of
3 this chapter and part:

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

6 (2) The board shall pay all administrative fees, costs
7 and expenses of managing, investing and administering the
8 plan, the trust and the individual investment accounts from
9 the balance of such individual investment accounts except as
10 otherwise provided under this part or as the General Assembly
11 otherwise provides by appropriations from the General Fund.

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

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

18 (5) The board may establish a process for election to
19 participate in the plan by those State employees eligible to
20 do so for whom participation is not mandatory.

21 (6) The board may perform an annual or more frequent
22 review of any qualified fund manager for the purpose of
23 assuring that the fund manager continues to meet all
24 standards and criteria established.

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

29 (8) The board may allow an inactive participant to
30 maintain the participant's individual investment account
31 within the plan.

32 (9) The board shall administer or ensure the
33 administration of the plan in compliance with the
34 qualifications and other rules of the IRC.

35 (10) The board may establish procedures to provide for
36 the lawful payment of benefits, including, but not limited
37 to, alternate payees as set forth in sections 5953 (relating
38 to taxation, attachment and assignment of funds) through
39 5953.6 (relating to irrevocable successor payee).

40 (11) The board shall determine, after reviewing
41 applicable law, what constitutes a termination of State
42 service.

43 (12) The board may establish procedures for
44 distributions of small accounts as required or permitted by
45 the IRC.

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

50 (i) Procedures for eligible participants to change
51 voluntary contribution amounts or their investment

1 choices on a periodic basis or make other elections
2 regarding their participation in the plan.

3 (ii) Procedures for deducting mandatory pickup
4 participant contributions and voluntary contributions
5 from a participant's compensation.

6 (iii) Procedures for rollovers and trustee-to-
7 trustee transfers allowed under the IRC and permitted as
8 part of the plan.

9 (iv) Standards and criteria for providing not less
10 than ten options which are offered by three or more
11 providers of investment options to eligible individuals
12 regarding investments of amounts deferred under the plan.
13 The standards and criteria must provide for a variety of
14 investment options and shall be reviewed in accordance
15 with criteria established by the board.

16 (v) Standards and criteria for disclosing to the
17 participants the anticipated and actual income
18 attributable to amounts invested, property rights and all
19 fees, costs and expenses to be made against amounts
20 deferred to cover the fees, costs and expenses of
21 administering and managing the plan or trust.

22 (vi) Procedures, standards and criteria for the
23 making of distributions from the plan upon termination
24 from employment or death or in other circumstances
25 consistent with the purpose of the plan.

26 (14) The board may waive any reporting or information
27 requirement contained in this part if the board determines
28 that the information is not needed for the administration of
29 the plan.

30 (15) The board may contract any services and duties in
31 lieu of staff, except final adjudications and as prohibited
32 by law. Any duties or responsibilities of the board not
33 required by law to be performed by the board can be delegated
34 to a third-party provider subject to appeal to the board.

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

38 (17) The board shall ensure that participants are
39 provided with educational materials about investment options
40 and choices.

41 (18) The provisions and restrictions of the act of July
42 2, 2010 (P.L.266, No.44), known as the Protecting
43 Pennsylvania's Investments Act, shall not apply to the
44 participants' individual investment accounts or the moneys
45 and investments therein, but the board is authorized to offer
46 to the plan participants investment vehicles that would be
47 permitted under the Protecting Pennsylvania's Investments
48 Act.

49 § 5813. Responsibility for investment loss.

50 The board, the Commonwealth, an employer or other political
51 subdivision shall not be responsible for any investment or other

1 loss incurred under the plan or for the failure of any
2 investment to earn any specific or expected return or to earn as
3 much as any other investment opportunity or to cost less than
4 any other investment opportunity, whether or not the other
5 opportunity was offered to participants in the plan.
6 § 5814. Investments based on participant's investment
7 allocation choices.

8 (a) Investment by participant.--All contributions, interest
9 and investment earnings shall be invested based on a
10 participant's investment allocation choices, provided that the
11 board may provide for a default investment option. All
12 investment allocation choices shall be credited proportionally
13 between participant contributions and employer defined
14 contributions. Each participant shall be credited individually
15 with the amount of contributions, interest and investment
16 earnings.

17 (b) Investment of contributions made by entities other than
18 the Commonwealth.--Investment of contributions by any
19 corporation, institution, insurance company, custodial bank or
20 other entity that the board has approved shall not be
21 unreasonably delayed, and in no case may the investment of
22 contributions be delayed more than 30 days from the date of
23 payroll deduction or the date voluntary contributions are made
24 to the date that funds are invested. Any interest earned on the
25 funds pending investment shall be used to pay administrative
26 costs and fees that would otherwise be required to be borne by
27 participants who are then participating in the plan or paid by
28 appropriations from the General Fund.

29 § 5815. Expenses.

30 All fees, costs and expenses of establishing and
31 administering the plan and the trust and investing the assets of
32 the trust shall be borne by the participants and paid from
33 assessments against the balances of the individual investment
34 accounts as established by the board, except that the fees,
35 costs and expenses of establishing and administering the plan
36 and the trust may be paid by the Commonwealth through annual
37 appropriations.

38 § 5816. Tax qualification.

39 (a) Required distributions.--All payments under this chapter
40 shall start and be made in compliance with the required
41 beginning date, minimum distribution requirements and incidental
42 death benefit rules of IRC § 401(a).

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

44 (1) (i) Except as provided under subparagraph (ii) and
45 notwithstanding a provision of this part, a contribution
46 or benefit related to the plan may not exceed any
47 limitation under IRC § 415 with respect to a governmental
48 plan which is in effect on the date the contribution or
49 benefit payment takes effect.

50 (ii) An increase in a limitation under IRC § 415
51 shall apply to all participants on and after the

1 effective date of this section.

2 (iii) For the purposes of this paragraph, the term
3 "governmental plan" shall have the same meaning as the
4 term has in IRC § 414(d).

5 (2) (i) Except as provided under subparagraph (ii), an
6 amendment of this part on or after the effective date of
7 this section that increases contributions or benefits for
8 active participants, inactive participants or
9 participants receiving distributions shall not be deemed
10 to provide for a contribution or benefit in excess of any
11 limitation, adjusted on or after the effective date of
12 this section, under IRC § 415 unless specifically
13 provided by legislation.

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

18 Section 322. Sections 5901(a), (c), (d) and (e), 5902(a)(2),
19 (a.1), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) and
20 5903 heading of Title 71 are amended and the sections are
21 amended by adding subsections to read:

22 § 5901. The State Employees' Retirement Board.

23 (a) Status and membership.--The board shall be an
24 independent administrative board and consist of 11 members: the
25 State Treasurer, ex officio, the Secretary of Banking and
26 Securities, ex officio, two Senators, two members of the House
27 of Representatives and [six] five members appointed by the
28 Governor, one of whom shall be an annuitant of the system or a
29 participant in the plan who has terminated State service and is
30 receiving or is eligible to receive distributions, for terms of
31 four years, subject to confirmation by the Senate. At least five
32 board members shall be active members of the system or active
33 participants in the plan, and at least two shall have ten or
34 more years of credited State service[.] or shall have been
35 active participants in the plan for ten calendar years or have a
36 combination of years of credited State service in the system and
37 calendar years as active participants in the plan equal to ten
38 or more years. The chairman of the board shall be designated by
39 the Governor from among the members of the board. Each member of
40 the board who is a member of the General Assembly may appoint a
41 duly authorized designee to act in his stead. In the event that
42 a board member, who is designated as an active participant or as
43 a participant in the plan who is receiving or is eligible to
44 receive distributions, receives a total distribution of his
45 interest in the plan, that board member may continue to serve on
46 the board for the remainder of his term.

47 * * *

48 (c) Oath of office.--Each member of the board shall take an
49 oath of office that he will, so far as it devolves upon him,
50 diligently and honestly, administer the affairs of said board,
51 the system and the plan and that he will not knowingly violate

1 or willfully permit to be violated any of the provisions of law
2 applicable to this part. Such oath shall be subscribed by the
3 member taking it and certified by the officer before whom it is
4 taken and shall be immediately filed in the Office of the
5 Secretary of the Commonwealth.

6 (d) Compensation and expenses.--The members of the board who
7 are members of the system or participants in the plan shall
8 serve without compensation but shall not suffer loss of salary
9 or wages through serving on the board. The members of the board
10 who are not members of the system or participants in the plan
11 shall receive \$100 per day when attending meetings and all board
12 members shall be reimbursed for any necessary expenses. However,
13 when the duties of the board as mandated are not executed, no
14 compensation or reimbursement for expenses of board members
15 shall be paid or payable during the period in which such duties
16 are not executed.

17 (e) Corporate power and legal advisor.--For the purposes of
18 this part, the board shall possess the power and privileges of a
19 corporation. [The Attorney General of the Commonwealth shall be
20 the legal advisor of the board.] The board shall be an
21 independent agency under the act of October 15, 1980 (P.L.950,
22 No.164), known as the Commonwealth Attorneys Act.

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

27 § 5902. Administrative duties of the board.

28 (a) Employees.--

29 * * *

30 (2) Notwithstanding any other provisions of law, the
31 compensation of investment professionals and legal counsel
32 shall be established by the board. The compensation of all
33 other officers and employees of the board who are not covered
34 by a collective bargaining agreement shall be established by
35 the board consistent with the standards of compensation
36 established by the Executive Board of the Commonwealth.

37 (a.1) Secretary.--The secretary shall act as chief
38 administrative officer for the board with respect to both the
39 system and the plan. In addition to other powers and duties
40 conferred upon and delegated to the secretary by the board, the
41 secretary shall:

42 (1) Serve as the administrative agent of the board.

43 (2) Serve as liaison between the board and applicable
44 legislative committees, the Treasury Department, the
45 Department of the Auditor General, and between the board and
46 the investment counsel and the mortgage supervisor in
47 arranging for investments to secure maximum returns to the
48 fund.

49 (3) Review and analyze proposed legislation and
50 legislative developments affecting the system or the plan and
51 present findings to the board, legislative committees, and

1 other interested groups or individuals.

2 (4) Direct the maintenance of files and records and
3 preparation of periodic reports required for actuarial
4 evaluation studies.

5 (5) Receive inquiries and requests for information
6 concerning the system or the plan from the press,
7 Commonwealth officials, State employees, the general public,
8 research organizations, and officials and organizations from
9 other states, and provide information as authorized by the
10 board.

11 (6) (i) Supervise a staff of administrative, technical,
12 and clerical employees engaged in record-keeping and
13 clerical processing activities for both the system and
14 the plan in maintaining files of members and
15 participants, accounting for contributions, processing
16 payments to annuitants and terminated participants,
17 preparing required reports, and retirement counseling.

18 (ii) The board may utilize the staff of employees
19 provided for under this paragraph for both the system and
20 the plan but shall allocate the fees, costs and expenses
21 incurred under this paragraph between the system and the
22 plan as appropriate.

23 (b) Professional personnel.--

24 (1) The board shall contract for the services of a chief
25 medical examiner, an actuary, investment advisors and
26 counselors, and such other professional personnel as it deems
27 advisable. The board may[, with the approval of the Attorney
28 General,] contract for legal services.

29 (2) The board may utilize the same individuals and firms
30 contracted under this subsection for both the system and the
31 plan but shall allocate the fees, costs and expenses incurred
32 under this subsection between the system and the plan as
33 appropriate.

34 (c) Expenses.--

35 (1) The board shall, through the Governor, submit to the
36 General Assembly annually a budget covering the
37 administrative expenses of [this part.] the system and a
38 separate budget covering the administrative expenses of the
39 plan. Budgets under this paragraph shall include those
40 expenses necessary to establish the plan and trust.

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

44 (3) For fiscal years ending on or before June 30, 2020,
45 and for any additional fiscal years as the General Assembly
46 may provide, such expenses of the plan as approved by the
47 General Assembly in an appropriation bill shall be paid from
48 the General Fund. For fiscal years beginning on or after July
49 1, 2020, such expenses of the plan as approved by the General
50 Assembly shall be paid from interest under section 5814(b)
51 (relating to investments based on participant's investment

1 allocation choices) or assessments on the balances of the
2 participants' individual investment accounts or as otherwise
3 provided in this part except as the General Assembly
4 otherwise provides by appropriations from the General Fund.

5 (4) Concurrently with its administrative budget, the
6 board shall also submit to the General Assembly annually a
7 list of proposed expenditures which the board intends to pay
8 through the use of directed commissions, together with a list
9 of the actual expenditures from the past year actually paid
10 by the board through the use of directed commissions. All
11 such directed commission expenditures shall be made by the
12 board for the exclusive benefit of the system and its
13 members.

14 * * *

15 (e) Records.--

16 (1) The board shall keep a record of all its proceedings
17 which shall be open to [inspection] access by the public,
18 except as otherwise provided in this part or by other law.

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

28 (i) in the case of an alternative investment or
29 alternative investment vehicle, involve the release of
30 sensitive investment or financial information relating to
31 the alternative investment or alternative investment
32 vehicle which the fund or trust was able to obtain only
33 upon agreeing to maintain its confidentiality;

34 (ii) cause substantial competitive harm to the
35 person from whom sensitive investment or financial
36 information relating to the investment was received; or

37 (iii) have a substantial detrimental impact on the
38 value of an investment to be acquired, held or disposed
39 of by the fund or trust or would cause a breach of the
40 standard of care or fiduciary duty set forth in this
41 part.

42 (3) The following apply:

43 (i) The sensitive investment or financial
44 information excluded from [inspection] access under
45 paragraph (2)(i), to the extent not otherwise excluded
46 from [inspection] access, shall constitute a public
47 record subject to public [inspection] access under the
48 Right-to-Know Law once the board is no longer required by
49 its agreement to maintain confidentiality.

50 (ii) The sensitive investment or financial
51 information excluded from [inspection] access under

1 paragraph (2)(ii), to the extent not otherwise excluded
2 from [inspection] access, shall constitute a public
3 record subject to public [inspection] access under the
4 Right-to-Know Law once:

5 (A) the [inspection] access no longer causes
6 substantial competitive harm to the person from whom
7 the information was received; or

8 (B) the entity in which the investment was made
9 is liquidated;
10 whichever is later.

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

17 (A) the [inspection] access no longer has a
18 substantial detrimental impact on the value of an
19 investment of the fund or trust and would not cause a
20 breach of the standard of care or fiduciary duty set
21 forth in this part; or

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

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

31 (5) Any record, material or data received, prepared,
32 used or retained by the board or its employees, or agents
33 relating to the contributions, account value or benefits
34 payable to or on account of a participant shall not
35 constitute a public record subject to public access under the
36 Right-to-Know Law if, in the reasonable judgment of the
37 board, the access would disclose any of the following:

38 (i) The existence, date, amount and any other
39 information pertaining to the voluntary contributions,
40 including rollover contributions or trustee-to-trustee
41 transfers, of any participant.

42 (ii) The investment option selections of any
43 participant.

44 (iii) The balance of a participant's individual
45 investment account, including the amount distributed to
46 the participant, investment gains or losses or rates of
47 return.

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

50 (v) The form of distribution of a participant's
51 account.

1 (6) Nothing in this subsection shall be construed to
2 designate any record, material or data received, prepared,
3 used or retained by the board or its employees, or agents
4 relating to the contributions, account value or benefits
5 payable to or on account of a participant as a public record
6 subject to public access under the Right-to-Know Law.

7 (7) The following 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 which would not constitute a public record under
11 this subsection shall be a violation of the board's
12 fiduciary duties.

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

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

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

21 (C) Whether a request for the record, material
22 or data was made or is pending final response under
23 the Right-to-Know Law.

24 * * *

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

41 (i) Data.--The board shall keep in convenient form such data
42 as are stipulated by the actuary in order that an annual
43 actuarial valuation of the various accounts of the fund can be
44 completed within six months of the close of each calendar year.

45 (j) Actuarial investigation and valuation.--The board shall
46 have the actuary make an annual valuation of the various
47 accounts of the fund within six months of the close of each
48 calendar year. In the year 1975 and in every fifth year
49 thereafter the board shall have the actuary conduct an actuarial
50 investigation and evaluation of the system based on data
51 including the mortality, service, and compensation experience

1 provided by the board annually during the preceding five years
2 concerning the members and beneficiaries of the system. The
3 board shall by resolution adopt such tables as are necessary for
4 the actuarial valuation of the fund and calculation of
5 contributions, annuities and other benefits based on the reports
6 and recommendations of the actuary. Within 30 days of their
7 adoption, the secretary of the board shall cause those tables
8 which relate to the calculation of annuities and other benefits
9 to be published in the Pennsylvania Bulletin in accordance with
10 the provisions of 45 Pa.C.S. § 725(a) (relating to additional
11 contents of Pennsylvania Bulletin) and, unless the board
12 specifies therein a later effective date, such tables shall
13 become effective on such publication. The board shall include a
14 report on the significant facts, recommendations and data
15 developed in each five-year actuarial investigation and
16 evaluation of the system in the annual financial statement
17 published pursuant to the requirements of subsection (m) for the
18 fiscal year in which such investigation and evaluation were
19 concluded.

20 (k) Certification of employer contributions to fund.--The
21 board shall, each year in addition to the itemized budget
22 required under section 5509 (relating to appropriations and
23 assessments by the Commonwealth), certify, as a percentage of
24 the members' payroll, the shared-risk contribution rate, the
25 shared-gain adjustment to the regular member contribution rate,
26 the employers' contributions as determined pursuant to section
27 5508 (relating to actuarial cost method) necessary for the
28 funding of prospective annuities for active members and the
29 annuities of annuitants and certify the rates and amounts of the
30 employers' normal contributions as determined pursuant to
31 section 5508(b), accrued liability contributions as determined
32 pursuant to section 5508(c), supplemental annuities contribution
33 rate as determined pursuant to section 5508(e), the experience
34 adjustment factor as determined pursuant to section 5508(f), the
35 collared contribution rate pursuant to section 5508(h) and the
36 final contribution rate pursuant to section 5508(i), which shall
37 be paid to the fund and credited to the appropriate accounts.
38 The board may allocate the final contribution rate and certify
39 various employer contribution rates and amounts based upon the
40 different benefit eligibility, class of service multiplier,
41 superannuation age, final average salary calculation,
42 compensation limits and other benefit differences resulting from
43 State service credited for individual members even though such
44 allocated employer contribution rate on behalf of any given
45 member may be more or less than 5% of the member's compensation
46 for the period from July 1, 2010, to June 30, 2011, or may
47 differ from the prior year's contribution for that member by
48 more or less than the percentages used to calculate the collared
49 contribution rate for that year and may be below any minimum
50 contribution rate established for the collared contribution rate
51 or final contribution rate. These certifications shall be

1 regarded as final and not subject to modification by the
2 Secretary of the Budget.

3 (l) Member contributions.--The board shall cause all pickup
4 contributions made on behalf of a member to be credited to the
5 account of the member and credit to his account any other
6 payment made by such member, including, but not limited to,
7 amounts collected by the Public School Employees' Retirement
8 System for the reinstatement of previous State service or
9 creditable nonstate service and amounts paid to return benefits
10 paid after the date of return to State service or entering
11 school service representing lump sum payments made pursuant to
12 section 5705(a)(4)(iii) or (a.1) (relating to member's options)
13 and member's annuity payments, but not including other benefits
14 returned pursuant to section 5706(a.2) or (a.3) (relating to
15 termination of annuities), and shall pay all such amounts into
16 the fund.

17 (m) Annual financial statement.--The board shall prepare and
18 have published, on or before July 1 of each year, [a financial
19 statement] financial statements as of the calendar year ending
20 December 31 of the previous year showing the condition of the
21 fund, the trust and the various accounts, including, but not
22 limited to, the board's accrual and expenditure of directed
23 commissions, and setting forth such other facts,
24 recommendations, and data as may be of use in the advancement of
25 knowledge concerning annuities and other benefits provided by
26 this part. The board shall submit said financial [statement]
27 statements to the Governor and shall file copies with the head
28 of each department for the use of the State employees and the
29 public.

30 (n) Independent [audit] audits.--The board shall provide for
31 [an annual audit] annual audits of the system and the plan by
32 [an] independent certified public [accountant, which audit]
33 accountants. The audits shall include the board's accrual and
34 expenditure of directed commissions. The board may use the same
35 independent certified public accountant for the audits of both
36 the system and the plan.

37 * * *

38 (p) Participant and employer contributions to trust.--The
39 board shall, each year in addition to any fees and itemized
40 budget required under section 5509, certify, as a percentage of
41 each participant's compensation, the employer defined
42 contributions, which shall be paid to the trust and credited to
43 each participant's individual investment account. Certifications
44 under this subsection shall be regarded as final and not subject
45 to modification by the Secretary of the Budget. The board shall
46 cause all mandatory pickup participant contributions made on
47 behalf of a participant and all voluntary contributions made by
48 a participant to be credited to the participant's individual
49 investment account.

50 (q) Limitation on fees charged to the board.--In order to
51 strive towards actuarial savings of \$1,500,000,000 over 30 years

1 from the effective date of this subsection while achieving the
2 assumed annual rate of return at the least cost and maximum
3 return on the system assets, the board shall:

4 (1) Consider the findings and recommendations of the
5 Public Pension Management and Asset Investment Review
6 Commission. The board shall, at its discretion, adopt
7 guidelines and procedures to implement any recommendations of
8 the Public Pension Management and Asset Investment Review
9 Commission that the board believes will ensure the highest
10 return on investment at the lowest responsible cost.

11 (2) Review, identify and implement any investment fee
12 reduction and cost avoidance strategies identified to be
13 prudent by the board, to reduce expenditures for investment.

14 § 5903. Duties of the board to advise and report to heads of
15 departments [and], members and participants.

16 * * *

17 (b.1) Participant status statements.--The board shall
18 furnish annually to each participant, on or before April 1 and
19 more frequently as the board may agree or as required by law, a
20 statement showing the accumulated total defined contributions
21 credited to the participant's individual investment account, the
22 nature and type of investments and the investment allocation of
23 future contributions as of December 31 of the previous year, and
24 shall request the participant to make any necessary correction
25 or revision regarding the designated beneficiary.

26 * * *

27 Section 323. Section 5904(c) of Title 71 is amended to read:
28 § 5904. Duties of the board to report to the Public School
29 Employees' Retirement Board.

30 * * *

31 (c) Applications for benefits for school employees.--Upon
32 receipt of notification and the required data from the Public
33 School Employees' Retirement Board that a former State employee
34 who elected multiple service has applied for a public school
35 employees' retirement benefit or, in the event of his death, his
36 legally constituted representative has applied for such benefit,
37 the board shall:

38 (1) certify to the Public School Employees' Retirement
39 Board;

40 (i) the salary history as a member of the State
41 Employees' Retirement System and the final average salary
42 as calculated on the basis of the compensation received
43 as a [State and school employee] member of the system and
44 as a member of the Public School Employees' Retirement
45 System; and

46 (ii) the annuity or benefit to which the member or
47 his beneficiary is entitled as modified according to the
48 option selected; and

49 (2) transfer to the Public School Employees' Retirement
50 Fund the total accumulated deductions standing to such
51 member's credit and the actuarial reserve required on account

1 of years of credited service in the State system, final
2 average salary determined on the basis of his compensation as
3 a member in both systems and the average noncovered salary to
4 be charged to the State accumulation account, the State
5 Police benefit account or the enforcement officers' benefit
6 account, as each case may require.

7 * * *

8 Section 324. Section 5905 heading, (c.1) and (g) of Title 71
9 are amended and the section is amended by adding subsections to
10 read:

11 § 5905. Duties of the board regarding applications and
12 elections of members and participants.

13 * * *

14 (c.1) Termination of service by a member.--In the case of
15 any member terminating State service who is entitled to an
16 annuity and who is not then a disability annuitant, the board
17 shall advise such member in writing of any benefits from the
18 system to which he may be entitled under the provisions of this
19 part and shall have the member prepare, on or before the date of
20 termination of State service, one of the following three forms,
21 a copy of which shall be given to the member and the original of
22 which shall be filed with the board:

23 (1) an application for the return of total accumulated
24 deductions;

25 (2) if eligible, an election to vest his retirement
26 rights and, if he is a joint coverage member and so desires,
27 elect to become a full coverage member and agree to pay
28 within 30 days of the date of termination of service the lump
29 sum required; or

30 (3) if eligible, an application for an immediate annuity
31 and, if he desires:

32 (i) an election to convert his medical, major
33 medical and hospitalization insurance coverage to the
34 plan for State annuitants; and

35 (ii) if he is a joint coverage member, an election
36 to become a full coverage member and an agreement to pay
37 within 30 days of date of termination of service the lump
38 sum required.

39 (c.2) Termination of service by participant.--In the case of
40 a participant terminating State service, the board shall advise
41 the participant in writing of the vested accumulated total
42 defined contributions credited to the participant's individual
43 investment account as of the date stated in the writing, any
44 notices regarding rollover or other matters required by IRC or
45 other law, the obligation of the participant to commence
46 distributions from the plan by the participant's required
47 beginning date and the ability to receive all or part of the
48 vested balance in the participant's individual investment
49 account in a lump sum or in such other form as the board may
50 authorize or as required by law.

51 * * *

1 (e.2) Notification to inactive participants approaching
2 required beginning date.--The board shall notify in writing each
3 inactive participant who has terminated State service and has
4 not commenced distribution by 90 days before the participant's
5 required beginning date that the inactive participant has an
6 obligation to commence distributions by the required beginning
7 date in a form and manner required by IRC § 401(a)(9) and other
8 applicable provisions of the IRC.

9 * * *

10 (f.1) Initial payment to participants.--The board shall make
11 the initial payment to a participant who has applied for a
12 distribution within 60 days of the receipt of all information
13 necessary to process the application for a distribution.

14 (g) Death benefits.--Upon receipt of notification from the
15 head of a department of the death of an active member, a member
16 performing USERRA leave [or], a member on leave without pay, an
17 active participant, an inactive participant on leave without pay
18 or a former participant performing USERRA leave, the board shall
19 advise the designated beneficiary of the benefits to which he is
20 entitled, and shall make the first payment to the beneficiary
21 within 60 days of receipt of certification of death and other
22 necessary data. If no beneficiary designation is in effect at
23 the date of the member's death or no notice has been filed with
24 the board to pay the amount of the benefits to the member's
25 estate, the board is authorized to pay the benefits to the
26 executor, administrator, surviving spouse or next of kin of the
27 deceased member, and payment pursuant [hereto] to this
28 subsection shall fully discharge the fund from any further
29 liability to make payment of such benefits to any other person.
30 If no beneficiary designation is in effect at the date of a
31 participant's death or no notice has been filed with the board
32 to pay the amount of the benefits to the participant's estate,
33 the board may pay the benefits as established in the plan
34 document, and payment pursuant to this subsection shall fully
35 discharge the trust from any further liability to make payment
36 of such benefits to any other person.

37 * * *

38 Section 325. Section 5905.1(a), (b) and (d) of Title 71 are
39 amended to read:

40 § 5905.1. Installment payments of accumulated deductions.

41 (a) General rule.--Notwithstanding any other provision of
42 this part, whenever a member elects to withdraw his total
43 accumulated deductions pursuant to section 5311(a) (relating to
44 eligibility for refunds) or 5701 (relating to return of total
45 accumulated deductions) or elects to receive a portion of his
46 benefit payable as a lump sum pursuant to section 5705(a)(4)
47 (iii) or (a.1) (relating to member's options), the member may
48 elect to receive the amount in not more than four installments.

49 (b) Payment of first installment.--The payment of the first
50 installment shall be made in the amount and within seven days of
51 the date specified by the member, except as follows:

1 (1) Upon receipt of a member's application to withdraw
2 his total accumulated deductions as provided in section
3 5311(a) or 5701 and upon receipt of all required data from
4 the head of the department and, if the member has Class G,
5 Class H, Class I, Class J, Class K, Class L, Class M or Class
6 N service, any data required from the county retirement
7 system or pension plan to which the member was a contributor
8 before being transferred to State employment, the board shall
9 not be required to pay the first installment prior to 45 days
10 after the filing of the application and the receipt of the
11 data or the date of termination of service, whichever is
12 later.

13 (2) In the case of an election as provided in section
14 5705(a)(4)(iii) or (a.1) by a member terminating service
15 within 60 days prior to the end of a calendar year and upon
16 receipt of all required data from the head of the department
17 and, if the member has Class G, Class H, Class I, Class J,
18 Class K, Class L, Class M or Class N service, any data
19 required from the county retirement system or pension plan to
20 which the member was a contributor before being transferred
21 to State employment, the board shall not be required to pay
22 the first installment prior to 21 days after the later of the
23 filing of the application and the receipt of the data or the
24 date of termination of service, but, unless otherwise
25 directed by the member, the payment shall be made no later
26 than 45 days after the filing of the application and the
27 receipt of the data or the date of termination of service,
28 whichever is later.

29 (3) In the case of an election as provided in section
30 5705(a)(4)(iii) or (a.1) by a member who is not terminating
31 service within 60 days prior to the end of a calendar year
32 and upon receipt of all required data from the head of the
33 department and, if the member has Class G, Class H, Class I,
34 Class J, Class K, Class L, Class M or Class N service, any
35 data required from the county retirement system or pension
36 plan to which the member was a contributor before being
37 transferred to State employment, the board shall not be
38 required to pay the first installment prior to 45 days after
39 the filing of the application and the receipt of the data or
40 the date of termination of service, whichever is later.

41 * * *

42 (d) Statutory interest.--Any lump sum, including a lump sum
43 payable pursuant to section 5705.1 (relating to payment of
44 accumulated deductions resulting from [Class A-3 and Class A-4]
45 more than one class of service), or installment payable shall
46 include statutory interest credited to the date of payment,
47 except in the case of a member, other than a vestee or special
48 vestee, who has not filed his application prior to 90 days
49 following his termination of service.

50 Section 326. Section 5906(a), (b), (d), (e), (g), (h) (i)
51 and (l) of Title 71 are amended and the section is amended by

1 adding subsections to read:

2 § 5906. Duties of heads of departments.

3 (a) Status of members and participants.--The head of
4 department shall, at the end of each pay period, notify the
5 board in a manner prescribed by the board of salary changes
6 effective during that period for any members and participants of
7 the department, the date of all removals from the payroll, and
8 the type of leave of any members and participants of the
9 department who have been removed from the payroll for any time
10 during that period, and:

11 (1) if the removal is due to leave without pay, he shall
12 furnish the board with the date of beginning leave and the
13 date of return to service, and the reason for leave; or

14 (2) if the removal is due to a transfer to another
15 department, he shall furnish such department and the board
16 with a complete State service record, including past State
17 service in other departments or agencies, or creditable
18 nonstate service; or

19 (3) if the removal is due to termination of State
20 service, he shall furnish the board with a complete State
21 service record, including service in other departments or
22 agencies, or creditable nonstate service and;

23 (i) in the case of death of the member or
24 participant, the head of the department shall so notify
25 the board;

26 (ii) in the case of a service connected disability
27 of a member, the head of department shall, to the best of
28 his ability, investigate the circumstances surrounding
29 the disablement of the member and submit in writing to
30 the board information which shall include but not
31 necessarily be limited to the following: date, place and
32 time of disablement to the extent ascertainable; nature
33 of duties being performed at such time; and whether or
34 not the duties being performed were authorized and
35 included among the member's regular duties. In addition,
36 the head of department shall furnish in writing to the
37 board all such other information as may be related to the
38 member's disablement;

39 (iii) in the case of a member terminating from The
40 Pennsylvania State University who is a member of the
41 system with five or more but less than ten eligibility
42 points and who has terminated State service on June 30,
43 1997, because of the transfer of his job position or
44 duties to a controlled organization of the Penn State
45 Geisinger Health System or because of the elimination of
46 his job position or duties due to the transfer of other
47 job positions or duties to a controlled organization of
48 the Penn State Geisinger Health System, the head of the
49 department shall so certify to the board.

50 (b) Records and information regarding members and
51 participants.--At any time at the request of the board and at

1 termination of service of a member or participant, the head of
2 department shall furnish service and compensation records and
3 such other information as the board may require and shall
4 maintain and preserve such records as the board may direct for
5 the expeditious discharge of its duties.

6 * * *

7 (c.1) Participant and employer defined contributions.--The
8 head of department shall:

9 (1) Cause to be made:

10 (i) the mandatory pickup participant contributions
11 on behalf of a participant;

12 (ii) the deduction of any voluntary contributions
13 authorized by a participant; and

14 (iii) the employer defined contributions on behalf
15 of a participant.

16 (2) Notify the board at times and in a manner prescribed
17 by the board of the compensation of any participant to whom
18 the limitation under IRC § 401(a)(17) either applies or is
19 expected to apply and cause the participant's contributions
20 to be deducted from payroll to cease at the limitation under
21 IRC § 401(a)(17) on the payroll date if and when such limit
22 shall be reached.

23 (3) Certify to the State Treasurer the amounts picked up
24 and deducted and the employer defined contributions being
25 made and send the total amount picked up, deducted and
26 contributed together with a duplicate of the voucher to the
27 secretary of the board every pay period or on such schedule
28 as established by the board.

29 (d) New employees subject to mandatory membership or
30 participation.--Upon the assumption of duties of each new State
31 employee whose membership in the system or plan is mandatory,
32 the head of department shall cause an application for membership
33 or participation and a nomination of beneficiary to be made by
34 such employee and filed with the board and shall make pickup
35 contributions or mandatory pickup participant contributions from
36 the effective date of State employment.

37 (e) New employees subject to optional membership or
38 participation.--The head of department shall, upon the
39 employment or entering into office of any State employee whose
40 membership in the system or participation in the plan is not
41 mandatory, inform such employee of his opportunity to become a
42 member of the system or a participant in the plan. If such
43 employee so elects, the head of department shall cause an
44 application for membership or participation and a nomination of
45 beneficiary to be made by him and filed with the board and shall
46 cause proper contributions to be made from the effective date of
47 membership or participation.

48 * * *

49 (g) Former school employee contributors.--The head of
50 department shall, upon the employment of a former contributor to
51 the Public School Employees' Retirement System who is not an

annuitant of the Public School Employees' Retirement System, advise such employee [of his] if he has a right to elect within 365 days of entry into the system to become a multiple service member, and in the case of any such employee who so elects and has withdrawn his accumulated deductions, require him to reinstate his credit in the Public School Employees' Retirement System. The head of the department shall advise the board of such election.

(h) Former school employee annuitants.--The head of department shall, upon the employment of an annuitant of the Public School Employees' Retirement System who applies for membership in the system, advise such employee [that] if he may elect multiple service membership within 365 days of entry into the system and if he so elects his public school employee's annuity will be discontinued effective upon the date of his return to State service and, upon termination of State service and application for an annuity, the annuity will be adjusted in accordance with section 5706 (relating to termination of annuities). The head of department shall advise the board of such election.

(i) Annual statement to members.--Annually, upon receipt from the board, the head of department shall furnish to each member the statement specified in section 5903(b) (relating to duties of the board to advise and report to heads of departments [and], members and participants).

* * *

(l) State employees performing USERRA or military-related leave of absence.--The head of department shall report to the board any State employee who ceases to be an active member or active participant to perform USERRA service, or who is granted a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves of absence for certain government employees) or a military leave of absence under 51 Pa.C.S. § 7302 (relating to granting military leaves of absence), the date on which the USERRA service, leave of absence or military leave of absence began, the date on which the State employee is reemployed from USERRA leave or returns after the leave of absence or military leave of absence, if the event occurs, and any other information the board may require or direct.

* * *

(n) Employees receiving payments for overtime service or duties.--The head of the department shall report to the board in a form and manner established by the board any payments made to, and hours worked by, a Class A-5 exempt employee for overtime service or duties and identify which of those payments and hours were for voluntary overtime.

Section 327. Section 5907 heading, (a), (b)(1), (c), (d), (e), (f), (g) and (h) of Title 71 are amended and the section is amended by adding subsections to read:

§ 5907. Rights and duties of State employees [and], members and participants.

1 (a) Information on new employees.--Upon his assumption of
2 duties each new State employee shall furnish the head of
3 department with a complete record of his previous State service,
4 his school service or creditable nonstate service, and proof of
5 his date of birth and current status in the system and the plan
6 and in the Public School Employees' Retirement System and the
7 School Employees' Defined Contribution Plan. Willful failure to
8 provide the information required by this subsection to the
9 extent available upon entrance into the system shall result in
10 the forfeiture of the right of the member to subsequently assert
11 any right to benefits based on any of the required information
12 which he failed to provide. In any case in which the board finds
13 that a member is receiving an annuity based on false
14 information, the total amount received predicated on such false
15 information together with statutory interest doubled and
16 compounded shall be deducted from the present value of any
17 remaining benefits to which the member is legally entitled.

18 (b) Application for membership.--

19 (1) In the case of a new employee who is not currently a
20 member of the system, and whose membership is mandatory or in
21 the case of a new employee whose membership in the system is
22 not mandatory but is permitted and who desires to become a
23 member of the system, the new employee shall execute an
24 application for membership and a nomination of beneficiary.

25 (b.1) Application for participation.--On or after January 1,
26 2019, the following types of employees shall execute an
27 application for participation and a nomination of a beneficiary:

28 (1) An employee who is not currently a participant in
29 the plan and whose participation is mandatory.

30 (2) An employee whose participation is not mandatory but
31 is permitted and who desires to become a participant in the
32 plan.

33 (c) Multiple service membership.--Any active member who was
34 formerly an active member in the Public School Employees'
35 Retirement System may elect to become a multiple service member.
36 Such election shall occur no later than 365 days after becoming
37 an active member in this system. A State employee who is
38 eligible to elect to become a multiple service member who begins
39 USERRA leave during the election period without having elected
40 multiple service membership [may make the election within 365
41 days after being reemployed from] shall have the election period
42 extended by the number of days on USERRA leave.

43 (d) Credit for previous service or change in membership
44 status.--Any active member or eligible school employee who
45 desires to receive credit for the portion of his total previous
46 State service or creditable nonstate service to which he is
47 entitled, or a joint coverage member who desires to become a
48 full coverage member, shall so notify the board and upon written
49 agreement by the member and the board as to the manner of
50 payment of the amount due, the member shall receive credit for
51 such service as of the date of such agreement subject to the

provisions in this part relating to the limitations under IRC § 415.

* * *

(d.2) Contributions for USERRA leave.--Any active participant or inactive participant on leave without pay or former participant who was reemployed from USERRA leave who desires to make mandatory pickup participant contributions and voluntary contributions for his USERRA leave shall notify the board within the time period required under 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services) and IRC § 414(u) of his desire to make such contributions. Upon the participant making the permitted mandatory pickup participant contributions within the allowed time period, the head of department shall make the corresponding employer defined contributions at the same time.

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

(e) Beneficiary for death benefits from system.--Every member shall nominate a beneficiary by written designation filed with the board as provided in section 5906(d) or (e) (relating to duties of heads of departments) to receive the death benefit payable under section 5707 (relating to death benefits) or the benefit payable under the provisions of Option 1 of section 5705(a)(1) (relating to member's options). Such nomination may be changed at any time by the member by written designation filed with the board. A member may also nominate a contingent beneficiary or beneficiaries to receive the death benefit provided under section 5707 or the benefit payable under the provisions of Option 1 of section 5705(a)(1).

(e.1) Beneficiary for death benefits from the plan.--Every participant shall nominate a beneficiary by written designation filed with the board as provided in section 5906(d) or (e) to receive the death benefit payable under section 5808 (relating to death benefits). A participant may also nominate a contingent beneficiary or beneficiaries to receive the death benefit provided under section 5808. Such nominations may be changed at any time by the participant by written designation filed with the board.

(e.2) Beneficiaries for employees who are members and participants.--A State employee who is both a member of the system and a participant in the plan may designate or nominate different persons to be beneficiaries, survivor annuitants and successor payees for his benefits from the system and the plan.

(f) Termination of service by members.--Each member who terminates State service and who is not then a disability annuitant shall execute on or before the date of termination of

1 service the appropriate application, duly attested by the member
2 or his legally constituted representative, electing to:

3 (1) withdraw his total accumulated deductions; or
4 (2) if eligible, vest his retirement rights; and if he
5 is a joint coverage member, and so desires, elect to become a
6 full coverage member and agree to pay within 30 days of the
7 date of termination of service the lump sum required; or

8 (3) if eligible, receive an immediate annuity and may,
9 (i) if eligible, elect to convert his medical, major
10 medical, and hospitalization coverage to the plan for
11 State annuitants; and

12 (ii) if he is a joint coverage member, elect to
13 become a full coverage member and agree to pay within 30
14 days of date of termination of service the lump sum
15 required.

16 (g) Vesting of retirement rights.--If a member elects to
17 vest his retirement rights he shall nominate a beneficiary by
18 written designation filed with the board and he may anytime
19 thereafter, but no later than his required beginning date,
20 withdraw the total accumulated deductions standing to his credit
21 or apply for an annuity[.], provided, however, that no annuity
22 resulting from Class A-5 service or Class A-6 service shall be
23 paid before the member attains age 62 or age 57 for Class A-5
24 service for a member who has 25 eligibility points.

25 (g.1) Deferral of retirement rights.--If a participant
26 terminates State service and does not commence receiving a
27 distribution, he shall nominate a beneficiary, and he may
28 anytime thereafter, but no later than his required beginning
29 date, withdraw the vested accumulated total defined
30 contributions standing to his credit or apply for another form
31 of distribution required by law or authorized by the board.

32 (h) Vestees and special vestees attaining superannuation
33 age.--Upon attainment of superannuation age a vestee or special
34 vestee shall execute and file an application for an annuity. Any
35 such application filed within 90 days after attaining
36 superannuation age shall be effective as of the date of
37 attainment of superannuation age. Any application filed after
38 such period shall be filed by the member's required beginning
39 date and shall be effective as of the date it is filed with the
40 board, subject to the provisions of section 5905(f) (relating to
41 duties of the board regarding applications and elections of
42 members and participants).

43 * * *

44 Section 328. Sections 5931(b), 5932, 5933(a), 5934, 5935,
45 5936, 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
46 5953.4(a) of Title 71 are amended to read:
47 § 5931. Management of fund and accounts.

48 * * *

49 (b) Crediting of interest.--The board, annually, shall allow
50 the required interest on the mean amount for the preceding year
51 to the credit of each of the accounts other than the individual

1 investment accounts. The amount so allowed shall be credited
2 thereto by the board and transferred from the interest reserve
3 account.

4 * * *

5 § 5932. State Employees' Retirement Fund.

6 (a) General rule.--The fund shall consist of all balances in
7 the several separate accounts set apart to be used under the
8 direction of the board for the benefit of members of the system;
9 and the Treasury Department shall credit to the fund all moneys
10 received from the Department of Revenue arising from the
11 contributions relating to or on behalf of members of the system
12 required under the provisions of Chapter 55 (relating to
13 contributions), and any income earned by the investments or
14 moneys of said fund. There shall be established and maintained
15 by the board the several ledger accounts specified in sections
16 5933 (relating to members' savings account), 5934 (relating to
17 State accumulation account), 5935 (relating to annuity reserve
18 account), 5936 (relating to State Police benefit account), 5937
19 (relating to enforcement officers' benefit account), 5938
20 (relating to supplemental annuity account) and 5939 (relating to
21 interest reserve account).

22 (b) Individual investment accounts and trust.--The
23 individual investment accounts that are part of the trust shall
24 not be part of the fund. Mandatory pickup participant
25 contributions, voluntary contributions and employer defined
26 contributions made under this part and any income earned by the
27 investment of such contributions shall not be paid or credited
28 to the fund but shall be paid to the trust and credited to the
29 individual investment accounts.

30 § 5933. Members' savings account.

31 (a) Credits to account.--The members' savings account shall
32 be the ledger account to which shall be credited the amounts of
33 the pickup contributions made by the Commonwealth or other
34 employer and contributions or lump sum payments made by active
35 members in accordance with the provisions of sections 5501
36 (relating to regular member contributions for current service),
37 5501.1 (relating to shared-risk member contributions [for Class
38 A-3 and Class A-4 service] and shared-gain adjustments to
39 regular member contributions), 5502 (relating to social security
40 integration member contributions), 5503 (relating to joint
41 coverage member contributions), 5504 (relating to member
42 contributions for the purchase of credit for previous State
43 service or to become a full coverage member), 5505.1 (relating
44 to additional member contributions) and 5505 (relating to
45 contributions for the purchase of credit for creditable nonstate
46 service) and transferred from the members' savings account of
47 the Public School Employees' Retirement System in accordance
48 with the provisions of section 5303.2 (relating to election to
49 convert school service to State service).

50 * * *

51 § 5934. State accumulation account.

1 The State accumulation account shall be the ledger account to
2 which shall be credited all contributions of the Commonwealth or
3 other employers whose employees are members of the system and
4 made in accordance with the provisions of section 5507(a) or (d)
5 (relating to contributions to the system by the Commonwealth and
6 other employers) except that the amounts received under the
7 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
8 amounts received under the provisions of the Liquor Code, act of
9 April 12, 1951 (P.L.90, No.21), shall be credited to the State
10 Police benefit account or the enforcement officers' benefit
11 account as the case may be. All amounts transferred to the fund
12 by county retirement systems or pension plans in accordance with
13 the provisions of section 5507(c) also shall be credited to the
14 State accumulation account. All amounts transferred to the fund
15 by the Public School Employees' Retirement System in accordance
16 with section 5303.2(e) (relating to election to convert school
17 service to State service), except amounts credited to the
18 members' savings account, and all amounts paid by the Department
19 of Corrections in accordance with section 5303.2(f) also shall
20 be credited to the State accumulation account. The State
21 accumulation account shall be credited with valuation interest.
22 The reserves necessary for the payment of annuities and death
23 benefits resulting from membership in the system as approved by
24 the board and as provided in Chapter 57 (relating to benefits)
25 shall be transferred from the State accumulation account to the
26 annuity reserve account provided for in section 5935 (relating
27 to annuity reserve account), except that the reserves necessary
28 on account of a member who is an officer of the Pennsylvania
29 State Police or an enforcement officer shall be transferred from
30 the State accumulation account to the State Police benefit
31 account provided for in section 5936 (relating to State Police
32 benefit account) or to the enforcement officers' benefit account
33 as provided for in section 5937 (relating to enforcement
34 officers' benefit account) as the case may be. The reserves
35 necessary for the payment of supplemental annuities in excess of
36 those reserves credited to the supplemental annuity account on
37 June 30, 2010, shall be transferred from the State accumulation
38 account to the supplemental annuity account. In the event that
39 supplemental annuities are increased by legislation enacted
40 after December 31, 2009, the necessary reserves shall be
41 transferred from the State accumulation account to the
42 supplemental annuity account.

43 § 5935. Annuity reserve account.

44 (a) Credits and charges to account.--The annuity reserve
45 account shall be the ledger account to which shall be credited
46 the reserves held for payment of annuities and death benefits on
47 account of all annuitants except in the case of members who are
48 officers of the Pennsylvania State Police or enforcement
49 officers. The annuity reserve account shall be credited with
50 valuation interest. After the transfers provided in sections
51 5933 (relating to members' savings account), 5934 (relating to

1 State accumulation account) and 5938 (relating to supplemental
2 annuity account), all annuity and death benefit payments
3 resulting from membership in the system except those payable to
4 any member who retires as an officer of the Pennsylvania State
5 Police or an enforcement officer shall be charged to the annuity
6 reserve account and paid from the fund.

7 (b) Transfers from account.--Should an annuitant other than
8 a member who was retired as an officer of the Pennsylvania State
9 Police or an enforcement officer be subsequently restored to
10 active service as a member of the system or as a participant in
11 the plan, the present value of his member's annuity at the time
12 of reentry into State service shall be transferred from the
13 annuity reserve account and placed to his individual credit in
14 the members' savings account. In addition, the actuarial reserve
15 for his annuity less the amount transferred to the members'
16 savings account shall be transferred from the annuity reserve
17 account to the State accumulation account.
18 § 5936. State Police benefit account.

19 (a) Credits and charges to account.--The State Police
20 benefit account shall be the ledger account to which shall be
21 credited all contributions received under the provisions of the
22 act of May 12, 1943 (P.L.259, No.120), referred to as the
23 Foreign Casualty Insurance Premium Tax Allocation Law, and any
24 additional Commonwealth or other employer contributions provided
25 for in section 5507 (relating to contributions to the system by
26 the Commonwealth and other employers) which are creditable to
27 the State Police benefit account. The State Police benefit
28 account shall be credited with the required interest. In
29 addition, upon the filing of an application for an annuity by a
30 member who is an officer of the Pennsylvania State Police, the
31 total accumulated deductions standing to the credit of the
32 member in the members' savings account and the necessary
33 reserves from the State accumulation account shall be
34 transferred to the State Police benefit account. Thereafter, the
35 total annuity of such annuitant shall be charged to the State
36 Police benefit account and paid from the fund.

37 (b) Transfers from account.--Should the said annuitant be
38 subsequently restored to active service as a member of the
39 system or as a participant in the plan, the present value of the
40 member's annuity at the time of reentry into State service shall
41 be transferred from the State Police benefit account and placed
42 to his individual credit in the members' savings account. In
43 addition, the actuarial reserve for his annuity, calculated as
44 if he had been a member of Class A if he has Class A or Class C
45 service credited[; as if he had been a member of Class A-3 if
46 the annuitant has Class A-3 State service credited; or as if he
47 had been a member of Class A-4 if the annuitant has Class A-4
48 service credited], less the amount transferred to the members'
49 savings account shall be transferred from the State Police
50 benefit account to the State accumulation account. Upon
51 subsequent retirement other than as an officer of the

1 Pennsylvania State Police the actuarial reserve remaining in the
2 State Police benefit account shall be transferred to the
3 appropriate reserve account.

4 § 5937. Enforcement officers' benefit account.

5 (a) Credits and charges to account.--The enforcement
6 officers' benefit account shall be the ledger account to which
7 shall be credited moneys transferred from the enforcement
8 officers' retirement account in the State Stores Fund according
9 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
10 known as the Liquor Code, and any additional Commonwealth or
11 other employer contributions provided for in section 5507
12 (relating to contributions to the system by the Commonwealth and
13 other employers) which are creditable to the enforcement
14 officers' benefit account. The enforcement officers' benefit
15 account shall be credited with the required interest. In
16 addition, upon the filing of an application for an annuity by a
17 member who is an enforcement officer of the Pennsylvania Liquor
18 Control Board, the total accumulated deductions standing to the
19 credit of the member in the members' savings account and the
20 necessary reserves from the State accumulation account shall be
21 transferred to the enforcement officers' benefit account.
22 Thereafter, the total annuity of such annuitant shall be charged
23 to the enforcement officers' benefit account and paid from the
24 fund.

25 (b) Transfers from account.--Should the said annuitant be
26 subsequently restored to active service as a member of the
27 system or as a participant in the plan, the present value of the
28 member's annuity at the time of reentry into State service shall
29 be transferred from the enforcement officers' benefit account
30 and placed to his individual credit in the members' savings
31 account. In addition, the actuarial reserve for his annuity
32 [calculated as if he had been a member of Class A if the
33 annuitant does not have any Class AA, Class A-3 or Class A-4
34 service credited; as if he had been a member of Class AA if the
35 annuitant does have Class AA service credited; as if he had been
36 a member of Class A-3 if the annuitant has Class A-3 State
37 service credited; or as if he had been a member of Class A-4 if
38 the annuitant has Class A-4 service credited], less the amount
39 transferred to the members' savings account shall be transferred
40 from the enforcement officers' benefit account to the State
41 accumulation account. Upon subsequent retirement other than as
42 an enforcement officer the actuarial reserve remaining in the
43 enforcement officers' benefit account shall be transferred to
44 the appropriate reserve account.

45 § 5938. Supplemental annuity account.

46 The supplemental annuity account shall be the ledger account
47 to which shall be credited all contributions from the
48 Commonwealth and other employers in accordance with section
49 5507(b) (relating to contributions to the system by the
50 Commonwealth and other employers) for the payment of the
51 supplemental annuities provided in sections 5708 (relating to

supplemental annuities), 5708.1 (relating to additional supplemental annuities), 5708.2 (relating to further additional supplemental annuities), 5708.3 (relating to supplemental annuities commencing 1994), 5708.4 (relating to special supplemental postretirement adjustment), 5708.5 (relating to supplemental annuities commencing 1998), 5708.6 (relating to supplemental annuities commencing 2002), 5708.7 (relating to supplemental annuities commencing 2003) and 5708.8 (relating to special supplemental postretirement adjustment of 2002) made before July 1, 2010, the amount transferred from the State accumulation account to provide all additional reserves necessary as of June 30, 2010, to pay such supplemental annuities and adjustments, and the amounts transferred from the State accumulation account to provide all additional reserves necessary as a result of supplemental annuities enacted after December 31, 2009. The supplemental annuity account shall be credited with valuation interest. The reserves necessary for the payment of such supplemental annuities shall be transferred from the supplemental annuity account to the annuity reserve account as provided in section 5935 (relating to annuity reserve account).

§ 5939. Interest reserve account.

The interest reserve account shall be the ledger account to which shall be credited all income earned by the fund and to which shall be charged all administrative and investment expenses incurred by the fund. At the end of each year the required interest shall be transferred from the interest reserve account to the credit of each of the accounts of the fund in accordance with the provisions of this subchapter. In addition, at the end of each accounting period, the interest reserve account shall be credited or charged with all recognized changes in the market valuation of the investments of the fund. The administrative and investment expenses of the board relating to the administration of the system and investments of the fund shall be paid from the fund out of earnings. Any surplus or deficit in the interest reserve account at the end of each year shall be transferred to the State accumulation account.

§ 5951. State guarantee regarding the system.

The required interest charges payable, the maintenance of reserves in the fund, and the payment of all annuities and other benefits granted by the board from the system under the provisions of this part relating to the establishment and administration of the system are hereby made obligations of the Commonwealth. All income, interest, and dividends derived from deposits and investments of the system authorized by this part shall be used for the payment of the said obligations of the Commonwealth and shall not be used for any obligation of the plan or trust.

§ 5953. Taxation, attachment and assignment of funds.

(a) General rule.--

(1) Except as provided in paragraphs (2), (3) and (4),

1 the right of a person to any benefit or right accrued or
2 accruing under the provisions of this part and the moneys in
3 the fund and the trust are hereby exempt from any State or
4 municipal tax, levy and sale, garnishment, attachment,
5 spouse's election, the provisions of Article XIII.1 of the
6 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
7 Code, or any other process whatsoever, and no participant or
8 beneficiary, successor payee or alternate payee of a
9 participant shall have the ability to commute, sell, assign,
10 alienate, anticipate, mortgage, pledge, hypothecate,
11 commutate or otherwise transfer or convey any benefit or
12 interest in an individual investment account or rights to
13 receive or direct distributions under this part or under
14 agreements entered into under this part except as provided in
15 this part, and in the case of either a member or a
16 participant except for a set-off by the Commonwealth in the
17 case provided in this paragraph, and shall be unassignable
18 except to the Commonwealth in the case of a member or
19 participant who is terminating State service and has been
20 determined to be obligated to the Commonwealth for the
21 repayment of money owed on account of his employment.

22 (2) (i) Rights under this part shall be subject to
23 forfeiture as provided by the act of July 8, 1978
24 (P.L.752, No.140), known as the Public Employee Pension
25 Forfeiture Act, and by or pursuant to section 16(b) of
26 Article V of the Constitution of Pennsylvania.
27 Forfeitures under this subsection or under any other
28 provision of law may not be applied to increase the
29 benefits that any member would otherwise receive under
30 this part.

31 (ii) In accordance with section 16(b) of Article V
32 of the Constitution of Pennsylvania and notwithstanding
33 this paragraph, the act of July 8, 1978 (P.L.752,
34 No.140), known as the Public Employee Pension Forfeiture
35 Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
36 the accumulated mandatory participant contributions and
37 accumulated voluntary contributions standing to the
38 credit of a participant shall not be forfeited but shall
39 be available for payment of fines and restitution as
40 provided by law. In accordance with section 16(b) of
41 Article V of the Constitution of Pennsylvania, amounts in
42 the trust that have been ordered to be distributed to an
43 alternate payee as the result of an equitable
44 distribution of marital property as part of an approved
45 domestic relations order entered before the date of the
46 order or action in a court or other tribunal resulting in
47 a forfeiture of a participant's interest in the trust
48 shall not be subject to the provisions of the Public
49 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
50 accumulated employer defined contributions forfeited as a
51 result of this paragraph or other law shall be retained

1 by the board and notwithstanding sections 5812(2)
2 (relating to powers and duties of board), 5815 (relating
3 to expenses) and 5902(c) (relating to administrative
4 duties of the board) used for the payment of expenses of
5 the plan.

6 (3) Rights under this part shall be subject to
7 attachment in favor of an alternate payee as set forth in an
8 approved domestic relations order.

9 (4) Effective with distributions made on or after
10 January 1, 1993, and notwithstanding any other provision of
11 this part to the contrary, a distributee may elect, at the
12 time and in the manner prescribed by the board, to have any
13 portion of an eligible rollover distribution paid directly to
14 an eligible retirement plan by way of a direct rollover. For
15 purposes of this paragraph, a "distributee" includes a member
16 [and], a participant, a member's surviving spouse [and], a
17 participant's surviving spouse, a member's former spouse who
18 is an alternate payee under an approved domestic relations
19 order[.], a participant's former spouse who is an alternate
20 payee under an approved domestic relations order and anyone
21 else authorized under the IRC and the plan terms approved by
22 the board to have an eligible rollover distribution paid
23 directly to an eligible retirement plan by way of a direct
24 rollover. For purposes of this paragraph, the term "eligible
25 rollover distribution" has the meaning given such term by IRC
26 § 402(f)(2)(A), and "eligible retirement plan" has the
27 meaning given such term by IRC § 402(c)(8)(B), except that a
28 qualified trust shall be considered an eligible retirement
29 plan only if it accepts the distributee's eligible rollover
30 distribution; however, in the case of an eligible rollover
31 distribution to a surviving spouse, an eligible retirement
32 plan is an "individual retirement account" or an "individual
33 retirement annuity" as those terms are defined in IRC §
34 408(a) and (b).

35 (b) Authorized payments from fund and trust.--

36 (1) The board shall be authorized to pay from the fund
37 and the trust in the case of a member or participant who is
38 terminating service, the amount determined after
39 certification by the head of the department that the member
40 or participant is so obligated, and after review and approval
41 by the department or agency's legal representative or upon
42 receipt of an assignment from the member or participant in
43 the amount so certified[.], except that no payment shall be
44 made from the individual investment account of a participant
45 until the participant otherwise applies for and receives a
46 distribution and shall not exceed the amount of the
47 distribution.

48 (2) In the case of a participant whose former spouse is
49 an alternate payee of an equitable distribution of marital
50 assets under an approved domestic relations order, a lump sum
51 of the alternate payee's interest in the participant's vested

1 accumulated total defined contributions. This paragraph shall
2 apply without regard to whether the participant has not
3 terminated, is terminating or has terminated State service.

4 § 5953.1. Approval of domestic relations orders.

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

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

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

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

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

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

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

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

47 (a.1) Certification regarding participants.--A domestic
48 relations order pertaining to a participant shall be certified
49 as an approved domestic relations order by the secretary of the
50 board, or his designated representative, only if the order meets
51 all of the following:

1 (1) Does not require the plan to provide a type or form
2 of benefit or an option applicable to members of the system
3 or participants in the plan.

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

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

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

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

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

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

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

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

51 (10) Requires the immediate distribution of the

alternate payee's share of the participant's individual investment account, which may be made by direct payment, eligible rollover or trustee-to-trustee transfer to another eligible plan or qualified account owned by the alternate payee.

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

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

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

(d) Obligation discharged.--Only the requirements of this part and any regulations promulgated hereunder shall be used to govern the approval or disapproval of a domestic relations order. Therefore, if the secretary of the board, or his

1 designated representative, acts in accordance with the
2 provisions of this part and any promulgated regulations in
3 approving or disapproving a domestic relations order, then the
4 obligations of the system or the plan with respect to such
5 approval or disapproval shall be discharged.

6 § 5953.2. Irrevocable beneficiary.

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

21 § 5953.3. Irrevocable survivor annuitant.

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

37 § 5953.4. Amendment of approved domestic relations orders.

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

44 * * *

45 Section 329. Title 71 is amended by adding a section to
46 read:

47 § 5953.6. Irrevocable successor payee.

48 (a) Condition.--Notwithstanding any other provision of this
49 part, a domestic relations order pertaining to a participant may
50 provide for an irrevocable successor payee if the participant is
51 receiving a payment under a payment option provided by the board

1 that allows for a successor payee.

2 (b) Determination.--A domestic relations order requiring the
3 designation of an irrevocable successor payee is an order which:

4 (1) requires a participant who is receiving payments
5 from an annuity or other distribution option to designate an
6 alternate payee as a successor payee; and

7 (2) except by operation of law, prohibits the removal or
8 change of the successor payee without approval of a court of
9 competent jurisdiction.

10 (c) Certification.--A domestic relations order under
11 subsection (b) may be certified as an approved domestic
12 relations order by the secretary of the board or his designated
13 representative. If a domestic relations order is certified under
14 this subsection, the irrevocable successor payee ordered by the
15 court shall not be changed by the participant without approval
16 by the court.

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

23 Section 330. Sections 5954, 5955, 5955.2(d) and 5957 of
24 Title 71 are amended to read:

25 § 5954. Fraud and adjustment of errors.

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

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

45 § 5955. Construction of part.

46 (a) Exclusive source of rights and benefits.--Regardless of
47 any other provision of law, pension and benefit rights of State
48 employees shall be determined solely by this part or any
49 amendment thereto[,], or the plan document established by the
50 board; and no collective bargaining agreement nor any
51 arbitration award between the Commonwealth and [its] other

1 employers and the Commonwealth's and other employer's employees
2 or their collective bargaining representatives shall be
3 construed to change any of the provisions herein, to require the
4 board to administer pension or retirement benefits not set forth
5 in this part or not established by the board in the plan
6 document, to require the board to modify, amend or change any of
7 the terms and provisions of the plan document, or to otherwise
8 require action by any other government body pertaining to
9 pension or retirement benefits or rights of State employees.
10 Notwithstanding the foregoing, any pension or retirement
11 benefits or rights previously so established by or as a result
12 of an arbitration award shall remain in effect after the
13 expiration of the current collective bargaining agreement
14 between the State employees so affected and the Commonwealth
15 until the expiration of each of the collective bargaining
16 agreements in effect on January 1, 2011, at which time the
17 classes of membership and resulting member contribution rates
18 and contributions for creditable nonstate service, eligibility
19 for vesting, withdrawal and superannuation annuities, optional
20 modification of annuities and other terms and conditions related
21 to class of membership shall be as determined by this part for
22 employees covered by those and successor collective bargaining
23 agreements. For purposes of administering this part, for those
24 State employees who are members of each such collective
25 bargaining unit, the date January 1, 2011, contained in this
26 part, except in this section, shall be replaced with the date of
27 the day immediately following the expiration of each such
28 collective bargaining agreement. The provisions of this part
29 insofar as they are the same as those of existing law are
30 intended as a continuation of such laws and not as new
31 enactments. The provisions of this part shall not affect any act
32 done, liability incurred, right accrued or vested, or any suit
33 or prosecution pending or to be instituted to enforce any right
34 or penalty or to punish any offense under the authority of any
35 repealed laws.

36 (b) (Reserved).

37 (c) Officer or member of the Pennsylvania State Police.--

38 (1) Notwithstanding a provision of subsection (a) or
39 section 12.1 of the act of November 23, 2010 (P.L.1269,
40 No.120), regarding the continued effectiveness of pension or
41 retirement benefits or rights previously established by or as
42 a result of a binding arbitration award issued before July 1,
43 1989, under the act of June 24, 1968 (P.L.237, No.111),
44 referred to as the Policemen and Firemen Collective
45 Bargaining Act, and implemented by the board, the eligibility
46 for and calculation of pension or retirement benefits or
47 rights under the binding arbitration award of a State
48 employee who first becomes a State police officer on or after
49 January 1, 2019, shall be determined using only service
50 performed and compensation and eligibility points earned as
51 an officer or member of the Pennsylvania State Police or

1 while on USERRA leave from service as an officer or member of
2 the Pennsylvania State Police and provided that service
3 credit and eligibility points for service as an officer or
4 member of the Pennsylvania State Police shall be adjusted for
5 any other concurrent service as a State employee.

6 (2) Any service other than service as an officer or
7 member of the Pennsylvania State Police performed by a State
8 employee eligible for a benefit under the binding arbitration
9 under paragraph (1) shall be used to determine benefits as
10 provided in this part in addition to any benefit an officer
11 or member of the Pennsylvania State Police is eligible to
12 receive under the binding arbitration award as set forth in
13 this subsection.

14 (3) (Reserved).

15 (4) A State employee who first becomes a State police
16 officer on or after January 1, 2019, who does not have 20 or
17 more eligibility points as an officer or member of the
18 Pennsylvania State Police or from USERRA leave from service
19 as an officer or member of the Pennsylvania State Police and
20 who terminates State service on or after January 1, 2019,
21 shall be eligible to receive a maximum single life annuity
22 before optional modification under section 5705 equal to the
23 maximum single life annuity that the State employee is
24 eligible to receive under this part attributable to all
25 credited service, compensation and eligibility points.

26 (5) Except as otherwise provided under this part,
27 service as a State police officer credited in the system
28 shall not operate to prevent any State employee from being a
29 participant in the plan for any State service that is not
30 service as a Class A-5 exempt employee that would otherwise
31 result in participation in the plan. Any benefit resulting
32 from participation in the plan shall be in addition to any
33 benefit a State police officer may be eligible to receive as
34 a member of the system.

35 (6) As used in this subsection, the following words and
36 phrases shall have the meanings given to them in this
37 paragraph unless the context clearly indicates otherwise:

38 "Binding arbitration award." A binding arbitration award
39 issued before July 1, 1989, under the act of June 24, 1968
40 (P.L.237, No.111), referred to as the Policemen and Firemen
41 Collective Bargaining Act, and implemented by the board.

42 (7) For the determination of the entire annuity under
43 this subsection and any applicable binding arbitration award,
44 any salary or compensation for service as a Class A-5 exempt
45 employee by a State employee who first became a member of the
46 system on or after January 1, 2019, shall not include
47 remuneration received in any pay period for voluntary
48 overtime service or duty that exceeds 10% of the State
49 employee's base salary or wages in that pay period.

50 (d) Adverse inference.--Nothing in this part shall be
51 construed to mean that the limitations on benefits or other

requirements under IRC § 401(a) or other applicable provisions of the IRC which are applicable to participants in the plan do not apply to the participants or to members of the system and the benefits payable under this part.

§ 5955.2. Construction of part with respect to the Internal Revenue Code.

* * *

(d) References to Internal Revenue Code of 1986 or the Uniformed Services Employment and Reemployment Rights Act.-- References in this part to provisions of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149), including for this purpose administrative regulations promulgated under [that act] the acts, are intended to include such laws and regulations as are in effect on the effective date of this section and as they may be amended or supplemented or supplanted by successor provisions after the effective date of this section.

* * *

§ 5957. Independent Fiscal Office study.

The Independent Fiscal Office shall study and analyze the implementation of shared-risk contributions under section 5501.1 (relating to shared-risk member contributions [for Class A-3 and Class A-4 service] and shared-gain adjustments to regular member contributions) and its impact on the system. The study shall be completed by December 31, 2015, and shall be transmitted to the Appropriations Committee and the Finance Committee of the Senate, the Appropriations Committee and the Finance Committee of the House of Representatives and to the Governor.

Section 331. Title 71 is amended by adding a section to read:

§ 5958. Public Pension Management and Asset Investment Review Commission.

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

(1) The Governor.

(2) The President pro tempore of the Senate.

(3) The Minority Leader of the Senate.

(4) The Speaker of the House of Representatives.

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

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

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

(1) Study the performance of current investment strategies and procedures of the system, comparing realized rates of return to established benchmarks and considering associated fees paid for active and passive management.

1 (2) Study the costs and benefits of both active and
2 passive investment strategies in relation to future
3 investment activities of the State Employees' Retirement
4 System.

5 (3) Study alternative future investment strategies with
6 available assets of the State Employees' Retirement System
7 that will maximize future rates of return net of fees.

8 (3.1) The commission shall evaluate and make
9 recommendations on:

10 (i) Improving investment fee transparency on
11 alternative investments as specified in the Standardized
12 Reporting Guidelines of the Institutional Limited
13 Partners Association.

14 (ii) Implementing the recommendations of the Society
15 of Actuaries Blue Ribbon Panel on stress testing, to test
16 the ability of the plan to withstand a period of
17 investment returns above or below the level of assumed
18 return.

19 (4) Publish extensive and detailed findings online,
20 including findings about:

21 (i) assets;

22 (ii) returns;

23 (iii) financial managers;

24 (iv) consultants;

25 (v) requests for proposals; and

26 (vi) investment performance measured against
27 benchmarks.

28 (5) Identify the lowest amount of investment fees to be
29 paid by the board for the board to achieve the board's
30 anticipated annual rate of return and to develop
31 recommendations to reduce expenditures to generate actuarial
32 savings of \$1,500,000,000 over 30 years from the effective
33 date of this section.

34 (6) Report its findings and recommendations to the
35 Governor and the General Assembly within six months of its
36 first organizational meeting.

37 (c) Quorum.--A majority of appointed members shall
38 constitute a quorum for the purpose of conducting business. The
39 members shall select one of their number to be chairperson and
40 another to be the vice chairperson.

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

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

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

48 (3) 65 Pa.C.S. Ch. 7 (relating to open meetings).

49 (4) 65 Pa.C.S. Ch. 11 (relating to ethics standards and
50 financial disclosure).

51 (e) Information gathering.--The Public Pension Management

1 and Asset Investment Review Commission may conduct hearings and
2 otherwise gather pertinent information and analysis that it
3 considers appropriate and necessary to fulfill its duties.

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

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

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

15 (i) Administrative costs and payment.--None of the
16 administrative costs and expenses of the Public Pension
17 Management and Asset Investment Review Commission, including,
18 but not limited to, member and employee salary, wages, benefits
19 and other forms of compensation or remuneration, shall be paid
20 or appropriated from the fund or the trust.

21 ARTICLE IV

22 Section 401. The following shall apply:

23 (1) The following provisions shall not create in a
24 member of the Public School Employees' Retirement System, a
25 participant in the School Employees' Defined Contribution
26 Plan or another person claiming an interest in the account of
27 a member or participant an express or implied contractual
28 right in the provisions nor in a construction of 24 Pa.C.S.
29 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
30 Pa.C.S. Pt. IV or 51 Pa.C.S.:

31 (i) A provision of this act which amends 51 Pa.C.S.
32 or 24 Pa.C.S. Pt. IV in relation to requirements for any
33 of the following:

34 (A) (Reserved).

35 (B) Qualification of the School Employees'
36 Defined Contribution Plan as a qualified pension plan
37 under the Internal Revenue Code of 1986 (Public Law
38 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
39 compliance with the Uniformed Services Employment and
40 Reemployment Rights Act of 1994 (Public Law 103-353,
41 108 Stat. 3149).

42 (C) Domestic relations orders regarding
43 alternate payees of participants in the School
44 Employees' Defined Contribution Plan.

45 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
46 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
47 Pt. IV or 51 Pa.C.S. or a term or provision of the School
48 Employees' Defined Contribution Plan or School Employees'
49 Defined Contribution Trust, established by statute or in
50 the plan document or trust declaration or by contract
51 with providers of investment and administrative services

1 to the School Employees' Defined Contribution Plan or the
2 School Employees' Defined Contribution Trust.

3 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
4 subject to the Internal Revenue Code of 1986 and the
5 Uniformed Services Employment and Reemployment Rights Act of
6 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
7 under those statutes, and the General Assembly reserves to
8 itself the further exercise of its legislative power to amend
9 or supplement the provisions as may be required in order to
10 maintain the qualification of the Public School Employees'
11 Retirement System and the School Employees' Defined
12 Contribution Plan as a qualified pension plan under section
13 401(a) and other applicable provisions of the Internal
14 Revenue Code of 1986 and the Uniformed Services Employment
15 and Reemployment Rights Act of 1994 (Public Law 103-353, 108
16 Stat. 3149).

17 (3) The following provisions shall not create in a
18 member of the State Employees' Retirement System, a
19 participant in the State Employees' Defined Contribution Plan
20 or another person claiming an interest in the account of a
21 member or participant an expressed or implied contractual
22 right in the provisions nor in a construction of 51 Pa.C.S. §
23 7306, 71 Pa.C.S. Pt. XXV, or rules or regulations adopted
24 under 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

25 (i) A provision of this act which amends 51 Pa.C.S.
26 § 7306 or 71 Pa.C.S. Pt. XXV, in relation to requirements
27 for any of the following:

28 (A) Qualification of the State Employees'
29 Defined Contribution Plan as a qualified pension plan
30 under the Internal Revenue Code of 1986 (Public Law
31 99-514, 26 U.S.C. § 401(a)).

32 (B) Compliance with the Uniformed Services
33 Employment and Reemployment Rights Act of 1994
34 (Public Law 103-353).

35 (C) Domestic relations orders regarding
36 alternate payees of participants in the State
37 Employees' Defined Contribution Plan.

38 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
39 XXV, or rules or regulation promulgated under 51 Pa.C.S.
40 or 71 Pa.C.S. Pt. XXV, or a term or provision of the
41 State Employees' Defined Contribution Plan or State
42 Employees' Defined Contribution Trust established by
43 statute or in the plan document or trust declaration or
44 by contract with providers of investment and
45 administrative services to the State Employees' Defined
46 Contribution Plan or State Employees' Defined
47 Contribution Trust.

48 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
49 subject to the Internal Revenue Code of 1986 and the
50 Uniformed Services Employment and Reemployment Rights Act of
51 1994 (Public Law 103-353, 108 Stat. 3149), and regulations

1 promulgated under those statutes.

2 (5) The General Assembly reserves to itself the further
3 exercise of its legislative power to amend or supplement the
4 provisions of 71 Pa.C.S. Pt. XXV in order to maintain the
5 qualification of the State Employees' Retirement System and
6 the State Employees' Defined Contribution Plan as qualified
7 pension plans under section 401(a) and other applicable
8 provisions of the Internal Revenue Code of 1986 and the
9 Uniformed Services Employment and Reemployment Rights Act of
10 1994 (Public Law 103-353, 108 Stat. 3149).

11 Section 402. The following shall apply:

12 (1) Nothing in this act shall be construed to mean that
13 a calculation or actuarial method used by the Public School
14 Employees' Retirement Board, its actuaries or the Public
15 School Employees' Retirement System was not in accordance
16 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
17 law prior to the effective date of this paragraph.

18 (2) Nothing in this act shall be construed to mean that
19 a calculation or actuarial method used by the State
20 Employees' Retirement Board, its actuaries or the State
21 Employees' Retirement System was not in accordance with the
22 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
23 prior to the effective date of this section.

24 Section 403. (Reserved).

25 Section 404. The following shall apply:

26 (1) Notwithstanding any other provision of law:

27 (i) A change in accrued liability of the State
28 Employees' Retirement System created under this act shall
29 be funded in equal dollar installments over a period of
30 30 years beginning July 1, 2019.

31 (ii) A change in accrued liability of the State
32 Employees' Retirement System created under this act by
33 the amendment of 71 Pa.C.S. § 5508(b) shall be funded in
34 equal dollar installments over a period of 30 years
35 beginning July 1, 2022.

36 (2) (Reserved).

37 Section 405. The following shall apply:

38 (1) This act shall be construed and administered in such
39 a manner that the Public School Employees' Retirement System
40 and the School Employees' Defined Contribution Plan shall
41 satisfy the requirements necessary to qualify as a qualified
42 pension plan under section 401(a) of the Internal Revenue
43 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
44 applicable provisions of the Internal Revenue Code of 1986
45 and the Uniformed Services Employment and Reemployment Rights
46 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
47 regulations and procedures adopted and promulgated by the
48 Public School Employees' Retirement Board and the terms and
49 conditions of the plan document and trust declaration adopted
50 by the Public School Employees' Retirement Board may include
51 provisions necessary to accomplish the purpose of this

1 section.

2 (2) Nothing in this act shall be construed or deemed to
3 imply that any member shall be required to make contributions
4 to the Public School Employees' Retirement System in excess
5 of the limits established by section 415(n)(3)(A)(iii) of the
6 Internal Revenue Code of 1986 (26 U.S.C. § 415(n)(3)(A)
7 (iii)). A contribution made by a member that is determined to
8 be in excess of the limits shall be refunded to the member in
9 a lump sum subject to withholding for all applicable taxes
10 and penalties as soon as administratively possible after the
11 determination is made. A refund under this subparagraph shall
12 not affect the benefit payable to the member and shall not be
13 treated as or deemed to be a withdrawal of the member's
14 accumulated deductions.

15 (3) Nothing in this act shall be construed to mean that
16 an interpretation or application of 24 Pa.C.S. Pt. IV or
17 benefits available to members of the Public School Employees'
18 Retirement System was not in accordance with 24 Pa.C.S. Pt.
19 IV or other applicable law, including the Internal Revenue
20 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
21 the Uniformed Services Employment and Reemployment Rights Act
22 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
23 effective date of this section.

24 Section 406. The following shall apply to construction
25 related to Federal law as to the State Employees' Retirement
26 System:

27 (1) This act shall be construed and administered in a
28 manner that the State Employees' Retirement System and the
29 State Employees' Defined Contribution Plan shall satisfy the
30 requirements necessary to qualify as a qualified pension plan
31 under section 401(a) of the Internal Revenue Code of 1986
32 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
33 provisions of the Internal Revenue Code of 1986 and the
34 Uniformed Services Employment and Reemployment Rights Act of
35 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
36 regulations and procedures adopted and promulgated by the
37 State Employees' Retirement Board and the terms and
38 conditions of the plan document and trust declaration adopted
39 by the State Employees' Retirement Board may include
40 provisions necessary to accomplish the purpose of this
41 section.

42 (2) Nothing in this act shall be construed or deemed to
43 imply that any member shall be required to make contributions
44 to the State Employees' Retirement System in excess of the
45 limits established by section 415(n)(3)(A)(iii) of the
46 Internal Revenue Code of 1986 (26 U.S.C. § 415(n)(3)(A)
47 (iii)). A contribution made by a member that is determined to
48 be in excess of the limits shall be refunded to the member in
49 a lump sum subject to withholding for all applicable taxes
50 and penalties as soon as administratively possible after the
51 determination is made. A refund under this subparagraph shall

1 not affect the benefit payable to the member and shall not be
2 treated as or deemed to be a withdrawal of the member's
3 accumulated deductions.

4 (3) Nothing in this act shall be construed to mean that
5 an interpretation or application of 71 Pa.C.S. Pt. XXV or
6 benefits available to members of the State Employees'
7 Retirement System was not in accordance with 71 Pa.C.S. Pt.
8 XXV or other applicable law, including the Internal Revenue
9 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
10 the Uniformed Services Employment and Reemployment Rights Act
11 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
12 effective date of this section.

13 Section 407. (Reserved).

14 Section 408. Nothing in this act shall be deemed to permit
15 the restoration of service credit or retirement benefits that:

16 (1) were or are subject to section 16 of Article V of
17 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

18 (2) were or are the subject of an order of forfeiture
19 under the act of July 8, 1978 (P.L.752, No.140), known as the
20 Public Employee Pension Forfeiture Act.

21 Section 409. Notwithstanding the amendment of 24 Pa.C.S. §
22 8501(e) and 71 Pa.C.S. § 5901(e), the Governor's Office of
23 General Counsel shall continue to provide legal counsel and
24 legal services to the Public School Employees' Retirement Board
25 and the State Employees' Retirement Board until such time as
26 each board appoints a chief counsel and such other counsel as it
27 deems necessary to provide it with legal services and through
28 its secretary gives such notice to the General Counsel.

29 Section 410. No school employee otherwise a member of,
30 eligible to be a member of, or having school or nonschool
31 service credited in a class of service other than Class T-G may
32 cancel, decline or waive membership in such other class of
33 service in order to obtain Class T-G service credit, become a
34 member of Class T-G or elect Class T-G membership.

35 Section 411. Except as provided under 71 Pa.C.S. § 5306.5,
36 no State employee otherwise a member of, eligible to be a member
37 of or having State or nonstate service credited in a class of
38 service other than Class A-5 or Class A-6 may cancel, decline or
39 waive membership in such other class of service in order to
40 obtain Class A-5 or Class A-6 service credit, become a member of
41 Class A-5 or Class A-6 or elect Class A-5 or Class A-6
42 membership or to be solely a participant in the plan.

43 Section 412. Notwithstanding any regulation promulgated by
44 the Public School Employees' Retirement Board, application or
45 interpretation of 24 Pa.C.S. Pt. IV, or administrative practice
46 to the contrary, a member's eligibility deriving from Class T-G
47 or Class T-H service credit for a superannuation annuity or
48 other rights and benefits based upon attaining superannuation
49 age shall be determined by including only those eligibility
50 points actually accrued.

51 Section 412.1. Notwithstanding any regulation promulgated by

1 the State Employees' Retirement Board, application or
2 interpretation of 71 Pa.C.S. Pt. XXV, or administrative practice
3 to the contrary, the eligibility of a member of the State
4 Employees' Retirement System deriving from Class A-5 or Class A-
5 6 service credit for a superannuation annuity, withdrawal
6 annuity or other rights and benefits based on attaining a
7 specific age or number of eligibility points or a combination of
8 age and eligibility points shall be determined by including only
9 those eligibility points actually accrued.

10 Section 413. The following shall apply:

11 (1) Except as provided under paragraph (2), if a
12 provision of this act or its application to any person or
13 circumstance is held invalid, the invalidity shall not affect
14 other provisions or applications of this act that can be
15 given effect without the invalid provision or application.

16 (2) The following shall apply:

17 (i) If the application of the shared-risk provisions
18 of 71 Pa.C.S. Pt. XXV is declared inapplicable to any
19 person by a court or administrative tribunal of competent
20 jurisdiction, the provisions of Pt. XXV relating to
21 shared-gain adjustments to regular member contributions
22 shall be inapplicable to that person.

23 (ii) The following shall apply:

24 (A) If the application of any provision of this
25 act relating to membership in Class A-5 or Class A-6
26 or participation in the State Employees' Defined
27 Contribution Plan is declared invalid to any person
28 for any period of State service, the invalidity shall
29 not affect the application of this act to any other
30 person. The provisions of this act relating to both
31 membership in Class A-5 or Class A-6 and
32 participation in the State Employees' Defined
33 Contribution Plan shall be invalid as to the person
34 for the period of State service for which part of the
35 State service was invalid and that person shall be
36 considered a Class A-5 exempt employee for the
37 service at issue. If a State employee's participation
38 in the State Employees' Defined Contribution Plan is
39 declared invalid for any period of State service, the
40 affected State employee shall return to the State
41 Employees' Defined Contribution Trust any
42 distributions related to the period of State service
43 at issue, shall be granted the status and service
44 credit in the State Employees' Retirement System as
45 if he was a Class A-5 exempt employee and shall be
46 required to make all contributions to the State
47 Employees' Retirement Fund as if he was a Class A-5
48 exempt employee for the period of State service at
49 issue.

50 (B) The affected State employee's accumulated
51 mandatory participant contributions and accumulated

1 voluntary contributions shall be transferred to the
2 affected employee's member savings account to the
3 extent necessary to fund that account with the member
4 contributions and interest that would have been
5 standing to the member's account had the State
6 employee been a Class A-5 exempt employee for the
7 period of service at issue. Any remaining balance
8 shall be refunded to the State employee, who also
9 shall be responsible for paying to the fund in a
10 manner and time determined by the State Employees'
11 Retirement Board any additional funds required if the
12 accumulated mandatory participant contributions and
13 accumulated voluntary contributions were not
14 sufficient.

15 (C) The accumulated employer defined
16 contributions shall be transferred to the State
17 Accumulation Account and no further amount shall be
18 due from the employer or refund paid.

19 Section 414. Notwithstanding the provisions of 71 Pa.C.S. §
20 5903(b), the statement for each member prepared by the State
21 Employees' Retirement Board for the periods ending December 31,
22 2017, December 31, 2018, and December 31, 2019, and any other
23 statements or estimates of benefits prepared by the board
24 pursuant to the State Employees' Retirement Code from the
25 effective date of this section to December 31, 2019, need not
26 reflect the provisions of this act and in the case of the
27 statements for each member for the periods ending on or before
28 December 31, 2019, need not include a projection of the benefit
29 to which the member is entitled upon attainment of
30 superannuation age.

31 Section 415. Notwithstanding the provisions of 71 Pa.C.S.
32 Pt. XXV, the obligation of the State Employees' Retirement Board
33 to make payments within specified time periods of the receipt of
34 applications for benefits or other information shall not apply
35 from the effective date of this section to December 31, 2019.

36 Section 415.1. The following shall expire on January 1,
37 2019:

38 (1) The addition of the portion of subsection (b)(3) in
39 the amendment of 24 Pa.C.S. § 8307 that requires a vestee to
40 obtain the age of 62.

41 (2) The addition of the portion of subsection (b)(4) in
42 the amendment of 71 Pa.C.S. § 5308(b)(4) that requires a
43 vestee to obtain the age of 62.

44 Section 416. The following shall apply:

45 (1) The appointment of the Secretary of Banking and
46 Securities to the membership of the Public School Employees'
47 Retirement Board in the amendment of 24 Pa.C.S. § 8501(a)
48 shall take effect when the first of the two positions
49 currently appointed by the Governor becomes vacant or an
50 incumbent member's term expires. Notification of the
51 expiration or vacancy shall be submitted by the Public School

1 Employees' Retirement Board to the Legislative Reference
2 Bureau for publication in the Pennsylvania Bulletin.

3 (2) The appointment of the Secretary of Banking and
4 Securities to the membership of the State Employees'
5 Retirement Board and reduction of the number of members
6 appointed by the Governor from six to five in 71 Pa.C.S. §
7 5901(a) shall take effect when the first of the six positions
8 currently appointed by the Governor that is not held by an
9 annuitant becomes vacant or an incumbent member's term
10 expires. Notification of the expiration or vacancy shall be
11 submitted by the State Employees' Retirement System to the
12 Legislative Reference Bureau for publication in the
13 Pennsylvania Bulletin.
14 Section 417. This act shall take effect immediately.