
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1353 Session of
2013

INTRODUCED BY KAMPF, TRUITT, AUMENT, MILLARD, BLOOM, GROVE,
MCGINNIS, SACCONI, GINGRICH, METCALFE, DUNBAR, STEVENSON,
REGAN, HARPER, LAWRENCE, HICKERNELL, MASSER, EVERETT, GABLER,
MUSTIO, F. KELLER, KILLION, EVANKOVICH, MOUL, CUTLER, MALONEY
AND TURZAI, MAY 17, 2013

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MAY 17, 2013

AN ACT

1 Amending Titles 51 (Military Affairs) and 71 (State Government)
2 of the Pennsylvania Consolidated Statutes, in Title 51, in
3 employment preferences and pensions, further providing for
4 military leaves of absence; in Title 71, in retirement for
5 State employees and officers, further providing for
6 definitions, for preliminary provisions and for membership,
7 credited service, classes of service, and eligibility
8 benefits, providing for State Employees' Defined Contribution
9 Plan, further providing for contributions, for benefits and
10 for administration, funds and accounts; and making editorial
11 changes.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 7306(a) introductory paragraph of Title
15 51 of the Pennsylvania Consolidated Statutes, amended October
16 24, 2012 (P.L.1436, No.181), is amended and the section is
17 amended by adding a subsection 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'

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

6 * * *

7 (e) Participants of the State Employees' Defined
8 Contribution Plan.--An employee who is an active participant or
9 inactive participant on leave without pay of the State
10 Employees' Defined Contribution Plan at the time he is granted a
11 military leave of absence shall be entitled to make
12 contributions to the State Employees' Defined Contribution Trust
13 for such leave as provided in 71 Pa.C.S. Pt. XXV (relating to
14 retirement for State employees and officers).

15 Section 2. The definitions of "alternate payee," "average
16 noncovered salary," "beneficiary," "compensation," "creditable
17 nonstate service," "credited service," "date of termination of
18 service," "distribution," "domestic relations order," "final
19 average salary," "inactive member," "intervening military
20 service," "irrevocable beneficiary," "previous State service,"
21 "reemployed from USERRA leave," "retirement counselor," "salary
22 deductions," "special vestee," "State employee," "superannuation
23 age" and "valuation interest" in section 5102 of Title 71,
24 amended or added October 24, 2012 (P.L.1436, No.181), are
25 amended and the section is amended by adding definitions to
26 read:

27 § 5102. Definitions.

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

1 * * *

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

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

12 "Accumulated total defined contributions." The total of the
13 accumulated mandatory participant contributions, accumulated
14 employer defined contributions and accumulated voluntary
15 contributions, reduced by any distributions, standing to the
16 credit of a participant in an individual investment account in
17 the trust.

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

24 * * *

25 "Active participant." A State employee for whom mandatory
26 pickup participant contributions are being made to the trust or
27 for whom such contributions otherwise required for current State
28 service are not being made solely by reason of any provision of
29 this part relating to the limitations under section 401(a)(17)
30 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,

1 26 U.S.C. § 401(a)(17) or § 415).

2 * * *

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

8 * * *

9 "Average noncovered salary." The average of the amounts of
10 compensation received by an active member each calendar year
11 since January 1, 1956, exclusive of the amount which was or
12 could have been covered by the Federal Social Security Act[,]
13 (42 U.S.C. § 301 et seq.), during that portion of the member's
14 service since January 1, 1956, for which he has received social
15 security integration credit.

16 * * *

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

23 * * *

24 "Combined service employee." A current or former State
25 employee who is both a member of the system and a participant in
26 the plan.

27 * * *

28 "Compensation." Pickup contributions and mandatory pickup
29 contributions plus remuneration actually received as a State
30 employee excluding refunds for expenses, contingency and

1 accountable expense allowances; excluding any severance payments
2 or payments for unused vacation or sick leave; and excluding
3 payments for military leave and any other payments made by an
4 employer while on USERRA leave, leave of absence granted under
5 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
6 government employees), military leave of absence granted under
7 51 Pa.C.S. § 7302 (relating to granting military leaves of
8 absence) or other types of military leave, including other types
9 of leave payments, stipends, differential wage payments as
10 defined in IRC § 414(u)(12) and any other payments: Provided,
11 however, That compensation received prior to January 1, 1973,
12 shall be subject to the limitations for retirement purposes in
13 effect December 31, 1972, if any: Provided further, That the
14 limitation under section 401(a)(17) of the Internal Revenue Code
15 of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)) taken into
16 account for the purpose of member contributions, including any
17 additional member contributions in addition to regular or joint
18 coverage member contributions and Social Security integration
19 contributions, regardless of class of service, shall apply to
20 each member who first became a member of the State Employees'
21 Retirement System on or after January 1, 1996, and who by reason
22 of such fact is a noneligible member subject to the application
23 of the provisions of section 5506.1(a) (relating to annual
24 compensation limit under IRC § 401(a)(17)) and shall apply to
25 each participant.

26 * * *

27 "Creditable nonstate service." Service other than:

28 (1) service as a State employee;

29 (2) service converted to State service pursuant to
30 section 5303.1 (relating to election to convert county

1 service to State service); or

2 (3) school service converted to State service pursuant
3 to section 5303.2 (relating to election to convert school
4 service to State service)

5 for which an active member may obtain credit in the system.

6 "Credited service." State or creditable nonstate service for
7 which the required contributions have been made to the fund or
8 for which the contributions otherwise required for such service
9 were not made solely by reason of section 5502.1 (relating to
10 waiver of regular member contributions and Social Security
11 integration member contributions) or any provision of this part
12 relating to the limitations under section 401(a)(17) or 415(b)
13 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
14 U.S.C. § 401(a)(17) or 415(b)), or for which salary deductions
15 to the system or lump sum payments have been agreed upon in
16 writing.

17 "Date of termination of service." The last day of service
18 for which:

19 (1) pickup contributions are made for an active member
20 [or] ;

21 (2) in the case of an inactive member on leave without
22 pay, the date of his resignation or the date his employment
23 is formally discontinued by his employer[.];

24 (3) mandatory pickup participant contributions are made
25 for an active participant;

26 (4) in the case of an inactive participant on leave
27 without pay, the date of his resignation or the date his
28 employment is formally discontinued by his employer; or

29 (5) in the case of a combined service employee, the
30 latest of the dates in paragraphs (1), (2), (3) and (4).

1 * * *

2 "Distribution." Payment of all or any portion of a person's
3 interest in either the State Employees' Retirement Fund or the
4 State Employees' Defined Contribution Trust or both which is
5 payable under this part.

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

19 * * *

20 "Employer defined contributions."

21 (1) Unless paragraph (2) applies, contributions equal to
22 4% of an active participant's compensation which are made by
23 the Commonwealth or other employer for current service to the
24 trust to be credited in the participant's individual
25 investment account.

26 (2) (i) For Pennsylvania State Police, contributions
27 equal to 12.2% of an active participant's compensation
28 which are made by the Commonwealth for current service to
29 the trust to be credited in the participant's individual
30 investment account.

1 (ii) For an enforcement officer, correction officer,
2 psychiatric security aide, Delaware River Port Authority
3 policeman, park ranger or Capitol police officer,
4 contributions equal to 5.5% of an active participant's
5 compensation which are made by the Commonwealth or other
6 employer for current service to the trust to be credited
7 in the participant's individual investment account.

8 * * *

9 "Final average salary." The highest average compensation
10 received as a member during any three nonoverlapping periods of
11 four consecutive calendar quarters during which the member was a
12 State employee, with the compensation for part-time service
13 being annualized on the basis of the fractional portion of the
14 year for which credit is received; except if the employee was
15 not a member for three nonoverlapping periods of four
16 consecutive calendar quarters, the total compensation received
17 as a member, annualized in the case of part-time service,
18 divided by the number of nonoverlapping periods of four
19 consecutive calendar quarters of membership; in the case of a
20 member with multiple service, the final average salary shall be
21 determined on the basis of the compensation received by him as a
22 [State employee] member of the system or as a school employee
23 other than as a participant in the School Employees' Defined
24 Contribution Plan, or both; in the case of a member with Class
25 A-3 or Class A-4 service and service in one or more other
26 classes of service, the final average salary shall be determined
27 on the basis of the compensation received by him in all classes
28 of State service credited in the system; and, in the case of a
29 member who first became a member on or after January 1, 1996,
30 the final average salary shall be determined as hereinabove

1 provided but subject to the application of the provisions of
2 section 5506.1(a) (relating to annual compensation limit under
3 IRC § 401(a)(17)). Final average salary shall be determined by
4 including in compensation payments deemed to have been made to a
5 member reemployed from USERRA leave to the extent member
6 contributions have been made as provided in section 5302(f)(2)
7 (relating to credited State service) and payments made to a
8 member on leave of absence under 51 Pa.C.S. § 4102 (relating to
9 leaves of absence for certain government employees) as provided
10 in section 5302(f)(6).

11 * * *

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

25 "Inactive participant." A participant for whom no mandatory
26 pickup participant contributions are being made to the trust,
27 except in the case of an active participant for whom such
28 contributions otherwise required for current State service are
29 not being made solely by reason of any provision of this part
30 relating to limitations under section 401(a)(17) or 415 of the

1 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
2 401(a)(17) or 415), but who has accumulated total defined
3 contributions standing to his credit in the trust and who has
4 not filed an application for an annuity.

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

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

18 * * *

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

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

30 * * *

1 "Mandatory pickup participant contributions." Contributions
2 equal to 4% of compensation that are made by the Commonwealth or
3 other employer for active participants for current service which
4 are picked up by the employer.

5 * * *

6 "Participant." An active participant, inactive participant
7 or participant receiving distributions.

8 "Participant receiving distributions." A participant in the
9 plan who has commenced receiving distributions from his
10 individual investment account but who has not received a total
11 distribution of his interest in the account.

12 * * *

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

15 "Plan document." The documents created by the board under
16 section 5402 (relating to plan document) that contain the terms
17 and provisions of the plan and trust as established by the board
18 regarding the establishment, administration and investment of
19 the plan and trust.

20 "Previous State service." Service rendered as a State
21 employee prior to his most recent entrance in the system[.],
22 provided that the State employee was not a participant in the
23 plan, was not eligible to be an optional participant in the plan
24 under section 5301(b.1) (relating to mandatory and optional
25 membership) or was not prohibited from being a participant under
26 section 5301(c.1) during such service.

27 * * *

28 "Reemployed from USERRA leave." Resumption of active
29 membership or active participation as a State employee after a
30 period of USERRA leave, provided, however, that the resumption

1 of active membership or active participation was within the time
2 period and under conditions and circumstances such that the
3 State employee was entitled to reemployment rights under 38
4 U.S.C. Ch. 43 (relating to employment and reemployment rights of
5 members of the uniformed services).

6 * * *

7 "Required beginning date." The latest date by which
8 distributions of a participant's interest in his individual
9 investment account must commence under section 401(a)(9) of the
10 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
11 401(a)(9)).

12 "Retirement counselor." The State Employees' Retirement
13 System or State Employees' Defined Contribution Plan employee
14 whose duty it shall be to advise each employee of his rights and
15 duties as a member of the system or as a participant of the
16 plan.

17 "Salary deductions." The amounts certified by the board,
18 deducted from the compensation of an active member or active
19 participant, or the school service compensation of a multiple
20 service member who is an active member of the Public School
21 Employees' Retirement System, and paid into the fund or trust.

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

25 * * *

26 "Special vestee." An employee of The Pennsylvania State
27 University who is a member of the State Employees' Retirement
28 System with five or more but less than ten eligibility points
29 and who has a date of termination of service from The
30 Pennsylvania State University of June 30, 1997, because of the

1 transfer of his job position or duties to a controlled
2 organization of the Penn State Geisinger Health System or
3 because of the elimination of his job position or duties due to
4 the transfer of other job positions or duties to a controlled
5 organization of the Penn State Geisinger Health System, provided
6 that:

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

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

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

17 (4) the member elects to leave the member's total
18 accumulated deductions in the fund and to defer receipt of an
19 annuity until attainment of superannuation age.

20 * * *

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

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

30 (ii) State-owned educational institutions.

1 (iii) Community colleges.

2 (iv) The Pennsylvania State University, except an
3 employee in the College of Agriculture who is paid wholly
4 from Federal funds or an employee who is participating in
5 the Federal Civil Service Retirement System. The
6 university shall be totally responsible for all employer
7 contributions under [section] sections 5507 (relating to
8 contributions to the system by the Commonwealth and other
9 [employers).] employers before July 1, 2015) and 5507.1
10 (relating to contributions to the system by the
11 Commonwealth and other employers starting July 1, 2015).

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

1 (3) Any separate independent public corporation created
2 by statute, not including any municipal or quasi-municipal
3 corporation, so long as he remains an officer or employee of
4 such public corporation, and provided that such officer or
5 employee of such public corporation was an employee of the
6 Commonwealth immediately prior to his employment by such
7 corporation, and further provided such public corporation
8 shall agree to contribute and contributes to the fund or to
9 the trust, from time to time, the moneys required to build up
10 the reserves necessary for the payment of the annuities or
11 other benefits of such officers and employees without any
12 liability on the part of the Commonwealth to make
13 appropriations for such purposes.

14 * * *

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

19 "Superannuation age." For classes of service in the system
20 other than Class A-3 and Class A-4, any age upon accrual of 35
21 eligibility points or age 60, except for a member of the General
22 Assembly, an enforcement officer, a correction officer, a
23 psychiatric security aide, a Delaware River Port Authority
24 policeman or an officer of the Pennsylvania State Police, age
25 50, and, except for a member with Class G, Class H, Class I,
26 Class J, Class K, Class L, Class M or Class N service, age 55
27 upon accrual of 20 eligibility points. For Class A-3 and Class
28 A-4 service, any age upon attainment of a superannuation score
29 of 92, provided the member has accrued 35 eligibility points, or
30 age 65, or for park rangers or capitol police officers, age 55

1 with 20 years of service as a park ranger or capitol police
2 officer, except for a member of the General Assembly, an
3 enforcement officer, a correction officer, a psychiatric
4 security aide, a Delaware River Port Authority policeman or an
5 officer of the Pennsylvania State Police, age 55. A vestee with
6 Class A-3 or Class A-4 service credit attains superannuation age
7 on the birthday the vestee attains the age resulting in a
8 superannuation score of 92, provided that the vestee has at
9 least 35 eligibility points, or attains another applicable
10 superannuation age, whichever occurs first.

11 * * *

12 "Trust." The State Employees' Defined Contribution Trust
13 established under Chapter 54 (relating to State Employees'
14 Defined Contribution Plan).

15 * * *

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

19 * * *

20 "Voluntary contributions." Contributions made by a
21 participant to the trust and credited to his individual
22 investment account in excess of his mandatory pickup participant
23 contributions, by salary deductions paid through the
24 Commonwealth or other employer, or by an eligible rollover or
25 direct trustee-to-trustee transfer.

26 Section 3. Section 5103 of Title 71 is amended to read:

27 § 5103. Notice to members and participants.

28 Notice by publication, including, without being limited to,
29 newsletters, newspapers, forms, first class mail, letters,
30 manuals and, to the extent authorized by a policy adopted by the

1 board, electronically, including, without being limited to, e-
2 mail or [World Wide Web] Internet sites, distributed or made
3 available to members and participants in a manner reasonably
4 calculated to give actual notice of those sections of the State
5 Employees' Retirement Code that require notice to members or
6 participants shall be deemed sufficient notice for all purposes.

7 Section 4. Title 71 is amended by adding a section to read:
8 § 5104. Reference to State Employees' Retirement System.

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

17 (b) Agreement.--The agreement of an employer listed in the
18 definition of "State employee" under section 5102 (relating to
19 definitions) or any other law to make contributions to the State
20 Employees' Retirement Fund or to enroll its employees as members
21 in the State Employees' Retirement System shall be deemed to be
22 an agreement to make contributions to the State Employees'
23 Defined Contribution Trust or to enroll its employees in the
24 State Employees' Defined Contribution Plan.

25 Section 5. Section 5301 heading, (a), (b), (c) and (d) of
26 Title 71 are amended and the section is amended by adding
27 subsections to read:

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

30 (a) Mandatory membership.--[Membership] Unless an election

1 to be a participant in the plan is made, membership in the
2 system shall be mandatory as of the effective date of employment
3 for all State employees except the following:

- 4 (1) Governor.
- 5 (2) Lieutenant Governor.
- 6 (3) Members of the General Assembly.
- 7 (4) Heads or deputy heads of administrative departments.
- 8 (5) Members of any independent administrative board or
9 commission.
- 10 (6) Members of any departmental board or commission.
- 11 (7) Members of any advisory board or commission.
- 12 (8) Secretary to the Governor.
- 13 (9) Budget Secretary.
- 14 (10) Legislative employees.
- 15 (11) School employees who have elected membership in the
16 Public School Employees' Retirement System.
- 17 (12) School employees who have elected membership in an
18 independent retirement program approved by the employer,
19 provided that in no case, except as hereinafter provided,
20 shall the employer contribute on account of such elected
21 membership at a rate greater than the employer normal
22 contribution rate as determined in section 5508(b) (relating
23 to actuarial cost method for fiscal years ending before July
24 1, 2015). For the fiscal year 1986-1987 an employer may
25 contribute on account of such elected membership at a rate
26 which is the greater of 7% or the employer normal
27 contribution rate as determined in section 5508(b) and for
28 the fiscal year 1992-1993 and all years after that at a rate
29 of 9.29%.
- 30 (13) Persons who have elected to retain membership in

1 the retirement system of the political subdivision by which
2 they were employed prior to becoming eligible for membership
3 in the State Employees' Retirement System.

4 (14) Persons who are not members of the system and are
5 employed on a per diem or hourly basis for less than 100 days
6 or 750 hours in a 12-month period.

7 (15) Employees of the Philadelphia Regional Port
8 Authority who have elected to retain membership in the
9 pension plan or retirement system in which they were enrolled
10 as employees of the predecessor Philadelphia Port Corporation
11 prior to the creation of the Philadelphia Regional Port
12 Authority.

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

21 (17) State employees whose most recent period of State
22 service starts on or after January 1, 2015. For purposes of
23 this paragraph and section 5955(c) (relating to construction
24 of part), a State employee who is furloughed under section
25 802 of the act of August 5, 1941 (P.L.752, No.286), known as
26 the Civil Service Act, and reemployed pursuant to the Civil
27 Service Act in any class of service or civil service status
28 which was previously held shall not be treated as having a
29 break in State service.

30 (a.1) Mandatory participation in the plan.--State employees

1 listed in subsection (a)(17) who are not listed in subsection
2 (a)(1) through (13) shall be mandatory participants as of the
3 most recent effective date of State service without regard to
4 whether or not they are combined service employees.

5 (b) Optional membership in the system.--The State employees
6 listed in subsection (a)(1) through (11) shall have the right to
7 elect membership in the system on or before December 31, 2014;
8 once such election is exercised, membership shall continue until
9 the termination of State service or until the State employee
10 elects to be a participant of the plan.

11 (b.1) Optional participation in the plan.--The State
12 employees listed in subsection (a)(17) who also are listed in
13 subsection (a)(1) through (10) shall have the right to elect
14 participation in the plan; once such election is exercised,
15 participation will be effective as of the date of election and
16 shall continue until the termination of State service.

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

21 (c.1) Prohibited participation in the plan.--The State
22 employees listed in subsection (a)(17) who also are listed in
23 subsection (a)(13) and (15) or who are employees of The
24 Pennsylvania State University, the State System of Higher
25 Education, State-owned educational institutions or community
26 colleges shall not be eligible to participate in the plan.

27 (d) Return to service.--An annuitant who returns to service
28 as a State employee before January 1, 2015, shall resume active
29 membership in the system as of the effective date of employment,
30 except as otherwise provided in section 5706(a) (relating to

1 termination of annuities), regardless of the optional membership
2 category of the position. An annuitant, inactive participant or
3 a participant receiving distributions who returns to service as
4 a State employee on or after January 1, 2015, shall be an active
5 participant of the plan as of the effective date of employment
6 unless the position is eligible for optional participation or is
7 not eligible for participation in the plan, or except as
8 otherwise provided in section 5706(a).

9 * * *

10 Section 6. Section 5302(a), (b), (e) and (f) of Title 71,
11 amended October 24, 2012 (P.L.1436, No.181), are amended to
12 read:

13 § 5302. Credited State service.

14 (a) Computation of credited service.--In computing credited
15 State service of a member for the determination of benefits, a
16 full-time salaried State employee, including any member of the
17 General Assembly, shall receive credit for service in each
18 period for which contributions as required are made to the fund,
19 or for which contributions otherwise required for such service
20 were not made to the fund solely by reason of section 5502.1
21 (relating to waiver of regular member contributions and Social
22 Security integration member contributions) or any provision of
23 this part relating to the limitations under IRC § 401(a)(17) or
24 415(b), but in no case shall he receive more than one year's
25 credit for any 12 consecutive months or 26 consecutive biweekly
26 pay periods. A per diem or hourly State employee shall receive
27 one year of credited service for each nonoverlapping period of
28 12 consecutive months or 26 consecutive biweekly pay periods in
29 which he is employed and for which contributions are made to the
30 fund or would have been made to the fund but for such waiver

1 under section 5502.1 or limitations under the IRC for at least
2 220 days or 1,650 hours of employment. If the member was
3 employed and contributions were made to the fund for less than
4 220 days or 1,650 hours, he shall be credited with a fractional
5 portion of a year determined by the ratio of the number of days
6 or hours of service actually rendered to 220 days or 1,650
7 hours, as the case may be. A part-time salaried employee shall
8 be credited with the fractional portion of the year which
9 corresponds to the number of hours or days of service actually
10 rendered and for which contributions are made to the fund in
11 relation to 1,650 hours or 220 days, as the case may be. In no
12 case shall a member who has elected multiple service receive an
13 aggregate in the two systems of more than one year of credited
14 service for any 12 consecutive months.

15 (b) Creditable leaves of absence.--

16 (1) A member on leave without pay who is studying under
17 a Federal grant approved by the head of his department or who
18 is engaged up to a maximum of two years of temporary service
19 with the United States Government, another state or a local
20 government under the Intergovernmental Personnel Act of 1970
21 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
22 be eligible for credit for such service: Provided, That
23 contributions are made in accordance with sections 5501
24 (relating to regular member contributions for current
25 service), 5501.1 (relating to shared-risk member
26 contributions for Class A-3 and Class A-4 service), 5505.1
27 (relating to additional member contributions) [and], 5507
28 (relating to contributions to the system by the Commonwealth
29 and other employers before July 1, 2015) and 5507.1 (relating
30 to contributions to the system by the Commonwealth and other

1 employers starting July 1, 2015), the member returns from
2 leave without pay to active State service as a member of the
3 system for a period of at least one year, and he is not
4 entitled to retirement benefits for such service under a
5 retirement system administered by any other governmental
6 agency.

7 (2) An active member or active participant on paid leave
8 granted by an employer for purposes of serving as an elected
9 full-time officer for a Statewide employee organization which
10 is a collective bargaining representative under the act of
11 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
12 and Firemen Collective Bargaining Act, or the act of July 23,
13 1970 (P.L.563, No.195), known as the Public Employe Relations
14 Act, and up to 14 full-time business agents appointed by an
15 employee organization that represents correction officers
16 employed at State correctional institutions: Provided, That
17 for elected full-time officers such leave shall not be for
18 more than three consecutive terms of the same office and for
19 up to 14 full-time business agents appointed by an employee
20 organization that represents correction officers employed at
21 State correctional institutions no more than three
22 consecutive terms of the same office; that the employer shall
23 fully compensate the member or the participant, including,
24 but not limited to, salary, wages, pension and retirement
25 contributions and benefits, other benefits and seniority, as
26 if he were in full-time active service; and that the
27 Statewide employee organization shall fully reimburse the
28 employer for all expenses and costs of such paid leave,
29 including, but not limited to, contributions and payment in
30 accordance with [sections] section 5404 (relating to

1 participant contributions), 5405 (relating to mandatory
2 pickup participant contributions), 5406 (relating to employer
3 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or
4 5507.1, if the employee organization either directly pays, or
5 reimburses the Commonwealth or other employer for,
6 contributions made in accordance with [section] sections
7 5404, 5405, 5406, 5507 and 5507.1.

8 * * *

9 (e) Cancellation of credited service.--All credited service
10 in the system shall be cancelled if a member withdraws his total
11 accumulated deductions, except that a member with Class A-3 or
12 Class A-4 service credit and one or more other classes of
13 service credit shall not have his service credit as a member of
14 any classes of service other than as a member of Class A-3 or
15 Class A-4 cancelled when the member receives a lump sum payment
16 of accumulated deductions resulting from Class A-3 or Class A-4
17 service pursuant to section 5705.1 (relating to payment of
18 accumulated deductions resulting from Class A-3 and Class A-4
19 service). A partial or total distribution of accumulated total
20 defined contributions to a combined service employee shall not
21 cancel service credited in the system.

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

25 (1) For purposes of determining whether a member is
26 eligible to receive credited service in the system for a
27 period of active military service, other than active duty
28 service to meet periodic training requirements, rendered
29 after August 5, 1991, and that began before the effective
30 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73

1 (relating to military leave of absence) shall apply to all
2 individuals who were active members of the system when the
3 period of military service began, even if not defined as an
4 employee pursuant to 51 Pa.C.S. § 7301 (relating to
5 definitions).

6 (1.1) State employees may not receive service credit in
7 the system or exercise the options under 51 Pa.C.S. § 7306
8 (relating to retirement rights) for military leaves that
9 begin on or after the effective date of this subsection,
10 except as otherwise provided by this subsection.

11 (1.2) State employees may not participate in the plan or
12 exercise the options under 51 Pa.C.S. § 7306 (relating to
13 retirement rights) for military leaves that begin on or after
14 the effective date of this paragraph, except as otherwise
15 provided by this subsection.

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

19 (i) A State employee who is reemployed from USERRA
20 leave as an active member of the system shall be treated
21 as not having incurred a break in State service by reason
22 of the USERRA leave and shall be granted eligibility
23 points as if the State employee had not been on the
24 USERRA leave. If a State employee who is reemployed from
25 USERRA leave as an active member of the system
26 subsequently makes regular member contributions,
27 additional member contributions, Social Security
28 integration member contributions, shared-risk member
29 contributions and any other member contributions in the
30 amounts and in the time periods required by 38 U.S.C. Ch.

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

16 (ii) For purposes of determining whether a State
17 employee has made the required employee contributions for
18 State service credit for USERRA leave, if an employee who
19 is reemployed from USERRA leave as an active member of
20 the system terminates State service or dies in State
21 service before the expiration of the allowed payment
22 period, then State service credit for the USERRA leave
23 will be granted as if the required member contributions
24 were paid the day before termination or death. The amount
25 of the required member contributions will be treated as
26 an incomplete payment subject to the provisions of
27 section 5506 (relating to incomplete payments). Upon a
28 subsequent return to State service or to school service
29 as a multiple service member, the required member
30 contributions treated as incomplete payments shall be

1 treated as member contributions that were either
2 withdrawn in a lump sum at termination or paid as a lump
3 sum pursuant to section 5705(a)(4) (relating to member's
4 options), as the case may be.

5 (iii) A State employee who is reemployed from USERRA
6 leave as an active member of the system who does not make
7 the required member contributions or makes only part of
8 the required member contributions within the allowed
9 payment period shall not be granted credited service for
10 the period of USERRA leave for which the required member
11 contributions were not timely made, shall not be eligible
12 to subsequently make contributions and shall not be
13 granted either State service credit or nonstate service
14 credit for the period of USERRA leave for which the
15 required member contributions were not timely made.

16 (2.1) The following shall apply:

17 (i) A participant who is reemployed from USERRA
18 leave shall be treated as not having incurred a break in
19 State service by reason of the USERRA leave. If a
20 participant who is reemployed from USERRA leave
21 subsequently makes mandatory pickup participant
22 contributions in the amounts and in the time periods
23 required by 38 U.S.C. Ch. 43 and IRC § 414(u) as if the
24 participant had continued in his State office or
25 employment and performed State service and been
26 compensated during the period of USERRA leave, the
27 participant's employer shall make the corresponding
28 employer defined contributions. Such an employee shall
29 have his contributions, benefits, rights and obligations
30 determined under this part as if he were an active

1 participant who performed State service during the USERRA
2 leave in the job position that he would have held had he
3 not been on USERRA leave and received the compensation on
4 which the mandatory pickup participant contributions to
5 receive State service credit for the USERRA leave were
6 determined, including the right to make voluntary
7 contributions on such compensation as permitted by law.

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

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

27 (3.1) A State employee who is a participant in the plan
28 and performs USERRA leave from which the employee could have
29 been reemployed from USERRA leave had the employee returned
30 to State service in the time frames required by 38 U.S.C. Ch.

1 43 for reemployment rights, but was not reemployed, shall not
2 be eligible to make mandatory pickup participant
3 contributions or voluntary contributions for the period of
4 USERRA leave should the employee later return to State
5 service and be a participant in the plan.

6 (4) [A State employee] An active member or inactive
7 member on leave without pay who on or after the effective
8 date of this subsection is granted a leave of absence under
9 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
10 government employees) or a military leave under 51 Pa.C.S.
11 Ch. 73, that is not USERRA leave shall be able to receive
12 creditable nonstate service as nonintervening military
13 service should the employee return to State service as an
14 active member of the system and is otherwise eligible to
15 purchase the service as nonintervening military service.

16 (4.1) An active participant or inactive participant on
17 leave without pay who, on or after the effective date of this
18 paragraph, is granted a leave of absence under 51 Pa.C.S. §
19 4102 or a military leave under 51 Pa.C.S. Ch.73 that is not
20 USERRA leave shall not be able to make mandatory pickup
21 participant contributions or voluntary contributions during
22 or for the leave of absence or military leave and shall not
23 have employer defined contributions made during such leave,
24 without regard to whether or not the State employee received
25 salary, wages, stipends, differential wage payments or other
26 payments from his employer during the leave, notwithstanding
27 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
28 Pa.C.S. Ch. 73.

29 (5) If a member dies while performing USERRA leave, then
30 the beneficiaries or survivor annuitants, as the case may be,

1 of the deceased member are entitled to any additional
2 benefits, including eligibility points, other than benefit
3 accruals relating to the period of qualified military
4 service, provided under this part had the member resumed and
5 then terminated employment on account of death.

6 (5.1) If a participant dies while performing USERRA
7 leave, the beneficiaries or successor payees of the deceased
8 participant are entitled to any additional benefits, other
9 than benefit accruals relating to the period of qualified
10 military service, provided under this part had the
11 participant resumed and terminated employment on account of
12 death.

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

24 Section 7. Sections 5303(b)(2), (d)(1), (e)(1) and (4),
25 5303.2(a) and (e), 5304(a) and (b), 5305(b) introductory
26 paragraph and (3) and 5305.1 of Title 71 are amended to read:
27 § 5303. Retention and reinstatement of service credits.

28 * * *

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

30 * * *

1 (2) A special vestee or person otherwise eligible to be
2 a special vestee who returns to State service, other than as
3 a participant in the plan, or withdraws his accumulated
4 deductions pursuant to section 5311 (relating to eligibility
5 for refunds) or 5701 (relating to return of total accumulated
6 deductions) shall receive or retain eligibility points in
7 accordance with paragraph (1) but upon subsequent termination
8 of State service shall only be eligible to be an annuitant,
9 vestee or inactive member without regard to previous status
10 as a special vestee and without regard to the provisions of
11 this part providing for special vestees.

12 * * *

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

14 (1) Any person who was an employee of any county in this
15 Commonwealth on the personal staff of an appellate court
16 judge prior to September 9, 1985, and who had that employment
17 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
18 (relating to local chamber facilities) shall be a member of
19 the system for all service rendered as an employee of the
20 Commonwealth on the personal staff of an appellate court
21 judge subsequent to the date of the transfer unless
22 specifically prohibited pursuant to section 5301(c) (relating
23 to mandatory and optional membership in the system and
24 participation in the plan). The employee shall be entitled to
25 have any prior service credit in that county or other
26 municipal pension plan or retirement system transferred to
27 the system and deemed to be State service for all purposes
28 under this part. However, for those employees who were in
29 continuous county employment which commenced prior to July
30 22, 1983, section 5505.1 shall not apply. The transfer of

1 prior service credit to the system shall occur upon the
2 transfer, by the member, county or other municipal pension
3 plan or retirement system, to the system of the amount of
4 accumulated member contributions, pick-up contributions and
5 credited interest standing in the employee's county or
6 municipal pension plan or retirement system account as of the
7 date that these funds are transferred to the system. In the
8 event that these funds have been refunded to the member, the
9 transfer of service credit shall occur when the member
10 transfers an amount equal to either the refund which the
11 member received from the county or municipal pension plan or
12 retirement system or the amount due under section 5504, if
13 less. In the case of a transfer by the member, the transfer
14 shall occur by December 31, 1987, in order for the member to
15 receive credit for the prior service. In the case of a
16 transfer by the county or other municipal pension plan or
17 retirement system, the transfer shall also occur by December
18 31, 1987. If the amount transferred to the system by the
19 member of a county or municipal pension plan or retirement
20 system is greater than the amount that would have accumulated
21 in the member's account if the employee had been a member of
22 the system, all excess funds shall be returned to the
23 employee within 90 days of the date on which such funds are
24 credited to the member's account in the system. Within 60
25 days of receipt of written notice that an employee has
26 elected to transfer credits under the provisions of this
27 subsection, the county or other municipal pension plans or
28 retirement systems shall be required to transfer to the
29 system an amount, excluding contributions due under section
30 5504(a), equal to the liability of the prior service in

1 accordance with county or other municipal pension plan or
2 retirement system benefit provisions, multiplied by the ratio
3 of system actuarial value of assets for active members to the
4 system actuarial accrued liability for active members. The
5 Public Employee Retirement Study Commission shall determine
6 the appropriate amount of employer contributions to be
7 transferred to the system by the county or other municipal
8 pension plans or retirement systems.

9 * * *

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

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

23 * * *

24 (4) Any person who became employed by the Philadelphia
25 Regional Port Authority between July 10, 1989, and passage of
26 this act and who becomes a State employee, as defined in
27 section 5102, and an active member of the system shall be
28 eligible to obtain retirement credit for service from the
29 date of employment with the Philadelphia Regional Port
30 Authority, provided that the contributions are made in

1 accordance with sections 5501, 5504, 5505.1 and 5506.

2 * * *

3 § 5303.2. Election to convert school service to State service.

4 (a) Eligibility.--An active member or inactive member on
5 leave without pay who was an employee transferred from the
6 Department of Education to the Department of Corrections
7 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
8 No.175), known as The Administrative Code of 1929, and who on
9 the effective date of that transfer did not participate in an
10 independent retirement program approved by the Department of
11 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
12 and optional membership) or section 5301(a)(12) (relating to
13 mandatory and optional membership in the system and
14 participation in the plan), notwithstanding any other provision
15 of law or any collective bargaining agreement, arbitration
16 award, contract or term or conditions of any retirement system
17 or pension plan, may make a one-time election to convert all
18 service credited in the Public School Employees' Retirement
19 System as of June 30, 1999, and transfer to the system all
20 accumulated member contributions and statutory interest credited
21 in the members' savings account in the Public School Employees'
22 Retirement System as of June 30, 1999, plus statutory interest
23 on that amount credited by the Public School Employees'
24 Retirement System from July 1, 1999, to the date of transfer to
25 the system.

26 * * *

27 (e) Transfer.--Within 180 days after the effective date of
28 this subsection, the Public School Employees' Retirement System
29 shall transfer to the board for each member electing to convert
30 under this section the accumulated member contributions and

1 statutory interest credited in the Public School Employees'
2 Retirement System, plus an amount equal to the value of all
3 annual employer contributions made to the Public School
4 Employees' Retirement System with interest at the annual rate
5 adopted by the board for the calculation of the normal
6 contribution rate under section 5508(b) (relating to actuarial
7 cost method for fiscal years ending before July 1, 2015), from
8 the date of each contribution to the date of the transfer of the
9 funds to the board. Any debt owed by a member to the Public
10 School Employees' Retirement System for whatever reason shall be
11 transferred to the system and shall be paid in a manner and in
12 accordance with conditions prescribed by the board.

13 * * *

14 § 5304. Creditable nonstate service.

15 (a) Eligibility.--

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

1 eligible to purchase service credit for creditable nonstate
2 service set forth in subsection (c)(5).

3 (2) An active member who first becomes an active member
4 on or after January 1, 2011, or on or after December 1, 2010,
5 as a member of the General Assembly, or a multiple service
6 member who first becomes an active member on or after January
7 1, 2011, or on or after December 1, 2010, as a member of the
8 General Assembly, and who is a school employee and an active
9 member of the Public School Employees' Retirement System
10 shall be eligible for Class A-3 service credit for creditable
11 nonstate service as set forth in subsections (b) and (c)
12 except that intervening military service shall be credited in
13 the class of service for which the member was eligible at the
14 time of entering into military service and for which he makes
15 the required contributions to the fund and except that a
16 multiple service member who is a school employee and an
17 active member of the Public School Employees' Retirement
18 System shall not be eligible to purchase service credit for
19 creditable nonstate service set forth in subsection (c)(5).

20 * * *

21 (b) Limitations on eligibility.--An active member or a
22 multiple service member who is a school employee and an active
23 member of the Public School Employees' Retirement System shall
24 be eligible to receive credit for nonstate service provided that
25 he does not have credit for such service in the system or in the
26 school system and is not entitled to receive, eligible to
27 receive now or in the future, or is receiving retirement
28 benefits for such service in the system or under a retirement
29 system administered and wholly or partially paid for by any
30 other governmental agency or by any private employer, or a

1 retirement program approved by the employer in accordance with
2 section 5301(a)(12) (relating to mandatory and optional
3 membership in the system and participation in the plan), and
4 further provided, that such service is certified by the previous
5 employer and contributions are agreed upon and made in
6 accordance with section 5505 (relating to contributions for the
7 purchase of credit for creditable nonstate service).

8 * * *

9 § 5305. Social security integration credits.

10 * * *

11 (b) Accrual of subsequent credits.--Any active member who
12 has social security integration accumulated deductions to his
13 credit or is receiving a benefit on account of social security
14 integration credits may accrue one social security integration
15 credit for each year of service as a State employee on or
16 subsequent to March 1, 1974 and a fractional credit for a
17 corresponding fractional year of service provided that
18 contributions are made to the fund, or would have been made to
19 the fund but for section 5502.1 (relating to waiver of regular
20 member contributions and Social Security integration member
21 contributions) or the limitations under IRC § 401(a)(17) or
22 415(b), in accordance with section 5502 (relating to Social
23 Security integration member contributions), and he:

24 * * *

25 (3) terminates his status as a vestee or an annuitant
26 and returns to State service as an active member of the
27 system.

28 * * *

29 § 5305.1. Eligibility for actuarial increase factor.

30 A person who is:

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

6 (4) a combined service employee who is an active
7 participant or inactive participant on leave without pay
8 who terminates State service or school service, as the case may
9 be, after attaining age 70 and who applies for a superannuation
10 annuity with an effective date of retirement the day after the
11 date of termination of State service or school service shall
12 have that person's maximum single life annuity calculated
13 pursuant to section 5702(a.1) (relating to maximum single life
14 annuity).

15 Section 8. Section 5306(a), (a.1)(2) and (6), (a.2)(1) and
16 (2) and (b) of Title 71 are amended and the section is amended
17 by adding a subsection to read:

18 § 5306. Classes of service.

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

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

1 (2) 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, shall be
4 classified as a Class A-3 member and receive credit for Class
5 A-3 service upon payment of regular member contributions and
6 shared-risk member contributions for Class A-3 service
7 provided that the State employee does not become a member of
8 Class A-4 pursuant to subsection (a.3), except that a member
9 of the judiciary shall be classified as a member of such
10 other class of service for which the member of the judiciary
11 is eligible, shall elect and make regular member
12 contributions[.] and further provided that the State employee
13 does not become a participant in the plan or is not eligible
14 to be an optional participant of the plan under section 5301
15 (relating to mandatory and optional membership in the system
16 and participation in the plan).

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

18 * * *

19 (2) A person who is a State employee on June 30, 2001,
20 and July 1, 2001, but is not an active member of the system
21 because membership in the system is optional or prohibited
22 pursuant to section 5301 (relating to mandatory and optional
23 membership in the system and participation in the plan) and
24 who first becomes an active member after June 30, 2001, and
25 before January 1, 2011, or before December 1, 2010, as a
26 member of the General Assembly, and who is not a State police
27 officer and not employed in a position for which a class of
28 service other than Class A is credited or could be elected
29 shall be classified as a Class AA member and receive credit
30 for Class AA State service upon payment of regular member

1 contributions for Class AA service and, subject to the
2 limitations contained in paragraph (7), if previously a
3 member of Class A or previously employed in a position for
4 which Class A service could have been earned, shall have all
5 Class A State service (other than State service performed as
6 a State Police officer or for which a class of service other
7 than Class A was earned or could have been elected)
8 classified as Class AA service.

9 * * *

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 the system in a
13 class of service other than Class AA or Class D-4 shall
14 retain any Class AA service credited prior to becoming a
15 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 such judicial service begins before January 1,
19 2015, or if he first became a member before January 1, 2011,
20 or December 1, 2010, as a member of the General Assembly, or
21 Class A-3 credit for service other than as a member of the
22 judiciary if such nonjudicial service begins before January
23 1, 2015, and he first became a member on or after January 1,
24 2011, or December 1, 2010, as a member of the General
25 Assembly, unless a class of membership other than Class A is
26 elected.

27 * * *

28 (a.2) Class of membership for members of the General
29 Assembly.--

30 (1) A person who:

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

4 (ii) is a member of the General Assembly on July 1,
5 2001, but is not an active member of the system because
6 membership in the system is optional pursuant to section
7 5301 and who becomes an active member after June 30,
8 2001, and before December 1, 2010;

9 and who was not a State police officer on or after July 1,
10 1989, shall be classified as a Class D-4 member and receive
11 credit as a Class D-4 member for all State service as a
12 member of the system performed as a member of the General
13 Assembly upon payment of regular member contributions for
14 Class D-4 service and, subject to the limitations contained
15 in subsection (a.1)(7), if previously a member of Class A or
16 employed in a position for which Class A service could have
17 been earned, shall receive Class AA service credit for all
18 Class A State service, other than State service performed as
19 a State police officer or for which a class of service other
20 than Class A or Class D-4 was or could have been elected or
21 credited.

22 (2) Provided an election to become a Class D-4 member is
23 made pursuant to section 5306.2 (relating to elections by
24 members of the General Assembly), a State employee who was
25 not a State police officer on or after July 1, 1989, who on
26 July 1, 2001, is a member of the General Assembly and an
27 active member of the system and not a member of Class D-3
28 shall be classified as a Class D-4 member and receive credit
29 as a Class D-4 member for all State service as a member of
30 the system performed as a member of the General Assembly not

1 credited as another class other than Class A upon payment of
2 regular member contributions for Class D-4 service and,
3 subject to the limitations contained in paragraph (a.1)(7),
4 shall receive Class AA service credit for all Class A State
5 service, other than State service performed as a State police
6 officer or as a State employee in a position in which the
7 member could have elected a class of service other than Class
8 A, performed before July 1, 2001.

9 * * *

10 (b) Other class membership.--

11 (1) A State employee who is a member of a class of
12 service other than Class A on the effective date of this part
13 shall retain his membership in that class until such service
14 is discontinued; any service as a member of the system
15 thereafter shall be credited as Class A service, Class AA
16 service or Class D-4 service as provided for in this section.

17 (2) Notwithstanding any other provision of this section,
18 a State employee who is appointed bail commissioner of the
19 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
20 (relating to jurisdiction and venue) and is eligible to be a
21 member of the system as a bail commissioner may, within 30
22 days of the effective date of this sentence or within 30 days
23 of his initial appointment as a bail commissioner, whichever
24 is later, elect Class E-2 service credit for service
25 performed as a bail commissioner. This class of service
26 multiplier for E-2 service as a bail commissioner shall be
27 1.5.

28 * * *

29 (e) Ineligibility for active membership and classes of
30 service.--An individual who elects to be a participant in the

1 plan or who is a State employee on January 1, 2015, but is not a
2 member of the system or who first becomes a State employee on or
3 after January 1, 2015, or who returns to State service after a
4 termination of State service, without regard to whether the
5 termination occurred before or after January 1, 2015, shall be
6 ineligible for active membership in the system or the several
7 classes of State service as otherwise provided for under this
8 section. Any such State employee, if eligible, may be a
9 participant in the plan as a result of such State service.

10 Section 9. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
11 (d) of Title 71 are amended to read:

12 § 5306.1. Election to become a Class AA member.

13 * * *

14 (c) Effect of election.--An election to become a Class AA
15 member shall become effective the later of July 1, 2001, or the
16 date when the election is filed with the board and shall remain
17 in effect until the termination of employment or election to be
18 a participant in the plan. Upon termination and a subsequent
19 reemployment that occurs before January 1, 2015, the member's
20 class of service shall be credited in the class of service
21 otherwise provided for in this part. If the reemployment occurs
22 on or after January 1, 2015, the State employee's eligibility
23 for membership in the system or participation in the plan shall
24 be as provided in this part.

25 * * *

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

27 * * *

28 (b) Effect of election.--Membership as a Class D-4 member
29 shall become effective on July 1, 2001, and shall remain in
30 effect until the termination of service as a member of the

1 General Assembly or election to be a participant in the plan.
2 Upon termination and a subsequent reemployment that occurs
3 before January 1, 2015, the member's class of service shall be
4 credited in the class of service otherwise provided for in this
5 part. If the reemployment occurs on or after January 1, 2015,
6 the State employee's eligibility for membership in the system or
7 participation in the plan shall be as provided in this part.

8 * * *

9 § 5306.3. Election to become a Class A-4 member.

10 * * *

11 (c) Effect of election.--An election to become a Class A-4
12 member shall be irrevocable and shall become effective on the
13 effective date of membership in the system and shall remain in
14 effect for all future [creditable] State service creditable in
15 the system, other than service performed as a member of the
16 judiciary and service performed after a termination and a
17 reemployment when the reemployment occurs on or after January 1,
18 2015. Payment of regular member contributions for Class A-4
19 State service performed prior to the election of Class A-4
20 membership shall be made in a form, manner and time determined
21 by the board. Upon termination and a subsequent reemployment
22 before January 1, 2015, a member who elected Class A-4
23 membership shall be credited as a Class A-4 member for
24 creditable State service performed after reemployment and before
25 the next termination of State service or election to be a
26 participant, except as a member of the judiciary, regardless of
27 termination of employment, termination of membership by
28 withdrawal of accumulated deductions or status as an annuitant,
29 vestee or inactive member after the termination of service and
30 before reemployment occurring before January 1, 2015.

1 (d) Effect of failure to make election.--Failure to elect to
2 become a Class A-4 member within the election period set forth
3 in subsection (b) shall result in all of the member's State
4 service, other than service performed as a member of the
5 judiciary, being credited as Class A-3 service, unless the State
6 employee elects or is required to be a participant in the plan,
7 and not subject to further election or crediting as Class A-4
8 service. Upon termination and subsequent employment, a member
9 who failed to elect to become a Class A-4 member shall not be
10 eligible to make another election to become a Class A-4 member
11 for either past or future State service.

12 Section 10. Sections 5307(b)(1) and 5308(a) and (b) of Title
13 71, amended October 24, 2012 (P.L.1436, No.181), are amended and
14 the sections are amended by adding subsections to read:

15 § 5307. Eligibility points.

16 * * *

17 (b) Transitional rule.--

18 (1) In determining whether a member who is not a State
19 employee or school employee on June 30, 2001, and July 1,
20 2001, and who has previous State service (except a disability
21 annuitant who returns to State service after June 30, 2001,
22 upon termination of the disability annuity) has the five
23 eligibility points required by sections 5102 (relating to
24 definitions), 5308(b) (relating to eligibility for
25 annuities), 5309 (relating to eligibility for vesting),
26 5704(b) (relating to disability annuities) and 5705(a)
27 (relating to member's options), only eligibility points
28 earned by performing credited State service as an active
29 member of the system, USERRA leave or credited school service
30 as an active member of the Public School Employees'

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

6 * * *

7 (c) Transitional rule for members electing participation.--

8 In determining whether a State employee who is an active member
9 or an inactive member on leave without pay on January 1, 2015,
10 and who elects to become a participant in the plan under section
11 5416 (relating to election by members to be participants) has
12 the five eligibility points required by sections 5102, 5308(b)
13 (1), 5309(1) and 5705(a) or the ten eligibility points required
14 by sections 5102, 5308(b) (2), 5309(2) and 5705(a), any such
15 combined service employee shall be considered to have satisfied
16 any requirement for five or ten eligibility points, as the case
17 may be, if the combined service employee does not terminate
18 State service for three or more years after the effective date
19 of participation in the plan.

20 § 5308. Eligibility for annuities.

21 (a) Superannuation annuity.--Attainment of superannuation
22 age by an active member [or], an inactive member on leave
23 without pay or a combined service employee who is an active
24 participant or inactive participant on leave without pay with
25 three or more eligibility points other than eligibility points
26 resulting from nonstate service or nonschool service shall
27 entitle him to receive a superannuation annuity upon termination
28 of State service and compliance with section 5907(f) (relating
29 to rights and duties of State employees [and], members and
30 participants).

1 (b) Withdrawal annuity.--

2 (1) Any vestee or any active member [or] inactive
3 member on leave without pay or a combined service employee
4 who is an active participant or inactive participant on leave
5 without pay who terminates State service having five or more
6 eligibility points and who does not have Class A-3 or Class
7 A-4 service credit or Class T-E or Class T-F service credit
8 in the Public School Employees' Retirement System, or who has
9 Class G, Class H, Class I, Class J, Class K, Class L, Class M
10 or Class N service and terminates State service having five
11 or more eligibility points, upon compliance with section
12 5907(f), (g) or (h) shall be entitled to receive an annuity.

13 (2) Any vestee, active member [or] inactive member on
14 leave without pay or combined service employee who is an
15 active participant or inactive participant on leave without
16 pay who has Class A-3 or Class A-4 service credit or Class T-
17 E or Class T-F service credit in the Public School Employees'
18 Retirement System who terminates State service having ten or
19 more eligibility points, upon compliance with section
20 5907(f), (g) or (h), shall be entitled to receive an annuity.

21 (3) Any vestee, active member [or] inactive member on
22 leave without pay or combined service employee who is an
23 active participant or inactive participant on leave without
24 pay who has either Class A-3 or Class A-4 service credit or
25 Class T-E or Class T-F service credit in the Public School
26 Employees' Retirement System and also has service credited in
27 the system in one or more other classes of service who has
28 five or more, but fewer than ten, eligibility points, upon
29 compliance with section 5907(f), (g) or (h), shall be
30 eligible to receive an annuity calculated on his service

1 credited in classes of service other than Class A-3 or Class
2 A-4, provided that the member has five or more eligibility
3 points resulting from service in classes other than Class A-3
4 or Class A-4 or Class T-E or Class T-F service in the Public
5 School Employees' Retirement System.

6 * * *

7 (d) Eligibility of combined service employees for
8 superannuation annuity.--A State employee who is an active
9 member or inactive member on leave without pay on January 1,
10 2015, and who elects to become a participant under section 5416
11 (relating to election by members to be participants) will be
12 deemed to have satisfied the requirement of three or more years
13 of credited State or school service under subsection (a) if the
14 State employee does not terminate State service before three
15 years after the effective date of the election to be a
16 participant. Nothing in this subsection amends or waives any
17 other requirement to be eligible for a superannuation annuity.

18 Section 11. Sections 5308.1(1) and 5311(a) of Title 71 are
19 amended to read:

20 § 5308.1. Eligibility for special early retirement.

21 Notwithstanding any provisions of this title to the contrary,
22 the following special early retirement provisions shall be
23 applicable to specified eligible members as follows:

24 (1) During the period of July 1, 1985, to September 30,
25 1991, an active member who has attained the age of at least
26 53 years and has accrued at least 30 eligibility points shall
27 be entitled, upon termination of State service and compliance
28 with section 5907(f) (relating to rights and duties of State
29 employees [and], members and participants), to receive a
30 maximum single life annuity calculated under section 5702

1 (relating to maximum single life annuity) without a reduction
2 by virtue of an effective date of retirement which is under
3 the superannuation age.

4 * * *

5 § 5311. Eligibility for refunds.

6 (a) Total accumulated deductions.--Any active member,
7 regardless of eligibility for benefits, may elect to receive his
8 total accumulated deductions upon termination of service in lieu
9 of any benefit from the system to which he is entitled.

10 * * *

11 Section 12. Title 71 is amended by adding a chapter to read:

12 CHAPTER 54

13 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

14 Sec.

15 5401. Establishment.

16 5402. Plan document.

17 5403. Individual investment accounts.

18 5404. Participant contributions.

19 5405. Mandatory pickup participant contributions.

20 5406. Employer defined contributions.

21 5407. Eligibility for benefits.

22 5408. Death benefits.

23 5409. Vesting.

24 5410. Termination of distributions.

25 5411. Agreements with financial institutions and other
26 organizations.

27 5412. Powers and duties of board.

28 5413. Responsibility for investment loss.

29 5414. Investments based on participants' investment allocation
30 choices.

1 5415. Expenses.

2 5416. Election by members to be participants.

3 5417. Required distributions.

4 § 5401. Establishment.

5 (a) State Employees' Defined Contribution Plan.--The State
6 Employees' Defined Contribution Plan is established. The board
7 shall administer and manage the plan which shall be a defined
8 contribution plan exclusively for the benefit of those State
9 employees who participate in the plan and their beneficiaries
10 within the meaning of and in conformity with IRC § 401(a). The
11 board shall determine the terms and provisions of the plan not
12 inconsistent with this part, IRC or other applicable law and
13 shall provide for the plan's administration.

14 (b) State Employees' Defined Contribution Trust.--The State
15 Employees' Defined Contribution Trust is established as part of
16 the State Employees' Defined Contribution Plan. The trust shall
17 be comprised of the individual investment accounts and all
18 assets and moneys in those accounts. The members of the board
19 shall be the trustees of the trust established under this
20 section which shall be administered exclusively for the benefit
21 of those State employees who participate in the plan and their
22 beneficiaries within the meaning of and conformity with IRC §
23 401(a). The board shall determine the terms and provisions of
24 the trust not inconsistent with this part, IRC or other
25 applicable law and shall provide for the investment and
26 administration of the trust.

27 (c) Holding of assets.--All assets and income in the plan
28 that have been or shall be withheld or contributed by the
29 participants, the Commonwealth and other employers in accordance
30 with this part shall be held in trust in any funding vehicle

1 permitted by the applicable provisions of IRC for the exclusive
2 benefit of the plan's participants and their beneficiaries until
3 such time as the funds are distributed to the participants or
4 their beneficiaries in accordance with the terms of the plan
5 document. The assets of the plan held in trust for the exclusive
6 benefit of the plan's participants and their beneficiaries may
7 be used for the payment of the fees, costs and expenses related
8 to the administration and investment of the plan and the trust.

9 (d) Name for transacting business.--All of the business of
10 the plan shall be transacted, the trust invested, all
11 requisitions for money drawn and payments made and all of its
12 cash and securities and other property shall be held by the name
13 of the "State Employees' Defined Contribution Plan," except
14 that, any other law to the contrary notwithstanding, the board
15 may establish a nominee registration procedure for the purpose
16 of registering securities in order to facilitate the purchase,
17 sale or other disposition of securities pursuant to the
18 provisions of this part.

19 § 5402. Plan document.

20 The board shall set forth the terms and provisions of the
21 plan and trust in a document containing the terms and conditions
22 of the plan and in a trust declaration that shall be published
23 in the Pennsylvania Bulletin. The creation of the document
24 containing the terms and conditions of the plan and the trust
25 declaration and the establishment of the terms and provisions of
26 the plan and the trust need not be promulgated by regulation or
27 formal rulemaking and shall not be subject to the act of July
28 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
29 Documents Law. A reference in this part or other law to the plan
30 shall include the plan document unless the context clearly

1 indicates otherwise.

2 § 5403. Individual investment accounts.

3 The board shall establish in the trust an individual
4 investment account for each participant in the plan. All
5 contributions by a participant or an employer for or on behalf
6 of a participant shall be credited to the participant's
7 individual investment account, together with all interest and
8 investment earnings and losses. Investment and administrative
9 fees, costs and expenses shall be charged to the participants'
10 individual investment accounts. Employer defined contributions
11 shall be recorded and accounted for separately from participant
12 contributions, but all interest, investment earnings and losses,
13 and investment and administrative fees, costs and expenses shall
14 be allocated proportionately.

15 § 5404. Participant contributions.

16 (a) Mandatory contributions.--Each participant shall make
17 mandatory pickup participant contributions through payroll
18 deductions to the participant's individual investment account
19 equal to 4% of compensation for current State service. The
20 employer shall cause such contributions for current service to
21 be made and deducted from each payroll or on such schedule as
22 established by the board.

23 (b) Voluntary contributions.--A participant may make
24 voluntary contributions through payroll deductions or through
25 direct trustee-to-trustee transfers or through transfers of
26 money received in an eligible rollover into the trust to the
27 extent allowed by IRC § 402. Such rollovers shall be made in a
28 form and manner as determined by the board, shall be credited to
29 the participant's individual investment account and shall be
30 separately accounted for by the board.

1 (c) Prohibited contributions.--No contributions shall be
2 allowed which would cause a violation of the limitations related
3 to contributions applicable to governmental plans contained in
4 IRC § 415 or in other provisions of law. In the event that any
5 disallowed contributions are made, any participant contributions
6 in excess of the limitations and investment earnings thereon
7 shall be refunded to the participant by the board.

8 § 5405. Mandatory pickup participant contributions.

9 (a) Treatment for purposes of IRC § 414(h).--All
10 contributions to the trust required to be made under section
11 5404(a) (relating to participant contributions) with respect to
12 current State service rendered by an active participant shall be
13 picked up by the Commonwealth or other employer and shall be
14 treated as the employer's contribution for purposes of IRC §
15 414(h). After the effective date of this section, an employer
16 employing a participant in the plan shall pick up the required
17 mandatory participant contributions by a reduction in the
18 compensation of the participant.

19 (b) Treatment for other purposes.--For all purposes other
20 than the IRC, such mandatory pickup participant contributions
21 shall be treated as contributions made by a participant in the
22 same manner and to the same extent as if the contributions were
23 made directly by the participant and not picked up.

24 § 5406. Employer defined contributions.

25 (a) Contributions for current service.--The Commonwealth or
26 other employer of a participant shall make employer defined
27 contributions for current service of each active participant
28 which shall be credited to each respective participant's
29 individual investment account.

30 (b) Contributions resulting from participants reemployed

1 from USERRA leave.--When a State employee reemployed from USERRA
2 leave makes the mandatory pickup participant contributions
3 permitted to be made for the USERRA leave, the Commonwealth or
4 other employer by whom the State employee is employed at the
5 time the participant contributions are made shall make whatever
6 employer defined contributions would have been made under this
7 section had the employee making the participant contributions
8 continued to be employed in the employee's State office or
9 position instead of performing USERRA leave. Such employer
10 defined contributions shall be placed in the participant's
11 individual investment account as otherwise provided by this
12 part.

13 (c) Limitations on contributions.--No contributions shall be
14 allowed which would cause a violation of the limitations related
15 to contributions applicable to governmental plans contained in
16 IRC § 415 or in other provisions of law. In the event that any
17 disallowed contributions are made, any employer defined
18 contributions in excess of the limitations and investment
19 earnings thereon shall be refunded to the employer by the board.
20 § 5407. Eligibility for benefits.

21 (a) Termination of service.--A participant who terminates
22 State service shall be eligible to withdraw the accumulated
23 total defined contributions standing to his credit in the
24 participant's individual investment account or such lesser
25 amount as the participant may request. Payment shall be made in
26 a lump sum unless the board has established other forms of
27 distribution in the plan document. A participant who withdraws
28 his accumulated total defined contributions shall no longer be a
29 participant in the plan, notwithstanding that the participant
30 may have contracted 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 pursuant to this
3 section 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 such
7 requirements.

8 (c) Combined service participant.--A participant who is a
9 combined service employee must be terminated from all positions
10 that result in either membership in the system or participation
11 in the plan to be eligible to receive a distribution.

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

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

21 § 5408. Death benefits.

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

27 (b) Death of participant receiving distributions.--In the
28 event of the death of a participant receiving distributions, the
29 board shall pay to the participant's beneficiary the balance in
30 the participant's individual investment account in a lump sum or

1 in such other manner as the board may establish in the plan
2 document or, if the board has established alternative methods of
3 distribution in the plan document under which the participant
4 was receiving distributions, to the participant's beneficiary or
5 successor payee, as the case may be, as provided in the plan
6 document.

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

12 § 5409. Vesting.

13 Subject to the forfeiture and attachment provisions of
14 section 5953 (relating to taxation, attachment and assignment of
15 funds) or otherwise as provided by law, a participant shall be
16 100% vested with respect to all mandatory pickup participant
17 contributions, voluntary contributions and employer defined
18 contributions paid by or on behalf of the participant to the
19 trust in addition to interest and earnings on the participant
20 and employer contributions but not including investment fees and
21 administrative charges.

22 § 5410. Termination of distributions.

23 (a) Return to State service.--A participant receiving
24 distributions or an inactive participant who returns to State
25 service shall cease receiving distributions and shall not be
26 eligible to receive distributions until the participant
27 subsequently terminates State service, without regard to whether
28 the participant is a mandatory, optional or prohibited member of
29 the system or participant in the plan.

30 (b) Return of benefits paid during USERRA leave.--If a

1 former State employee is reemployed from USERRA leave and has
2 previously received any payments or annuity from the plan during
3 the USERRA leave, the employee shall return to the board the
4 amount so received plus interest as provided in the plan
5 document. The amount payable shall be certified in each case by
6 the board in accordance with methods approved by the actuary and
7 shall be paid in a lump sum within 30 days, or in the case of an
8 active participant, may be amortized with interest as provided
9 in the plan document through salary deductions to the trust in
10 amounts agreed upon by the participant and the board, but for
11 not longer than a period that starts with the date of
12 reemployment and continues for up to three times the length of
13 the participant's immediate past period of USERRA leave. The
14 repayment period shall not exceed five years.

15 § 5411. Agreements with financial institutions and other
16 organizations.

17 To establish and administer the State Employees' Defined
18 Contribution Plan, the board shall have the power to enter into
19 written agreements with one or more financial institutions or
20 other organizations relating to the plan's administration and
21 investment of funds held pursuant to the plan.

22 § 5412. Powers and duties of board.

23 The board shall have the following powers and duties to
24 establish the plan and trust and administer the provisions of
25 this chapter and part:

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

28 (2) The board shall pay all administrative fees, costs
29 and expenses of managing, investing and administering the
30 plan, the trust and the individual investment accounts from

1 the balance of such individual investment accounts except as
2 may be provided otherwise by law.

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

6 (4) The board shall at all times have the power to
7 change the terms of the plan as may be necessary to maintain
8 the tax-qualified status of the plan.

9 (5) The board may establish a process for election to
10 participate in the plan by those State employees for whom
11 participation is not mandatory.

12 (6) The board may perform an annual review of any
13 qualified fund manager for the purpose of assuring that the
14 fund manager continues to meet all standards and criteria
15 established.

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

20 (8) The board may allow a former participant to maintain
21 his or her individual investment account within the plan.

22 (9) The board shall administer the program in compliance
23 with the qualifications and other rules of the IRC.

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

26 (11) The board shall determine what constitutes a
27 termination of State service.

28 (12) The board may establish procedures for
29 distributions of small accounts as required or permitted by
30 the IRC.

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

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

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

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

16 (iv) Standards and criteria for disclosing and
17 providing options to eligible individuals regarding
18 investments of amounts deferred under the plan, provided
19 that one of the available options must serve as the
20 default option for participants who do not make a timely
21 election and that, to the extent commercially available,
22 one option must have an annuity investment feature.

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

29 (vi) Procedures, standards and criteria for the
30 making of distributions from the plan upon termination

1 from employment or death or in other circumstances
2 consistent with the purpose of the plan.

3 (14) The board may waive any reporting or information
4 requirement contained in this part if the board determines
5 that the information is not needed for the administration of
6 the plan.

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

12 (16) The board may provide that any duties of the
13 employer or information provided by the participant to the
14 employer can be performed or received directly by the board.

15 (17) The provisions and restrictions of the act of July
16 2, 2010 (P.L.266, No.44), known as the Protecting
17 Pennsylvania's Investments Act, shall not apply to the plan
18 or trust or the investments thereof, but the board is
19 authorized to offer to the plan participants investment
20 vehicles that would be permitted under the Protecting
21 Pennsylvania's Investments Act.

22 § 5413. Responsibility for investment loss.

23 The board, the Commonwealth, an employer or other political
24 subdivision shall not be responsible for any investment loss
25 incurred under the plan, or for the failure of any investment to
26 earn any specific or expected return or to earn as much as any
27 other investment opportunity, whether or not such other
28 opportunity was offered to participants in the plan.

29 § 5414. Investments based on participants' investment
30 allocation choices.

1 (a) General rule.--All contributions, interest and
2 investment earnings shall be 100% vested and shall be invested
3 based on the participant's investment allocation choices. All
4 investment allocation choices shall be credited proportionally
5 between participant contributions and employer defined
6 contributions. Each participant shall be credited individually
7 with the amount of contributions, interest and investment
8 earnings.

9 (b) Investment of contributions made by entities other than
10 the Commonwealth.--Investment of contributions by any
11 corporation, institution, insurance company or custodial bank
12 that the board has approved shall not be unreasonably delayed,
13 and in no case shall the investment of contributions be delayed
14 more than 30 days from the date of payroll deduction or the date
15 voluntary contributions are made to the date that funds are
16 invested. Any interest earned on the funds pending investment
17 shall be allocated to the Commonwealth and credited to the
18 individual investment accounts of participants who are then
19 participating in the plan unless the interest is used to defray
20 administrative costs and fees that would otherwise be required
21 to be borne by participants who are then participating in the
22 plan.

23 § 5415. Expenses.

24 All fees, costs and expenses of administering the plan and
25 the trust and investing the assets of the trust shall be borne
26 by the participants and paid from assessments against the
27 balances of the individual investment accounts as established by
28 the board, except as may be provided otherwise by law.

29 § 5416. Election by members to be participants.

30 (a) General rule.--Any State employee who is an active

1 member or inactive member on leave without pay of the system on
2 or after January 1, 2015, and who is employed in a position
3 which would otherwise be eligible for participation in the plan
4 may elect to become a participant in the plan.

5 (b) Time for making the election.--An eligible State
6 employee may elect to become a participant and a combined
7 service employee at any time before termination of State service
8 by filing a written election with the board.

9 (c) Effect of election.--An election to become a participant
10 shall be irrevocable. Participation shall be effective at the
11 beginning of the next pay period starting after the election is
12 filed with the board. A member who elects to become a
13 participant shall remain a participant for all future State
14 service. Any prior State or nonstate service credited in the
15 system shall remain in the class of service in which it is
16 credited on the effective date of participation. A combined
17 service employee shall not be eligible to receive an annuity
18 from the system or a withdrawal of accumulated deductions until
19 the employee has terminated State service. A participant shall
20 not be entitled to purchase any previous State service or
21 creditable nonstate service. The eligibility of a combined
22 service employee for an annuity from the system and, if
23 eligible, the amount of such annuity shall be as determined
24 under this part.

25 § 5417. Required distributions.

26 All payments pursuant to this chapter shall start and be made
27 in compliance with the minimum distribution requirements and
28 incidental death benefit rules of IRC § 401(a).

29 Section 13. Section 5501.1(b) (7) and (8) of Title 71 are
30 amended and the subsection is amended by adding a paragraph to

1 read:

2 § 5501.1. Shared-risk member contributions for Class A-3 and
3 Class A-4 service.

4 * * *

5 (b) Determination of shared-risk contribution rate.--

6 * * *

7 (7) For any fiscal year in which the actual
8 contributions by the Commonwealth or an employer are lower
9 than those required to be made under section 5507(d)
10 [(relating to contributions by the Commonwealth and other
11 employers)] (relating to contributions to the system by the
12 Commonwealth and other employers before July 1, 2015) or
13 5507.1 (relating to contributions to the system by the
14 Commonwealth and other employers starting July 1, 2015), the
15 prospective shared-risk contribution rate for those employees
16 whose employers are not making the contributions required by
17 section 5507(d) shall be zero and shall not subsequently be
18 increased, except as otherwise provided in this section.

19 (8) If the actuary certifies that the accrued liability
20 contributions calculated in accordance with the actuarial
21 cost method provided in [section 5508(b)] section 5508
22 (relating to actuarial cost method for fiscal years ending
23 before July 1, 2015) or 5508.1 (relating to actuarial cost
24 method for fiscal years beginning July 1, 2015, or later), as
25 adjusted by the experience adjustment factor, are zero or
26 less, then the shared-risk contribution rate for the next
27 fiscal year shall be zero and shall not subsequently be
28 increased, except as otherwise provided in this section.

29 (9) For periods commencing on or after July 1, 2015, the
30 determination of shared-risk member contribution rate shall

1 be based on the annual interest rate adopted by the board for
2 the calculation of the accrued liability contribution rate
3 under section 5508.1(c).

4 Section 14. The definition of "actuarially required
5 contribution rate" in section 5501.2 of Title 71 is amended to
6 read:

7 § 5501.2. Definitions.

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

11 "Actuarially required contribution rate." The employer
12 contribution rate as calculated pursuant to section 5508(a),
13 (b), (c), (e) and (f) (relating to actuarial cost method for
14 fiscal years ending before July 1, 2015) or 5508.1(a), (b), (c),
15 (e) and (f) (relating to actuarial cost method for fiscal years
16 beginning July 1, 2015, or later).

17 * * *

18 Section 15. Sections 5502, 5503.1(a) and 5504(a)(1), (a.1)
19 and (b) of Title 71 are amended to read:

20 § 5502. Social Security integration member contributions.

21 Except for any period of current service in which the making
22 of regular member contributions has ceased solely by reason of
23 section 5502.1 (relating to waiver of regular member
24 contributions and Social Security integration member
25 contributions) or any provision of this part relating to
26 limitations under IRC § 401(a)(17) or 415(b), contributions
27 shall be made on behalf of [a] an active member of any class who
28 prior to March 1, 1974, has elected Social Security integration
29 coverage. The amount of such contributions shall be 6 1/4% of
30 that portion of his compensation as an active member in excess

1 of the maximum wages taxable under the provisions of the Social
2 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
3 addition to the regular member contributions which, after such
4 election, shall be determined on the basis of the basic
5 contribution rate of 5% and the additional member contribution
6 of 1 1/4%: Provided, That a member may elect to discontinue
7 Social Security integration coverage and shall thereafter be
8 ineligible to accrue any further Social Security integration
9 credits or any additional benefits on account of Social Security
10 integration membership.

11 § 5503.1. Pickup contributions.

12 (a) Treatment for purposes of IRC § 414(h).--All
13 contributions to the fund required to be made under sections
14 5501 (relating to regular member contributions for current
15 service), 5501.1 (relating to shared-risk member contributions
16 for Class A-3 and Class A-4 service), 5502 (relating to Social
17 Security integration member contributions), 5503 (relating to
18 joint coverage member contributions) and [section] 5505.1
19 (relating to additional member contributions), with respect to
20 current State service rendered by an active member on or after
21 January 1, 1982, shall be picked up by the Commonwealth or other
22 employer and shall be treated as the employer's contribution for
23 purposes of IRC § 414(h).

24 * * *

25 § 5504. Member contributions for the purchase of credit for
26 previous State service or to become a full coverage
27 member.

28 (a) Amount of contributions for service in other than Class
29 G through N.--

30 (1) The contributions to be paid by an active member or

1 eligible school employee for credit in the system for total
2 previous State service other than service in Class G, Class
3 H, Class I, Class J, Class K, Class L, Class M and Class N or
4 to become a full coverage member shall be sufficient to
5 provide an amount equal to the regular and additional
6 accumulated deductions which would have been standing to the
7 credit of the member for such service had regular and
8 additional member contributions been made with full coverage
9 in the class of service and at the rate of contribution
10 applicable during such period of previous service and had his
11 regular and additional accumulated deductions been credited
12 with statutory interest during all periods of subsequent
13 State service as an active member or inactive member on leave
14 without pay and school service as an active member or
15 inactive member on leave without pay of the Public School
16 Employees' Retirement System up to the date of purchase.

17 * * *

18 (a.1) Converted county service.--No contributions shall be
19 required to restore credit for previously credited State service
20 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
21 and Class N. Such service shall be restored upon the
22 commencement of payment of the contributions required to restore
23 credit in the system for all other previous State service.

24 (b) Certification and method of payment.--The amount payable
25 shall be certified in each case by the board in accordance with
26 methods approved by the actuary and shall be paid in a lump sum
27 within 30 days or in the case of an active member or eligible
28 school employee who is an active member of the Public School
29 Employees' Retirement System may be amortized with statutory
30 interest through salary deductions to the system in amounts

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

13 Section 16. Section 5505(b)(1), (c), (d) and (i)(4) of Title
14 71, amended October 24, 2012 (P.L.1436, No.181), are amended to
15 read:

16 § 5505. Contributions for the purchase of credit for creditable
17 nonstate service.

18 * * *

19 (b) Nonintervening military service.--

20 (1) The amount due for the purchase of credit for
21 military service other than intervening military service
22 shall be determined by applying the member's basic
23 contribution rate, the additional contribution rate plus the
24 Commonwealth normal contribution rate for active members at
25 the time of entry, subsequent to such military service, of
26 the member into State service to his average annual rate of
27 compensation over the first three years of such subsequent
28 State service and multiplying the result by the number of
29 years and fractional part of a year of creditable
30 nonintervening military service being purchased together with

1 statutory interest during all periods of subsequent State
2 service as an active member or inactive member on leave
3 without pay and school service as an active member or
4 inactive member on leave without pay of the Public School
5 Employees' Retirement System to date of purchase. Upon
6 application for credit for such service, payment shall be
7 made in a lump sum within 30 days or in the case of an active
8 member or eligible school employee who is an active member of
9 the Public School Employees' Retirement System it may be
10 amortized with statutory interest through salary deductions
11 to the system in amounts agreed upon by the member and the
12 board. The salary deduction amortization plans agreed to by
13 members and the board may include a deferral of payment
14 amounts and statutory interest until the termination of
15 school service or State service or beginning service as a
16 participant as the board in its sole discretion decides to
17 allow. The board may limit salary deduction amortization
18 plans to such terms as the board in its sole discretion
19 determines. In the case of an eligible school employee who is
20 an active member of the Public School Employees' Retirement
21 System, the agreed upon salary deductions shall be remitted
22 to the Public School Employees' Retirement Board, which shall
23 certify and transfer to the board the amounts paid.
24 Application may be filed for all such military service credit
25 upon completion of three years of subsequent State service
26 and shall be credited as Class A service.

27 * * *

28 (c) Intervening military service.--Contributions on account
29 of credit for intervening military service shall be determined
30 by the member's regular contribution rate, shared-risk

1 contribution rate, Social Security integration contribution
2 rate, the additional contribution rate which shall be applied
3 only to those members who began service on or after the
4 effective date of this amendatory act and compensation at the
5 time of entry of the member into active military service,
6 together with statutory interest during all periods of
7 subsequent State service as an active member or inactive member
8 on leave without pay and school service as an active member or
9 inactive member on leave without pay of the Public School
10 Employees' Retirement System to date of purchase. Upon
11 application for such credit the amount due shall be certified in
12 the case of each member by the board in accordance with methods
13 approved by the actuary, and contributions may be made by:
14 (1) regular monthly payments during active military
15 service; or
16 (2) a lump sum payment within 30 days of certification;
17 or
18 (3) salary deductions to the system in amounts agreed
19 upon by the member or eligible school employee who is an
20 active member of the Public School Employees' Retirement
21 System and the board.

22 The salary deduction amortization plans agreed to by members and
23 the board may include a deferral of payment amounts and
24 statutory interest until the termination of school service or
25 State service or beginning service as a participant as the board
26 in its sole discretion decides to allow. The board may limit
27 salary deduction amortization plans to such terms as the board
28 in its sole discretion determines. In the case of an eligible
29 school employee who is an active member of the Public School
30 Employees' Retirement System, the agreed upon salary deductions

1 shall be remitted to the Public School Employees' Retirement
2 Board, which shall certify and transfer to the board the amounts
3 paid.

4 (d) Nonmilitary and nonmagisterial service.--Contributions
5 on account of credit for creditable nonstate service other than
6 military and magisterial service by State employees who first
7 become members of the system before January 1, 2011, or before
8 December 1, 2010, as a member of the General Assembly shall be
9 determined by applying the member's basic contribution rate, the
10 additional contribution rate plus the Commonwealth normal
11 contribution rate for active members at the time of entry
12 subsequent to such creditable nonstate service of the member
13 into State service to his compensation at the time of entry into
14 State service as a member of the system and multiplying the
15 result by the number of years and fractional part of a year of
16 creditable nonstate service being purchased together with
17 statutory interest during all periods of subsequent State
18 service as an active member or inactive member on leave without
19 pay and school service as an active member or inactive member on
20 leave without pay of the Public School Employees' Retirement
21 System to the date of purchase. Upon application for credit for
22 such service payment shall be made in a lump sum within 30 days
23 or in the case of an active member or eligible school employee
24 who is an active member of the Public School Employees'
25 Retirement System it may be amortized with statutory interest
26 through salary deductions to the system in amounts agreed upon
27 by the member and the board. The salary deduction amortization
28 plans agreed to by members and the board may include a deferral
29 of payment amounts and statutory interest until the termination
30 of school service or State service or beginning service as a

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

9 * * *

10 (i) Purchases of nonstate service credit by State employees
11 who first became members of the system on or after December 1,
12 2010.--

13 * * *

14 (4) The payment for credit purchased under this
15 subsection shall be certified in each case by the board in
16 accordance with methods approved by the actuary and shall be
17 paid in a lump sum within 30 days or in the case of an active
18 member or eligible school employee who is an active member of
19 the Public School Employees' Retirement System may be
20 amortized with statutory interest through salary deductions
21 to the system in amounts agreed upon by the member and the
22 board. The salary deduction amortization plans agreed to by
23 members and the board may include a deferral of payment
24 amounts and interest until the termination of school service
25 or State service or beginning service as a participant as the
26 board in its sole discretion decides to allow. The board may
27 limit the salary deduction amortization plans to such terms
28 as the board in its sole discretion determines. In the case
29 of an eligible school employee who is an active member of the
30 Public School Employees' Retirement System, the agreed upon

1 salary deductions shall be remitted to the Public School
2 Employees' Retirement Board, which shall certify and transfer
3 to the board the amounts paid.

4 Section 17. Section 5505.1 of Title 71 is amended to read:

5 § 5505.1. Additional member contributions.

6 In addition to regular or joint coverage member contributions
7 and social security integration contributions, contributions
8 shall be made on behalf of each active member, regardless of
9 class of service, at the rate of 1 1/4% of compensation until
10 such time as the actuary certifies that all accrued liability
11 contributions have been completed in accordance with the
12 actuarial cost method provided in section 5508(b) (relating to
13 actuarial cost method for fiscal years ending before July 1,
14 2015).

15 Section 18. Section 5506 of Title 71, amended October 24,
16 2012 (P.L.1436, No.181), is amended to read:

17 § 5506. Incomplete payments.

18 In the event that a member terminates State service or
19 becomes a participant or a multiple service member who is an
20 active member of the Public School Employees' Retirement System
21 terminates school service before the agreed upon payments for
22 credit for previous State service, USERRA leave, creditable
23 nonstate service, social security integration, full coverage
24 membership or return of benefits on account of returning to
25 State service or entering school service and electing multiple
26 service have been completed, the member or multiple service
27 member who is an active member of the Public School Employees'
28 Retirement System shall have the right to pay within 30 days of
29 termination of State service or school service or becoming a
30 participant the balance due, including interest, in a lump sum

1 and the annuity shall be calculated including full credit for
2 the previous State service, creditable nonstate service, social
3 security integration, or full coverage membership. In the event
4 a member does not pay the balance due within 30 days of
5 termination of State service or becoming a participant or in the
6 event a member dies in State service or within 30 days of
7 termination of State service or becoming a participant or in the
8 case of a multiple service member who is an active member of the
9 Public School Employees' Retirement System does not pay the
10 balance due within 30 days of termination of school service or
11 dies in school service or within 30 days of termination of
12 school service and before the agreed upon payments have been
13 completed, the present value of the benefit otherwise payable
14 shall be reduced by the balance due, including interest, and the
15 benefit payable shall be calculated as the actuarial equivalent
16 of such reduced present value.

17 Section 19. Section 5506.1(a) of Title 71 is amended to
18 read:

19 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

20 (a) General rule.--In addition to other applicable
21 limitations set forth in this part, and notwithstanding any
22 provision of this part to the contrary, the annual compensation
23 of each noneligible member and each participant taken into
24 account for benefit purposes under this part shall not exceed
25 the limitation under IRC § 401(a)(17). On and after January 1,
26 1996, any reference in this part to the limitation under IRC §
27 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
28 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
29 compensation limit set forth in this subsection. The OBRA '93
30 annual compensation limit is \$150,000, as adjusted by the

1 commissioner for increases in the cost of living in accordance
2 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
3 effect for a calendar year applies to any determination period
4 which is a period, not exceeding 12 months, over which
5 compensation is determined, beginning in such calendar year. If
6 a determination period consists of fewer than 12 months, the
7 OBRA '93 compensation limit will be multiplied by a fraction,
8 the numerator of which is the number of months in the
9 determination period and the denominator of which is 12.

10 * * *

11 Section 20. Section 5507(a), (b), (d), (e) and (f) of Title
12 71, amended October 24, 2012 (P.L.1436, No.181), are amended to
13 read:

14 § 5507. Contributions to the system by the Commonwealth and
15 other employers before July 1, 2015.

16 (a) Contributions on behalf of active members.--[The] Until
17 June 30, 2015, the Commonwealth and other employers whose
18 employees are members of the system, and from January 1, 2015,
19 to June 30, 2015, the Commonwealth and other employers whose
20 employees are participants in the plan, shall make contributions
21 to the fund on behalf of all active members in such amounts as
22 shall be certified by the board as necessary to provide,
23 together with the members' total accumulated deductions, annuity
24 reserves on account of prospective annuities other than those
25 provided in sections 5708 (relating to supplemental annuities),
26 5708.1 (relating to additional supplemental annuities), 5708.2
27 (relating to further additional supplemental annuities), 5708.3
28 (relating to supplemental annuities commencing 1994), 5708.4
29 (relating to special supplemental postretirement adjustment),
30 5708.5 (relating to supplemental annuities commencing 1998),

1 5708.6 (relating to supplemental annuities commencing 2002),
2 5708.7 (relating to supplemental annuities commencing 2003) and
3 5708.8 (relating to special supplemental postretirement
4 adjustment of 2002), in accordance with the actuarial cost
5 method provided in section 5508(a), (b), (c), (d) and (f)
6 (relating to actuarial cost method for fiscal years ending
7 before July 1, 2015).

8 (b) Contributions on behalf of annuitants.--[The] Until June
9 30, 2015, the Commonwealth and other employers whose employees
10 are members of the system shall make contributions on behalf of
11 annuitants in such amounts as shall be certified by the board as
12 necessary to fund the liabilities for supplemental annuities in
13 accordance with the actuarial cost method provided in section
14 5508(e) [(relating to actuarial cost method)].

15 * * *

16 (d) Payment of final contribution rate.--Notwithstanding the
17 calculation of the actuarially required contribution rate and
18 the provisions of subsections (a) and (b), until June 30, 2015,
19 the Commonwealth and other employers whose employees are members
20 of the system shall make contributions to the fund on behalf of
21 all active members and annuitants in such amounts as shall be
22 certified by the board in accordance with section 5508(i).

23 (e) Benefits completion plan contributions.--In addition to
24 all other contributions required under this section and section
25 5508, until June 30, 2015, the Commonwealth and other employers
26 whose employees are members of the system shall make
27 contributions as certified by the board pursuant to section 5941
28 (relating to benefits completion plan).

29 (f) Contributions resulting from members reemployed from
30 USERRA leave.--When a State employee reemployed from USERRA

1 leave makes the member contributions required to be granted
2 State service credit for the USERRA leave before July 1, 2015,
3 either by actual payment or by actuarial debt under section 5506
4 (relating to incomplete payments), then the Commonwealth
5 employer or other employer by whom the State employee is
6 employed at the time the member contributions are made, or the
7 last employer before termination in the case of payment under
8 section 5506, shall make whatever employer contributions would
9 have been made under this section had the employee making the
10 member contributions after being reemployed from USERRA leave
11 continued to be employed in his State office or position instead
12 of performing USERRA leave.

13 Section 21. Title 71 is amended by adding a section to read:

14 § 5507.1. Contributions to the system by the Commonwealth and
15 other employers starting July 1, 2015.

16 (a) Contributions on behalf of members.--For fiscal years
17 beginning on or after July 1, 2015, the Commonwealth and other
18 employers whose employees are or were members of the system
19 shall make contributions to the fund on behalf of all members in
20 such amounts as shall be certified by the board as necessary to
21 provide, together with the members' total accumulated
22 deductions, annuity reserves on account of annuities including
23 those provided in sections 5708 (relating to supplemental
24 annuities), 5708.1 (relating to additional supplemental
25 annuities), 5708.2 (relating to further additional supplemental
26 annuities), 5708.3 (relating to supplemental annuities
27 commencing 1994), 5708.4 (relating to special supplemental
28 postretirement adjustment), 5708.5 (relating to supplemental
29 annuities commencing 1998), 5708.6 (relating to supplemental
30 annuities commencing 2002), 5708.7 (relating to supplemental

1 annuities commencing 2003) and 5708.8 (relating to special
2 supplemental postretirement adjustment of 2002), in accordance
3 with the actuarial cost method provided in section 5508.1
4 (relating to actuarial cost method for fiscal years beginning
5 July 1, 2015, or later).

6 (b) Payment of employer contributions to the system.--

7 (1) Payment of employer normal contributions shall be as
8 a percentage of compensation of active members.

9 (2) Payment of accrued liability contributions as
10 modified by the experience adjustment factor shall be as a
11 percentage of compensation of active members and active
12 participants.

13 (3) Payment of the additional accrued liability
14 contributions determined under section 5508.1(d) shall be in
15 equal monthly payments during the fiscal year on the first
16 day of each month, or in such other time and manner as the
17 board may establish.

18 (c) Payment of final contribution rate.--Notwithstanding the
19 calculation of the actuarially required contribution rate and
20 the provisions of subsections (a) and (b) (1) and (2), after June
21 30, 2015, the Commonwealth and other employers whose employees
22 are members of the system shall make contributions to the fund
23 on behalf of all active members and annuitants in such amounts
24 as shall be certified by the board in accordance with section
25 5508.1(h).

26 (d) Benefits completion plan contributions.--In addition to
27 all other contributions required under this section and section
28 5508.1, after June 30, 2015, the Commonwealth and other
29 employers whose employees are active members of the system shall
30 make contributions as certified by the board pursuant to section

1 5941 (relating to benefits completion plan).

2 (e) Contributions resulting from members reemployed from
3 USERRA leave.--When a State employee reemployed from USERRA
4 leave makes the member contributions required to be granted
5 State service credit for the USERRA leave after June 30, 2015,
6 either by actual payment or by actuarial debt under section 5506
7 (relating to incomplete payments), the Commonwealth employer or
8 other employer that employed the State employee when the member
9 contributions are made or the last employer before termination
10 in the case of payment under section 5506 shall make the
11 employer contributions that would have been made under this
12 section if the employee making the member contributions after
13 the employee is reemployed from USERRA leave continued to be
14 employed in the employee's State office or position instead of
15 performing USERRA leave.

16 Section 22. Section 5508 heading, (a), (b), (c) (3), (e) (2),
17 (f) (1), (h) and (i) of Title 71 are amended and subsection (c)
18 is amended by adding a paragraph to read:

19 § 5508. Actuarial cost method for fiscal years ending before
20 July 1, 2015.

21 (a) Employer contribution rate on behalf of active
22 members.--[The] For the fiscal years ending before July 1, 2015,
23 the amount of the Commonwealth and other employer contributions
24 on behalf of all active members shall be computed by the actuary
25 as a percentage of the total compensation of all active members
26 during the period for which the amount is determined and shall
27 be so certified by the board. The actuarially required
28 contribution rate on behalf of all active members shall consist
29 of the employer normal contribution rate, as defined in
30 subsection (b), and the accrued liability contribution rate as

1 defined in subsection (c). The actuarially required contribution
2 rate on behalf of all active members shall be modified by the
3 experience adjustment factor as calculated in subsection (f).

4 (b) Employer normal contribution rate.--[The] For the fiscal
5 years ending before July 1, 2015, the employer normal
6 contribution rate shall be determined after each actuarial
7 valuation on the basis of an annual interest rate and such
8 mortality and other tables as shall be adopted by the board in
9 accordance with generally accepted actuarial principles. The
10 employer normal contribution rate shall be determined as a level
11 percentage of the compensation of the average new active member,
12 which percentage, if contributed on the basis of his prospective
13 compensation through his entire period of active State service,
14 would be sufficient to fund the liability for any prospective
15 benefit payable to him in excess of that portion funded by his
16 prospective member contributions, excluding shared-risk member
17 contributions.

18 (c) Accrued liability contribution rate.--

19 * * *

20 (3) For the fiscal year beginning July 1, 2010, the
21 accrued liability contribution rate shall be computed as the
22 rate of total compensation of all active members which shall
23 be certified by the actuary as sufficient to fund in equal
24 dollar installments over a period of 30 years from July 1,
25 2010, the present value of the liabilities for all
26 prospective benefits calculated as of the immediately prior
27 valuation date, including the supplemental benefits as
28 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
29 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
30 payable from the retirement benefit plan established pursuant

1 to section 5941 (relating to benefits completion plan), in
2 excess of the actuarially calculated assets in the fund
3 (calculated recognizing all realized and unrealized
4 investment gains and losses each year in level annual
5 installments over five years), including the balance in the
6 supplemental annuity account, and the present value of
7 employer normal contributions and of member contributions
8 payable with respect to all active members, inactive members
9 on leave without pay, vestees and special vestees on December
10 31, 2009. If the accrued liability is changed by legislation
11 enacted subsequent to December 31, 2009, and before January
12 1, 2014, such change in liability shall be funded in equal
13 dollar installments over a period of ten years from the first
14 day of July following the valuation date coincident with or
15 next following the date such legislation is enacted.

16 (4) For the fiscal year beginning July 1, 2014, the
17 accrued liability contribution rate shall be computed as
18 provided for under this section, except that the rate shall
19 be computed as a rate of total compensation of all active
20 members and active participants for the fiscal year. In
21 addition to any employer defined contributions made to the
22 trust, the Commonwealth and other employers of participants
23 shall make the accrued liability contributions to the fund
24 certified by the board.

25 * * *

26 (e) Supplemental annuity contribution rate.--

27 * * *

28 (2) For fiscal years beginning on or after July 1, 2010,
29 and ending on or before June 30, 2015, contributions from the
30 Commonwealth and other employers whose employees are members

1 of the system required to provide for the payment of
2 supplemental annuities as provided in sections 5708, 5708.1,
3 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
4 shall be paid as part of the accrued liability contribution
5 rate as provided for in subsection (c)(3), and there shall
6 not be a separate supplemental annuity contribution rate
7 attributable to those supplemental annuities. In the event
8 that supplemental annuities are increased by legislation
9 enacted subsequent to December 31, 2009, and before January
10 1, 2014, the additional liability for the increase in
11 benefits shall be funded in equal dollar installments over a
12 period of ten years from the first day of July following the
13 valuation date coincident with or next following the date
14 such legislation is enacted.

15 (f) Experience adjustment factor.--

16 (1) For each [year] fiscal year ending before July 1,
17 2015, after the establishment of the accrued liability
18 contribution rate and the supplemental annuity contribution
19 rate for the fiscal year beginning July 1, 2010, any increase
20 or decrease in the unfunded accrued liability and any
21 increase or decrease in the liabilities and funding for
22 supplemental annuities, due to actual experience differing
23 from assumed experience (recognizing all realized and
24 unrealized investment gains and losses over a five-year
25 period), changes in contributions caused by the final
26 contribution rate being different from the actuarially
27 required contribution rate, State employees making shared-
28 risk member contributions, changes in actuarial assumptions
29 or changes in the terms and conditions of the benefits
30 provided by the system by judicial, administrative or other

1 processes other than legislation, including, but not limited
2 to, reinterpretation of the provisions of this part
3 recognized by the actuarial valuations on December 31, 2010,
4 and through December 31, 2013, shall be amortized in equal
5 dollar annual contributions over a period of 30 years
6 beginning with the July 1 succeeding the actuarial valuation
7 determining said increases or decreases.

8 * * *

9 (h) Temporary application of collared contribution rate.--

10 The collared contribution rate for each [year] fiscal year
11 ending on or before June 30, 2015, shall be determined by
12 comparing the actuarially required contribution rate calculated
13 without regard for costs added by legislation to the prior
14 year's final contribution rate. If, for any of the fiscal years
15 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,
16 2013, and July 1, 2014, the actuarially required contribution
17 rate calculated without regard for costs added by legislation is
18 more than 3%, 3.5%, 4.5% and 4.5%, respectively, of the total
19 compensation of all active members greater than the prior year's
20 final contribution rate, then the collared contribution rate
21 shall be applied and be equal to the prior year's final
22 contribution rate increased by the respective percentage above
23 of total compensation of all active members. Otherwise, and for
24 all subsequent fiscal years, the collared contribution rate
25 shall not be applicable. In no case shall the collared
26 contribution rate be less than 4% of total compensation of all
27 active members.

28 (i) Final contribution rate.--For the fiscal year beginning
29 July 1, 2010, the final contribution rate shall be 5% of total
30 compensation of all active members. For each subsequent fiscal

1 year for which the collared contribution rate is applicable, the
2 final contribution rate shall be the collared contribution rate
3 plus the costs added by legislation. For all other fiscal years
4 ending before July 1, 2015, the final contribution rate shall be
5 the actuarially required contribution rate, provided that the
6 final contribution rate shall not be less than the employer
7 normal contribution rate, as defined in subsection (b).

8 Section 23. Title 71 is amended by adding a section to read:

9 § 5508.1. Actuarial cost method for fiscal years beginning July
10 1, 2015, or later.

11 (a) Employer contributions on behalf of members.--For fiscal
12 years beginning on or after July 1, 2015, the amount of the
13 Commonwealth and other employer contributions on behalf of all
14 members shall be computed by the actuary and certified by the
15 board as an employer normal contribution rate as defined in
16 subsection (b) and the accrued liability contribution amount as
17 defined in subsection (c). The accrued liability contribution
18 amount shall be modified by the experience adjustment factor as
19 calculated in subsection (f).

20 (b) Employer normal contribution rate.--For fiscal years
21 beginning on or after July 1, 2015, the employer normal
22 contribution rate for all active members of the system shall be
23 the employer normal contribution rate that would have been
24 applicable if the employer normal contribution rate was
25 determined as part of the December 31, 2014, actuarial valuation
26 under section 5508(b) (relating to actuarial cost method for
27 fiscal years ending before July 1, 2015) without regard to the
28 provisions of this section and the inapplicability of that rate
29 to periods on or after July 1, 2015.

30 (c) Accrued liability contribution amount.--

1 (1) For fiscal years beginning July 1, 2015, the accrued
2 liability contribution rate shall be computed as the rate of
3 total compensation of all active members and active
4 participants which shall be determined by the actuary as
5 sufficient to fund in equal dollar installments over a period
6 of 30 years from July 1, 2015, the present value of all the
7 liabilities for all prospective benefits of members of the
8 system calculated as of the immediately prior valuation date,
9 including the supplemental benefits as provided in sections
10 5708 (relating to supplemental annuities), 5708.1 (relating
11 to additional supplemental annuities), 5708.2 (relating to
12 further additional supplemental annuities), 5708.3 (relating
13 to supplemental annuities commencing 1994), 5708.4 (relating
14 to special supplemental postretirement adjustment), 5708.5
15 (relating to supplemental annuities commencing 1998), 5708.6
16 (relating to supplemental annuities commencing 2002), 5708.7
17 (relating to supplemental annuities commencing 2003) and
18 5708.8 (relating to special supplemental postretirement
19 adjustment of 2002), but excluding the benefits payable from
20 the retirement benefit plan established pursuant to section
21 5941 (relating to benefits completion plan), in excess of the
22 actuarially calculated assets in the fund, calculated
23 recognizing all realized and unrealized investment gains and
24 losses each year in level annual installments over five
25 years, including the balance in the supplemental annuity
26 account, and the present value of employer normal
27 contributions and of member contributions payable with
28 respect to all active members, inactive members on leave
29 without pay, vestees and special vestees on December 31,
30 2014. If the accrued liability is changed by legislation

1 enacted subsequent to December 31, 2014, such change in
2 liability shall be funded in equal dollar installments as a
3 percentage of compensation of all active members and active
4 participants over a period of ten years from the first day of
5 July following the valuation date coincident with or next
6 following the date such legislation is enacted. The accrued
7 liability contribution rate shall be determined after each
8 actuarial valuation on the basis of an annual interest rate
9 and such mortality and other tables as shall be adopted by
10 the board in accordance with generally accepted actuarial
11 principles.

12 (2) For purposes of determining the accrued liability
13 contribution rate in paragraph (1) and subsection (e) and the
14 experience adjustment factor in subsection (f), the term
15 "compensation of all active members and active participants"
16 shall include an additional amount equal to the difference
17 between:

18 (i) The actual compensation of all active members
19 and active participants of The Pennsylvania State
20 University, the State System of Higher Education, State-
21 owned educational institutions and community colleges.

22 (ii) The compensation of all employees of The
23 Pennsylvania State University, the State System of Higher
24 Education, State-owned educational institutions and
25 community colleges who are active members, active
26 participants, active members of the Public School
27 Employees' Retirement System, active participants of the
28 School Employees' Defined Contribution Plan and employees
29 who are members or participants of an independent
30 retirement program approved by the employer multiplied by

1 a fraction equal to the amount determined under
2 subparagraph (i) as part of the December 31, 2014,
3 actuarial valuation divided by the amount determined
4 under this subparagraph as of December 31, 2014.

5 (d) Allocation of accrued liability contribution amount.--

6 For the fiscal year beginning July 1, 2015, and all subsequent
7 fiscal years, The Pennsylvania State University, the State
8 System of Higher Education, each State-owned educational
9 institution and each community college shall make such
10 additional actuarial accrued liability contributions as shall be
11 certified by the board. The additional actuarial accrued
12 liability contributions shall be the product of:

13 (1) the amount by which the final contribution rate
14 exceeds the employer normal contribution rate determined
15 under subsection (b)(1); multiplied by

16 (2) the difference between:

17 (i) the actual compensation of all active members
18 and active participants of each such educational
19 institution; and

20 (ii) the compensation of all active members, active
21 participants, active members of the Public School
22 Employees' Retirement System, active participants of the
23 School Employees' Defined Contribution Plan and employees
24 who are members or participants of an independent
25 retirement program approved by the employer of each such
26 educational institution multiplied by a fraction equal to
27 the amount determined under subparagraph (i) as part of
28 the December 31, 2014, actuarial valuation divided by the
29 amount of compensation of all active members, active
30 participants, active members of the Public School

1 Employees' Retirement System, active participants of the
2 School Employees' Defined Contribution Plan and employees
3 who are members or participants of an independent
4 retirement program approved by the employer of each such
5 educational institution determined as of December 31,
6 2014.

7 (e) Supplemental annuity contribution amounts.--For fiscal
8 years beginning on or after July 1, 2015, contributions from the
9 Commonwealth and other employers whose employees are members of
10 the system required to provide for the payment of supplemental
11 annuities as provided in sections 5708, 5708.1, 5708.2, 5708.3,
12 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 shall be paid as part
13 of the accrued liability contribution rate as provided for in
14 subsection (c) and there shall not be a separate supplemental
15 annuity contribution amount attributable to those supplemental
16 annuities. In the event that supplemental annuities are
17 increased by legislation enacted subsequent to December 31,
18 2014, the additional liability for the increase in benefits
19 shall be funded in equal dollar installments as a percentage of
20 compensation of all active members and active participants over
21 a period of ten years from the first day of July following the
22 valuation date coincident with or next following the date such
23 legislation is enacted as part of the accrued liability amount
24 and not as a separate supplemental annuity contribution amount.

25 (f) Experience adjustment factor.--

26 (1) For each year after the establishment of the accrued
27 liability contribution amount for the fiscal year beginning
28 July 1, 2015, any increase or decrease in the unfunded
29 accrued liability and any increase or decrease in the
30 liabilities and funding for supplemental annuities, due to

1 actual experience differing from assumed experience,
2 recognizing all realized and unrealized investment gains and
3 losses over a five-year period, changes in contributions
4 caused by the final contribution rate being different from
5 the actuarially required contribution rate, State employees
6 making shared-risk member contributions, changes in actuarial
7 assumptions or changes in the terms and conditions of the
8 benefits provided by the system by judicial, administrative
9 or other processes other than legislation, including, but not
10 limited to, reinterpretation of the provisions of this part,
11 shall be amortized in equal dollar installments expressed as
12 a level percentage of compensation of all active members and
13 active participants over a period of 30 years beginning with
14 the July 1 succeeding the actuarial valuation determining
15 said increases or decreases.

16 (2) The actuarially required contribution rate shall be
17 the sum of the normal contribution rate determined under
18 subsection (b) (2), the accrued liability contribution rate
19 and the supplemental annuity contribution rate modified by
20 the experience adjustment factor as calculated in paragraph
21 (1).

22 (g) Temporary application of collared contribution rate.--
23 The collared contribution rate for each fiscal year beginning on
24 or after July 1, 2015, shall be determined by comparing the
25 actuarially required contribution rate calculated without regard
26 for costs added by legislation to the prior year's final
27 contribution rate. If the actuarially required contribution rate
28 calculated without regard for costs added by legislation is more
29 than 4.5% of the total compensation of all active members
30 greater than the prior year's final contribution rate, then the

1 collared contribution rate shall be applied and be equal to the
2 prior year's final contribution rate increased by 4.5% of total
3 compensation of all active members. Otherwise, and for all
4 subsequent fiscal years, the collared contribution rate shall
5 not be applicable. In no case shall the collared contribution
6 rate be less than 4% of total compensation of all active
7 members.

8 (h) Final contribution rate.--For the fiscal year beginning
9 July 1, 2015, if the collared contribution rate is applicable,
10 the final contribution rate shall be the collared contribution
11 rate plus the costs added by legislation. For each subsequent
12 fiscal year for which the collared contribution rate is
13 applicable, the final contribution rate shall be the collared
14 contribution rate plus the costs added by legislation. For all
15 other fiscal years beginning on or after July 1, 2015, the final
16 contribution rate shall be the actuarially required contribution
17 rate, provided that the final contribution rate shall not be
18 less than the employer normal contribution rate, as provided
19 under subsection (b).

20 Section 24. Section 5509 of Title 71, amended October 24,
21 2012 (P.L.1436, No.181), is amended to read:

22 § 5509. Appropriations and assessments by the Commonwealth.

23 (a) Annual submission of budget.--The board shall prepare
24 and submit annually an itemized budget consisting of the amounts
25 necessary to be appropriated by the Commonwealth out of the
26 General Fund and special operating funds and the amounts to be
27 assessed the other employers required to meet the separate
28 obligations to both the fund and the trust accruing during the
29 fiscal period beginning the first day of July of the following
30 year.

1 (b) Appropriation and payment.--The General Assembly shall
2 make an appropriation sufficient to provide for the separate
3 obligations of the Commonwealth to both the fund and the trust.
4 Such amount shall be paid by the State Treasurer through the
5 Department of Revenue into the fund or the trust, as the case
6 may be, in accordance with requisitions presented by the board.
7 The contributions to the system by the Commonwealth on behalf of
8 active members who are officers of the Pennsylvania State Police
9 shall be charged to the General Fund and to the Motor License
10 Fund in the same ratios as used to apportion the appropriations
11 for salaries of members of the Pennsylvania State Police. The
12 contributions to the system by the Commonwealth on behalf of
13 active members who are enforcement officers and investigators of
14 the Pennsylvania Liquor Control Board shall be charged to the
15 General Fund and to the State Stores Fund.

16 (c) Contributions from funds other than General Fund.--The
17 amounts assessed other employers who are required to make the
18 necessary separate contributions to both the fund and the trust
19 out of funds other than the General Fund shall be paid by such
20 employers into the fund or the trust, as the case may be, in
21 accordance with requisitions presented by the board. The General
22 Fund of the Commonwealth shall not be held liable to appropriate
23 the moneys required to build up the reserves in the fund
24 necessary for the payment of benefits from the system to
25 employees or to make the employer defined contributions for
26 employees of such other employers. In case any such other
27 employer shall fail to provide to the fund the moneys necessary
28 for such purpose, then the service of such members of the system
29 for such period for which money is not so provided shall be
30 credited and pickup contributions with respect to such members

1 shall continue to be credited to the members' savings account.
2 The annuity to which such member is entitled shall be determined
3 as actuarially equivalent to the present value of the maximum
4 single life annuity of each such member reduced by the amount of
5 employer contributions to the system payable on account and
6 attributable to his compensation during such service, except
7 that no reduction shall be made as a result of the failure of an
8 employer to make contributions required for a period of USERRA
9 leave.

10 Section 25. Sections 5701 and 5701.1 of Title 71 are amended
11 to read:

12 § 5701. Return of total accumulated deductions.

13 Any member upon termination of service may, in lieu of all
14 benefits payable from the system under this chapter to which he
15 may be entitled, elect to receive his total accumulated
16 deductions.

17 § 5701.1. Transfer of accumulated deductions.

18 When an employee of the Juvenile Court Judges' Commission
19 elects membership in an independent retirement program pursuant
20 to section 5301(f) (relating to mandatory and optional
21 membership in the system and participation in the plan), the
22 board shall transfer directly to the trustee or administrator of
23 the independent retirement program all accumulated deductions
24 resulting from service credited while an employee of the
25 Juvenile Court Judges' Commission.

26 Section 26. Sections 5702(a)(1) and 5704(c) of Title 71 are
27 amended and the sections are amended by adding subsections to
28 read:

29 § 5702. Maximum single life annuity.

30 (a) General rule.--Any full coverage member who is eligible

1 to receive an annuity pursuant to the provisions of section
2 5308(a) or (b) (relating to eligibility for annuities) who
3 terminates State service, or if a multiple service member who is
4 a school employee who is an active member of the Public School
5 Employees' Retirement System who terminates school service,
6 before attaining age 70 shall be entitled to receive a maximum
7 single life annuity attributable to his credited service and
8 equal to the sum of the following single life annuities
9 beginning at the effective date of retirement:

10 (1) A standard single life annuity multiplied by the sum
11 of the products, determined separately for each class of
12 service, obtained by multiplying the appropriate class of
13 service multiplier by the ratio of years of service credited
14 in that class to the total credited service. In case the
15 member on the effective date of retirement is under
16 superannuation age for any service, a reduction factor
17 calculated to provide benefits actuarially equivalent to an
18 annuity starting at superannuation age shall be applied to
19 the product determined for that service. The class of service
20 multiplier for any period of concurrent service shall be
21 multiplied by the proportion of total State and school
22 compensation during such period attributable to State service
23 as a member of the system. In the event a member has two
24 multipliers for one class of service the class of service
25 multiplier to be used for calculating benefits for that class
26 shall be the average of the two multipliers weighted by the
27 proportion of compensation attributable to each multiplier
28 during the three years of highest annual compensation in that
29 class of service: Provided, That in the case of a member of
30 Class E-1, a portion but not all of whose three years of

1 highest annual judicial compensation is prior to January 1,
2 1973, two class of service multipliers shall be calculated on
3 the basis of his entire judicial service, the one applying
4 the judicial class of service multipliers effective prior to
5 January 1, 1973 and the second applying the class of service
6 multipliers effective subsequent to January 1, 1973. The
7 average class of service multiplier to be used for
8 calculating benefits for his judicial service shall be the
9 average of the two calculated multipliers weighted by the
10 proportion of compensation attributable to each of the
11 calculated multipliers during the three years of highest
12 annual compensation in that class of service.

13 * * *

14 (e) Coordination of benefits.--The determination and payment
15 of the maximum single life annuity under this section shall be
16 in addition to any payments a combined service employee may be
17 entitled to receive, has received or is receiving as a result of
18 being a participant in the plan.

19 § 5704. Disability annuities.

20 * * *

21 (c) Reduction on account of earned income.--Subsequent to
22 January 1, 1972, payments on account of disability shall be
23 reduced by that amount by which the earned income of the
24 annuitant, as reported in accordance with section 5908(b)
25 (relating to rights and duties of annuitants), for the preceding
26 calendar year together with the disability annuity payments
27 provided in this section other than subsection (b), for the
28 year, exceeds the product of:

29 [(i)] (1) the last year's salary of the annuitant as
30 a [State employee] member of the system; and

1 [(ii)] (2) the ratio of the current monthly payment
2 to the monthly payment at the effective date of
3 disability;

4 Provided, That the annuitant shall not receive less than his
5 member's annuity or the amount to which he may be entitled under
6 section 5702 whichever is greater.

7 * * *

8 (h) Coordination of benefits.--The determination and payment
9 of a disability annuity under this section shall be in addition
10 to any payments a combined service employee may be entitled to
11 receive, has received or is receiving as a result of being a
12 participant in the plan.

13 Section 27. Section 5706(a), (a.1), (a.2), (b) and (c) (1)
14 and (3) of Title 71 are amended to read:

15 § 5706. Termination of annuities.

16 (a) General rule.--If the annuitant returns to State service
17 or enters or has entered school service and elects multiple
18 service membership, any annuity payable to him under this part
19 shall cease effective upon the date of his return to State
20 service or entering school service without regard to whether he
21 is a mandatory, optional or prohibited member of the system or
22 participant in the plan, or if a multiple service member,
23 whether he is a mandatory, optional or prohibited member or
24 participant of the Public School Employees' Retirement System or
25 School Employees' Defined Contribution Plan and in the case of
26 an annuity other than a disability annuity the present value of
27 such annuity, adjusted for full coverage in the case of a joint
28 coverage member who makes the appropriate back contributions for
29 full coverage, shall be frozen as of the date such annuity
30 ceases. An annuitant who is credited with an additional 10% of

1 Class A and Class C service as provided in section 5302(c)
2 (relating to credited State service) and who returns to State
3 service shall forfeit such credited service and shall have his
4 frozen present value adjusted as if his 10% retirement incentive
5 had not been applied to his account. In the event that the cost-
6 of-living increase enacted December 18, 1979 occurred during the
7 period of such State or school employment, the frozen present
8 value shall be increased, on or after the member attains
9 superannuation age, by the percent applicable had he not
10 returned to service. This subsection shall not apply in the case
11 of any annuitant who may render services to the Commonwealth in
12 the capacity of an independent contractor or as a member of an
13 independent board or commission or as a member of a departmental
14 administrative or advisory board or commission when such members
15 of independent or departmental boards or commissions are
16 compensated on a per diem basis for not more than 150 days per
17 calendar year or as a member of an independent board or
18 commission requiring appointment by the Governor, with advice
19 and consent of the Senate, where the annual salary payable to
20 the member does not exceed \$35,000 and where the member has been
21 an annuitant for at least six months immediately preceding the
22 appointment. Such service shall not be subject to member
23 contributions or be eligible for qualification as creditable
24 State service or for participation in the plan, mandatory pickup
25 participant contributions or employer defined contributions.

26 (a.1) Return to State service during emergency.--When, in
27 the judgment of the employer, an emergency creates an increase
28 in the work load such that there is serious impairment of
29 service to the public, an annuitant may be returned to State
30 service for a period not to exceed 95 days in any calendar year

1 without loss of his annuity. In computing the number of days an
2 annuitant has returned to State service, any amount of time less
3 than one-half of a day shall be counted as one-half of a day.
4 For agencies, boards and commissions under the Governor's
5 jurisdiction, the approval of the Governor that an emergency
6 exists shall be required before an annuitant may be returned to
7 State service. Such service shall not be subject to member
8 contributions or be eligible for qualification as creditable
9 State service or for participation in the plan, mandatory pickup
10 participant contributions or employer defined contributions.

11 (a.2) Return of benefits.--In the event an annuitant whose
12 annuity ceases pursuant to this section receives any annuity
13 payment, including a lump sum payment pursuant to section 5705
14 (relating to member's options) on or after the date of his
15 return to State service or entering school service, the
16 annuitant shall return to the board the amount so received plus
17 statutory interest. The amount payable shall be certified in
18 each case by the board in accordance with methods approved by
19 the actuary and shall be paid in a lump sum within 30 days or in
20 the case of an active member or school employee who is an active
21 member of the Public School Employees' Retirement System may be
22 amortized with statutory interest through salary deductions to
23 the system in amounts agreed upon by the member and the board.
24 The salary deduction amortization plans agreed to by the member
25 and the board may include a deferral of payment amounts and
26 statutory interest until the termination of school service or
27 State service or beginning service as a participant as the board
28 in its sole discretion decides to allow. The board may limit
29 salary deduction amortization plans to such terms as the board
30 in its sole discretion determines. In the case of a school

1 employee who is an active member of the Public School Employees'
2 Retirement System, the agreed upon salary deductions shall be
3 remitted to the Public School Employees' Retirement Board, which
4 shall certify and transfer to the board the amounts paid.

5 (b) Subsequent discontinuance of service.--Upon subsequent
6 discontinuance of service, such [member] terminating State
7 employee other than a former annuitant who had the effect of his
8 frozen present value eliminated in accordance with subsection
9 (c) or a former disability annuitant shall be entitled to an
10 annuity which is actuarially equivalent to [the sum of] the
11 present value as determined under subsection (a) [and] to which
12 shall be added, if the service after reemployment was as a
13 member of the system, the present value of a maximum single life
14 annuity based on years of service credited subsequent to reentry
15 in the system and his final average salary computed by reference
16 to his compensation as a member of the system or as a member of
17 the Public School Employees' Retirement System during his entire
18 period of State and school service.

19 (c) Elimination of the effect of frozen present value.--

20 (1) An annuitant who returns to State service as an
21 active member of the system and earns three eligibility
22 points by performing credited State service following the
23 most recent period of receipt of an annuity under this part,
24 or an annuitant who enters school service other than as a
25 participant in the School Employees' Defined Contribution
26 Plan and:

27 (i) is a multiple service member; or

28 (ii) who elects multiple service membership, and
29 earns three eligibility points by performing credited State
30 service or credited school service following the most recent

1 period of receipt of an annuity under this part, and who had
2 the present value of his annuity frozen in accordance with
3 subsection (a), shall qualify to have the effect of the
4 frozen present value resulting from all previous periods of
5 retirement eliminated, provided that all payments under
6 Option 4 and annuity payments payable during previous periods
7 of retirement plus interest as set forth in paragraph (3)
8 shall be returned to the fund in the form of an actuarial
9 adjustment to his subsequent benefits or in such form as the
10 board may otherwise direct.

11 * * *

12 (3) In addition to any other adjustment to the present
13 value of the maximum single life annuity that a member may be
14 entitled to receive that occurs as a result of any other
15 provision of law, the present value of the maximum single
16 life annuity shall be reduced by all amounts paid or payable
17 to him during all previous periods of retirement plus
18 interest on these amounts until the date of subsequent
19 retirement. The interest for each year shall be calculated
20 based upon the annual interest rate adopted for that fiscal
21 year by the board for the calculation of the normal
22 contribution rate pursuant to section 5508(b) (relating to
23 actuarial cost method[).] for fiscal years ending before July
24 1, 2015) or for the calculation of the accrued liability
25 contribution rate under section 5508.1(c) (relating to
26 actuarial cost method for fiscal years beginning July 1,
27 2015, or later) for fiscal years starting on or after July 1,
28 2015.

29 Section 28. Section 5707(a), (b) and (f) of Title 71,
30 amended October 24, 2012 (P.L.1436, No.181), are amended to

1 read:

2 § 5707. Death benefits.

3 (a) Members eligible for annuities.--Any active member,
4 inactive member on leave without pay, combined service employee
5 who is an active participant or inactive participant on leave
6 without pay, vestee or current or former State employee
7 performing USERRA leave who dies and was eligible for an annuity
8 in accordance with section 5308(a) or (b) (relating to
9 eligibility for annuities) or special vestee who has attained
10 superannuation age and dies before applying for a superannuation
11 annuity shall be considered as having applied for an annuity to
12 become effective the day before his death and in the event he
13 has not elected an option or such election has not been approved
14 prior to his death, it shall be assumed that he elected Option
15 1.

16 (b) Members ineligible for annuities.--In the event of the
17 death of a special vestee, an active member, an inactive member
18 on leave without pay, combined service employee who is an active
19 participant or inactive participant on leave without pay, or a
20 current or former State employee performing USERRA leave who is
21 not entitled to a death benefit as provided in subsection (a),
22 his designated beneficiary shall be paid the full amount of his
23 total accumulated deductions.

24 * * *

25 (f) Members subject to limitations under section 5702(c).--
26 Subject to the limitations contained in section 401(a)(9) of the
27 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
28 401(a)(9)), the present value of any annuity in excess of that
29 payable under section 5702 (relating to maximum single life
30 annuity) that is not subject to the limitations under section

1 415(b) of the Internal Revenue Code of 1986 shall be paid in a
2 lump sum to the beneficiary designated by the member after the
3 death of the member. A beneficiary receiving a benefit under
4 this subsection shall not be able to elect a payment method
5 otherwise allowed under section 5709(b)(2) and (3) (relating to
6 payment of benefits from the system).

7 Section 29. Sections 5708.1(f), 5708.2(f), 5708.3(f),
8 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5709 heading, (a)
9 and (b) and 5901(a), (c) and (d) of Title 71 are amended to
10 read:

11 § 5708.1. Additional supplemental annuities.

12 * * *

13 (f) Funding.--The actuary shall annually certify the amount
14 of appropriations for the next fiscal year needed to fund, over
15 a period of ten years from July 1, 2002, the additional monthly
16 supplemental annuity provided for in this section, which amounts
17 shall be paid during the period beginning July 1, 2002, and
18 ending June 30, 2010. For fiscal years beginning on or after
19 July 1, 2010, the additional liability provided in this section
20 shall be funded as part of the actuarial accrued liability as
21 provided in [section 5508 (relating to actuarial cost method).]
22 sections 5508 (relating to actuarial cost method for fiscal
23 years ending before July 1, 2015) and 5508.1 (relating to
24 actuarial cost method for fiscal years beginning July 1, 2015,
25 or later).

26 * * *

27 § 5708.2. Further additional supplemental annuities.

28 * * *

29 (f) Funding.--The actuary shall annually estimate the amount
30 of Commonwealth appropriations for the next fiscal year needed

1 to fund, over a period of ten years from July 1, 2002, the
2 additional monthly supplemental annuity provided for in this
3 section, which amounts shall be paid during the period beginning
4 July 1, 2002, and ending June 30, 2010. For fiscal years
5 beginning on or after July 1, 2010, the additional liability
6 provided in this section shall be funded as part of the
7 actuarial accrued liability as provided in [section 5508
8 (relating to actuarial cost method).] sections 5508 (relating to
9 actuarial cost method for fiscal years ending before July 1,
10 2015) and 5508.1 (relating to actuarial cost method for fiscal
11 years beginning July 1, 2015, or later).

12 * * *

13 § 5708.3. Supplemental annuities commencing 1994.

14 * * *

15 (f) Funding.--For the period beginning July 1, 2002, and
16 ending June 30, 2010, the additional liability for the increase
17 in benefits provided in this section shall be funded in equal
18 dollar annual installments over a period of ten years beginning
19 July 1, 2002. For fiscal years beginning on or after July 1,
20 2010, the additional liability for the increase in benefits
21 provided in this section shall be funded as part of the
22 actuarial accrued liability as provided in [section 5508
23 (relating to actuarial cost method).] sections 5508 (relating to
24 actuarial cost method for fiscal years ending before July 1,
25 2015) and 5508.1 (relating to actuarial cost method for fiscal
26 years beginning July 1, 2015, or later).

27 * * *

28 § 5708.5. Supplemental annuities commencing 1998.

29 * * *

30 (f) Funding.--For the period beginning July 1, 2002, and

1 ending June 30, 2010, the additional liability for the increase
2 in benefits provided in this section shall be funded in equal
3 dollar annual installments over a period of ten years beginning
4 July 1, 2002. For fiscal years beginning on or after July 1,
5 2010, the additional liability for the increase in benefits
6 provided in this section shall be funded as part of the
7 actuarial accrued liability as provided in [section 5508
8 (relating to actuarial cost method).] sections 5508 (relating to
9 actuarial cost method for fiscal years ending before July 1,
10 2015) and 5508.1 (relating to actuarial cost method for fiscal
11 years beginning July 1, 2015, or later).

12 * * *

13 § 5708.6. Supplemental annuities commencing 2002.

14 * * *

15 (f) Funding.--For the period beginning July 1, 2003, and
16 ending June 30, 2010, the additional liability for the increase
17 in benefits provided in this section shall be funded in equal
18 dollar annual installments over a period of ten years beginning
19 July 1, 2003. For fiscal years beginning on or after July 1,
20 2010, the additional liability for the increase in benefits
21 provided in this section shall be funded as part of the
22 actuarial accrued liability as provided in [section 5508
23 (relating to actuarial cost method).] sections 5508 (relating to
24 actuarial cost method for fiscal years ending before July 1,
25 2015) and 5508.1 (relating to actuarial cost method for fiscal
26 years beginning July 1, 2015, or later).

27 * * *

28 § 5708.7. Supplemental annuities commencing 2003.

29 * * *

30 (f) Funding.--For the period beginning July 1, 2004, and

1 ending June 30, 2010, the additional liability for the increase
2 in benefits provided in this section shall be funded in equal
3 dollar annual installments over a period of ten years beginning
4 July 1, 2004. For fiscal years beginning on or after July 1,
5 2010, the additional liability for the increase in benefits
6 provided in this section shall be funded as part of the
7 actuarial accrued liability as provided in [section 5508
8 (relating to actuarial cost method).] sections 5508 (relating to
9 actuarial cost method for fiscal years ending before July 1,
10 2015) and 5508.1 (relating to actuarial cost method for fiscal
11 years beginning July 1, 2015, or later).

12 * * *

13 § 5708.8. Special supplemental postretirement adjustment of
14 2002.

15 * * *

16 (g) Funding.--For the period beginning July 1, 2003, and
17 ending June 30, 2010, the additional liability for the increase
18 in benefits provided in this section shall be funded in equal
19 dollar annual installments over a period of ten years beginning
20 July 1, 2003. For fiscal years beginning on or after July 1,
21 2010, the additional liability for the increase in benefits
22 provided in this section shall be funded as part of the
23 actuarial accrued liability as provided in [section 5508
24 (relating to actuarial cost method).] sections 5508 (relating to
25 actuarial cost method for fiscal years ending before July 1,
26 2015) and 5508.1 (relating to actuarial cost method for fiscal
27 years beginning July 1, 2015, or later).

28 * * *

29 § 5709. Payment of benefits from the system.

30 (a) Annuities.--Any annuity granted under the provisions of

1 this part and paid from the fund shall be paid in equal monthly
2 installments.

3 (b) Death benefits.--If the amount of a death benefit
4 payable from the fund to a beneficiary of a member under section
5 5707 (relating to death benefits) or under the provisions of
6 Option 1 of section 5705(a)(1) (relating to member's options) is
7 \$10,000 or more, such beneficiary may elect to receive payment
8 according to one of the following options:

9 (1) a lump sum payment;

10 (2) an annuity actuarially equivalent to the amount
11 payable; or

12 (3) a lump sum payment and an annuity such that the
13 annuity is actuarially equivalent to the amount payable less
14 the lump sum payment specified by the beneficiary.

15 * * *

16 § 5901. The State Employees' Retirement Board.

17 (a) Status and membership.--The board shall be an
18 independent administrative board and consist of 11 members: the
19 State Treasurer, ex officio, two Senators, two members of the
20 House of Representatives and six members appointed by the
21 Governor, one of whom shall be an annuitant of the system or a
22 participant of the plan who has terminated State service and is
23 receiving or is eligible to receive distributions, for terms of
24 four years, subject to confirmation by the Senate. At least five
25 board members shall be active members of the system or active
26 participants of the plan, and at least two shall have ten or
27 more years of credited State service or shall have been active
28 participants of the plan for ten calendar years. The chairman of
29 the board shall be designated by the Governor from among the
30 members of the board. Each member of the board who is a member

1 of the General Assembly may appoint a duly authorized designee
2 to act in his stead. In the event that a board member, who is
3 designated as an active participant or as the participant in the
4 plan who is receiving or is eligible to receive distributions,
5 receives a total distribution of his interest in the plan, that
6 board member may continue to serve on the board for the
7 remainder of his term.

8 * * *

9 (c) Oath of office.--Each member of the board shall take an
10 oath of office that he will, so far as it devolves upon him,
11 diligently and honestly, administer the affairs of said board,
12 the system and the plan and that he will not knowingly violate
13 or willfully permit to be violated any of the provisions of law
14 applicable to this part. Such oath shall be subscribed by the
15 member taking it and certified by the officer before whom it is
16 taken and shall be immediately filed in the Office of the
17 Secretary of the Commonwealth.

18 (d) Compensation and expenses.--The members of the board who
19 are members of the system or participants in the plan shall
20 serve without compensation but shall not suffer loss of salary
21 or wages through serving on the board. The members of the board
22 who are not members of the system or participants in the plan
23 shall receive \$100 per day when attending meetings and all board
24 members shall be reimbursed for any necessary expenses. However,
25 when the duties of the board as mandated are not executed, no
26 compensation or reimbursement for expenses of board members
27 shall be paid or payable during the period in which such duties
28 are not executed.

29 * * *

30 Section 30. Sections 5902(a.1) introductory paragraph, (3),

1 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) and
2 5903 heading and (a) of Title 71 are amended and the sections
3 are amended by adding subsections to read:

4 § 5902. Administrative duties of the board.

5 * * *

6 (a.1) Secretary.--The secretary shall act as chief
7 administrative officer for the board with respect to both the
8 system and the plan. In addition to other powers and duties
9 conferred upon and delegated to the secretary by the board, the
10 secretary shall:

11 * * *

12 (3) Review and analyze proposed legislation and
13 legislative developments affecting the system or the plan and
14 present findings to the board, legislative committees, and
15 other interested groups or individuals.

16 * * *

17 (5) Receive inquiries and requests for information
18 concerning the system or the plan from the press,
19 Commonwealth officials, State employees, the general public,
20 research organizations, and officials and organizations from
21 other states, and provide information as authorized by the
22 board.

23 (6) Supervise a staff of administrative, technical, and
24 clerical employees engaged in record-keeping and clerical
25 processing activities for both the system and the plan in
26 maintaining files of members and participants, accounting for
27 contributions, processing payments to annuitants and
28 terminated participants, preparing required reports, and
29 retirement counseling. The board may utilize the staff of
30 employees provided for under this subsection for both the

1 system and the plan but shall allocate the fees, costs and
2 expenses incurred under this subsection between the system
3 and the plan as appropriate.

4 (b) Professional personnel.--The board shall contract for
5 the services of a chief medical examiner, an actuary, investment
6 advisors and counselors, and such other professional personnel
7 as it deems advisable. The board may, with the approval of the
8 Attorney General, contract for legal services. The board may
9 utilize the same individuals and firms contracted under this
10 subsection for both the system and the plan but shall allocate
11 the fees, costs and expenses incurred under this subsection
12 between the system and the plan as appropriate.

13 (c) Expenses.--The board shall, through the Governor, submit
14 to the General Assembly annually a budget covering the
15 administrative expenses of [this part] the system and a separate
16 budget covering the administrative expenses of the plan. Such
17 expenses of the system as approved by the General Assembly in an
18 appropriation bill shall be paid from investment earnings of the
19 fund. Such expenses of the plan as approved by the General
20 Assembly shall be paid from interest, pursuant to section
21 5414(b) (relating to investments based on members' investment
22 allocation choices), or assessments on the balances of the
23 participants' individual investment accounts except as may be
24 provided otherwise by law. Concurrently with its administrative
25 budget, the board shall also submit to the General Assembly
26 annually a list of proposed expenditures which the board intends
27 to pay through the use of directed commissions, together with a
28 list of the actual expenditures from the past year actually paid
29 by the board through the use of directed commissions. All such
30 directed commission expenditures shall be made by the board for

1 the exclusive benefit of the system and its members.

2 * * *

3 (e) Records.--

4 (1) The board shall keep a record of all its proceedings
5 which shall be open to [inspection] access by the public,
6 except as otherwise provided in this part or by other law.

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

16 (i) in the case of an alternative investment or
17 alternative investment vehicle, involve the release of
18 sensitive investment or financial information relating to
19 the alternative investment or alternative investment
20 vehicle which the fund or trust was able to obtain only
21 upon agreeing to maintain its confidentiality;

22 (ii) cause substantial competitive harm to the
23 person from whom sensitive investment or financial
24 information relating to the investment was received; or

25 (iii) have a substantial detrimental impact on the
26 value of an investment to be acquired, held or disposed
27 of by the fund or trust or would cause a breach of the
28 standard of care or fiduciary duty set forth in this
29 part.

30 (3) (i) The sensitive investment or financial

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

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

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

16 (B) the entity in which the investment was made
17 is liquidated;

18 whichever is later.

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

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

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

1 is liquidated;
2 whichever is later.

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

9 (5) Any record, material or data received, prepared,
10 used or retained by the board or its employees, or agents
11 relating to the contributions, account value or benefits
12 payable to or on account of a participant shall not
13 constitute a public record subject to public access under the
14 Right-to-Know Law, if, in the reasonable judgment of the
15 board, the access would disclose any of the following:

16 (i) The existence, date, amount and any other
17 information pertaining to the voluntary contributions,
18 including rollover contributions or trustee-to-trustee
19 transfers, of any participant.

20 (ii) The investment options selections of any
21 participant.

22 (iii) The balance of a participant's account,
23 including the amount distributed to the participant
24 investment gains or losses or rates of return.

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

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

28 (6) Nothing in this subsection shall be construed to
29 designate any record, material or data received, prepared,
30 used or retained by the board or its employees, or agents

1 relating to the contributions, account value or benefits
2 payable to or on account of a participant as a public record
3 subject to public access under the Right-to-Know Law.

4 * * *

5 (h) Regulations and procedures.--The board shall, with the
6 advice of the Attorney General and the actuary, adopt and
7 promulgate rules and regulations for the uniform administration
8 of the system. The actuary shall approve in writing all
9 computational procedures used in the calculation of
10 contributions and benefits pertaining to the system, and the
11 board shall by resolution adopt such computational procedures,
12 prior to their application by the board. Such rules, regulations
13 and computational procedures as so adopted from time to time and
14 as in force and effect at any time, together with such tables as
15 are adopted pursuant to subsection (j) as necessary for the
16 calculation of annuities and other benefits, shall be as
17 effective as if fully set forth in this part. Any actuarial
18 assumption specified in or underlying any such rule, regulation
19 or computational procedure and utilized as a basis for
20 determining any benefit shall be applied in a uniform manner.

21 (i) Data.--The board shall keep in convenient form such data
22 as are stipulated by the actuary in order that an annual
23 actuarial valuation of the various accounts of the fund can be
24 completed within six months of the close of each calendar year.

25 (j) Actuarial investigation and valuation.--The board shall
26 have the actuary make an annual valuation of the various
27 accounts of the fund within six months of the close of each
28 calendar year. In the year 1975 and in every fifth year
29 thereafter the board shall have the actuary conduct an actuarial
30 investigation and evaluation of the system based on data

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

21 (k) Certification of employer contributions to the fund.--
22 The board shall, each year in addition to the itemized budget
23 required under section 5509 (relating to appropriations and
24 assessments by the Commonwealth), certify, as a percentage of
25 the members' payroll, the shared-risk contribution rate, the
26 employers' contributions as determined pursuant to [section 5508
27 (relating to actuarial cost method)] sections 5508 (relating to
28 actuarial cost method for fiscal years ending before July 1,
29 2015) and 5508.1 (relating to actuarial cost method for fiscal
30 years beginning July 1, 2015, or later) necessary for the

1 funding of prospective annuities for active members and the
2 annuities of annuitants and certify the rates and amounts of the
3 employers' normal contributions as determined pursuant to
4 [section] sections 5508(b) and 5508.1(b), accrued liability
5 contributions as determined pursuant to [section] sections
6 5508(c) and 5508.1(c) and (d), supplemental annuities
7 contribution rate as determined pursuant to section 5508(e), the
8 experience adjustment factor as determined pursuant to [section]
9 sections 5508(f) and 5508.1(f), the collared contribution rate
10 pursuant to section 5508(h) and the final contribution rate
11 pursuant to section 5508(i), which shall be paid to the fund and
12 credited to the appropriate accounts. The board may allocate the
13 final contribution rate and certify various employer
14 contribution rates and amounts based upon the different benefit
15 eligibility, class of service multiplier, superannuation age and
16 other benefit differences resulting from State service credited
17 for individual members even though such allocated employer
18 contribution rate on behalf of any given member may be more or
19 less than 5% of the member's compensation for the period from
20 July 1, 2010, to June 30, 2011, or may differ from the prior
21 year's contribution for that member by more or less than the
22 percentages used to calculate the collared contribution rate for
23 that year and may be below any minimum contribution rate
24 established for the collared contribution rate or final
25 contribution rate. These certifications shall be regarded as
26 final and not subject to modification by the Secretary of the
27 Budget.

28 * * *

29 (m) Annual financial statement.--The board shall prepare and
30 have published, on or before July 1 of each year, [a financial

1 statement] financial statements as of the calendar year ending
2 December 31 of the previous year showing the condition of the
3 fund and the trust and the various accounts, including, but not
4 limited to, the board's accrual and expenditure of directed
5 commissions, and setting forth such other facts,
6 recommendations, and data as may be of use in the advancement of
7 knowledge concerning annuities and other benefits provided by
8 this part. The board shall submit said financial [statement]
9 statements to the Governor and shall file copies with the head
10 of each department for the use of the State employees and the
11 public.

12 (n) Independent [audit] audits.--The board shall provide for
13 [an annual audit] annual audits of the system and the plan by
14 [an] independent certified public [accountant] accountants,
15 which [audit] audits shall include the board's accrual and
16 expenditure of directed commissions. The board may use the same
17 independent certified public accountant for the audits of both
18 the system and the plan.

19 * * *

20 (p) Participant and employer contributions to the trust.--
21 The board shall, each year in addition to any fees and itemized
22 budget required under section 5509 (relating to appropriations
23 and assessments by the Commonwealth), certify, as a percentage
24 of each participant's compensation, the employer defined
25 contributions, which shall be paid to the trust and credited to
26 each participant's individual investment account. These
27 certifications shall be regarded as final and not subject to
28 modification by the Secretary of the Budget. The board shall
29 cause all mandatory pickup participant contributions made on
30 behalf of a participant and all voluntary contributions made by

1 a participant to be credited to the participant's individual
2 investment account.

3 § 5903. Duties of the board to advise and report to heads of
4 departments [and], members and participants.

5 (a) Manual of regulations.--The board shall, with the advice
6 of the Attorney General and the actuary, prepare and provide,
7 within 90 days of the effective date of this part, a manual
8 incorporating rules and regulations consistent with the
9 provisions of this part to the heads of departments who shall
10 make the information contained therein available to the general
11 membership. The board shall thereafter advise the heads of
12 departments within 90 days of any changes in such rules and
13 regulations due to changes in the law or due to changes in
14 administrative policies. As soon as practicable after the
15 commissioner's announcement with respect thereto, the board
16 shall also advise the heads of departments as to any cost-of-
17 living adjustment for the succeeding calendar year in the amount
18 of the limitation under IRC § 401(a)(17) and the dollar amounts
19 of the limitations under IRC § 415[(b)]. As soon as practicable
20 after January 1 of each year, the board shall also advise the
21 heads of departments of the employees for whom, pursuant to
22 section 5502.1 (relating to waiver of regular member
23 contributions and Social Security integration member
24 contributions), pickup contributions are not to be made.

25 * * *

26 (b.1) Participant status statements.--The board shall have
27 furnished annually to each participant, on or before April 1 and
28 more frequently as the board may agree or as required by law, a
29 statement for each participant in the plan showing the
30 accumulated total defined contributions credited to the

1 participant's individual investment account, the nature and type
2 of investments and the investment allocation of future
3 contributions as of December 31 of the previous year and
4 requesting the participant to make any necessary correction or
5 revision regarding his designated beneficiary.

6 * * *

7 Section 31. Section 5904(c)(2) of Title 71 is amended to
8 read:

9 § 5904. Duties of the board to report to the Public School
10 Employees' Retirement Board.

11 * * *

12 (c) Applications for benefits for school employees.--Upon
13 receipt of notification and the required data from the Public
14 School Employees' Retirement Board that a former State employee
15 who elected multiple service has applied for a public school
16 employees' retirement benefit or, in the event of his death, his
17 legally constituted representative has applied for such benefit,
18 the board shall:

19 * * *

20 (2) transfer to the Public School Employees' Retirement
21 Fund the total accumulated deductions standing to such
22 member's credit and the actuarial reserve required on account
23 of years of credited service in the State system, final
24 average salary determined on the basis of his compensation as
25 a member in both systems and the average noncovered salary to
26 be charged to the State accumulation account, the State
27 Police benefit account or the enforcement officers' benefit
28 account, as each case may require.

29 * * *

30 Section 32. Section 5905 heading, (b)(3), (c.1) and (g) of

1 Title 71, amended October 24, 2012 (P.L.1436, No.181), are
2 amended and the section is amended by adding subsections to
3 read:

4 § 5905. Duties of the board regarding applications and
5 elections of members and participants.

6 * * *

7 (b) School employees electing multiple service status.--Upon
8 receipt of notification from the Public School Employees'
9 Retirement Board that a former State employee has become an
10 active member in the Public School Employees' Retirement System
11 and has elected to become a member with multiple service status
12 the board shall:

13 * * *

14 (3) in case of a former State employee who is not
15 receiving an annuity from the system and his total
16 accumulated deductions were withdrawn, certify to the former
17 State employee the accumulated deductions as they would have
18 been at the time of his separation had he been a full
19 coverage member together with statutory interest for all
20 periods of subsequent State service eligible for membership
21 in the system and school service as a member of the Public
22 School Employees' Retirement System to the date of repayment.
23 Such amount shall be restored by him and shall be credited
24 with statutory interest as such payments are restored.

25 * * *

26 (c.1) Termination of service by a member.--In the case of
27 any member terminating State service who is entitled to an
28 annuity and who is not then a disability annuitant, the board
29 shall advise such member in writing of any benefits from the
30 system to which he may be entitled under the provisions of this

1 part and shall have the member prepare, on or before the date of
2 termination of State service, one of the following three forms,
3 a copy of which shall be given to the member and the original of
4 which shall be filed with the board:

5 (1) an application for the return of total accumulated
6 deductions;

7 (2) an election to vest his retirement rights and, if he
8 is a joint coverage member and so desires, elect to become a
9 full coverage member and agree to pay within 30 days of the
10 date of termination of service the lump sum required; or

11 (3) an application for an immediate annuity and, if he
12 desires:

13 (i) an election to convert his medical, major
14 medical and hospitalization insurance coverage to the
15 plan for State annuitants; and

16 (ii) if he is a joint coverage member, an election
17 to become a full coverage member and an agreement to pay
18 within 30 days of date of termination of service the lump
19 sum required.

20 (c.2) Termination of service by a participant.--In the case
21 of any participant terminating State service, the board shall
22 advise the participant in writing of the accumulated total
23 defined contributions credited to the participant's individual
24 investment account as of the date stated in the writing, any
25 notices regarding rollover or other matters required by IRC or
26 other law, the obligation of the participant to commence
27 distributions from the plan by the participant's required
28 beginning date and the ability to receive all or part of the
29 balance in the participant's individual investment account in a
30 lump sum or in such other form as the board may authorize or is

1 required by law.

2 * * *

3 (e.2) Notification to inactive participants approaching
4 required beginning date.--The board shall notify each inactive
5 participant who has terminated State service and had not
6 commenced distribution by 90 days before the participant's
7 required beginning date in writing that the participant has an
8 obligation to commence distributions by his required beginning
9 date in a form and manner required by IRC § 401(a)(9) and other
10 applicable provisions of the IRC.

11 * * *

12 (f.1) Initial payment to a participant.--The board shall
13 make the initial payment to a participant who has applied for a
14 distribution within 60 days of the filing of his application.

15 (g) Death benefits.--Upon receipt of notification from the
16 head of a department of the death of an active member, a member
17 performing USERRA leave [or], a member on leave without pay, an
18 active participant, an inactive participant on leave without pay
19 or a former participant performing USERRA leave, the board shall
20 advise the designated beneficiary of the benefits to which he is
21 entitled, and shall make the first payment to the beneficiary
22 within 60 days of receipt of certification of death and other
23 necessary data. If no beneficiary designation is in effect at
24 the date of the member's death or no notice has been filed with
25 the board to pay the amount of the benefits to the member's
26 estate, the board is authorized to pay the benefits to the
27 executor, administrator, surviving spouse or next of kin of the
28 deceased member, and payment pursuant hereto shall fully
29 discharge the fund from any further liability to make payment of
30 such benefits to any other person. If the surviving spouse or

1 next of kin of the deceased member cannot be found for the
2 purpose of paying the benefits for a period of seven years from
3 the date of death of the member, then the benefits shall be
4 escheated to the Commonwealth for the benefit of the fund. If no
5 beneficiary designation is in effect at the date of a
6 participant's death or no notice has been filed with the board
7 to pay the amount of the benefits to the participant's estate,
8 the board is authorized to pay the benefits to the surviving
9 spouse, executor, administrator or next of kin of the deceased
10 participant and payment pursuant hereto shall fully discharge
11 the fund from any further liability to make payment of such
12 benefits to any other person.

13 * * *

14 Section 33. Section 5906(a) introductory paragraph and (3),
15 (b), (d), (e), (g), (h), (i) and (l) of Title 71, amended
16 October 24, 2012 (P.L.1436, No.181), are amended and the section
17 is amended by adding subsections to read:

18 § 5906. Duties of heads of departments.

19 (a) Status of members and participants.--The head of
20 department shall, at the end of each pay period, notify the
21 board in a manner prescribed by the board of salary changes
22 effective during that period for any members and participants of
23 the department, the date of all removals from the payroll, and
24 the type of leave of any members and participants of the
25 department who have been removed from the payroll for any time
26 during that period, and:

27 * * *

28 (3) if the removal is due to termination of State
29 service, he shall furnish the board with a complete State
30 service record, including service in other departments or

1 agencies, or creditable nonstate service and;

2 (i) in the case of death of the member or
3 participant the head of the department shall so notify
4 the board;

5 (ii) in the case of a service connected disability
6 of a member the head of department shall, to the best of
7 his ability, investigate the circumstances surrounding
8 the disablement of the member and submit in writing to
9 the board information which shall include but not
10 necessarily be limited to the following: date, place and
11 time of disablement to the extent ascertainable; nature
12 of duties being performed at such time; and whether or
13 not the duties being performed were authorized and
14 included among the member's regular duties. In addition,
15 the head of department shall furnish in writing to the
16 board all such other information as may be related to the
17 member's disablement;

18 (iii) in the case of a member terminating from The
19 Pennsylvania State University who is a member of the
20 system with five or more but less than ten eligibility
21 points and who has terminated State service on June 30,
22 1997, because of the transfer of his job position or
23 duties to a controlled organization of the Penn State
24 Geisinger Health System or because of the elimination of
25 his job position or duties due to the transfer of other
26 job positions or duties to a controlled organization of
27 the Penn State Geisinger Health System, the head of the
28 department shall so certify to the board.

29 (b) Records and information.--At any time at the request of
30 the board and at termination of service of a member or a

1 participant, the head of department shall furnish service and
2 compensation records and such other information as the board may
3 require and shall maintain and preserve such records as the
4 board may direct for the expeditious discharge of its duties.

5 * * *

6 (c.1) Participant and employer defined contributions.--The
7 head of the department shall:

8 (1) Cause the mandatory pickup participant contributions
9 on behalf of a participant to be made and cause to be
10 deducted any voluntary contributions authorized by a
11 participant.

12 (2) Cause the employer defined contributions on behalf
13 of a participant to be made.

14 (3) Notify the board at times and in a manner prescribed
15 by the board of the compensation of any participant to whom
16 the limitation under IRC § 401(a)(17) either applies or is
17 expected to apply and cause such participant's contributions
18 to be deducted from payroll to cease at the limitation under
19 IRC § 401(a)(17) on the payroll date if and when such limit
20 shall be reached.

21 (4) Certify to the State Treasurer the amounts picked up
22 and deducted and the employer defined contributions being
23 made and send the total amount picked up, deducted and
24 contributed together with a duplicate of such voucher to the
25 secretary of the board every pay period or on such schedule
26 as established by the board.

27 (d) New employees subject to mandatory membership or
28 participation.--Upon the assumption of duties of each new State
29 employee whose membership in the system or plan is mandatory,
30 the head of department shall cause an application for membership

1 or participation and a nomination of beneficiary to be made by
2 such employee and filed with the board and shall make pickup
3 contributions or mandatory pickup participant contributions from
4 the effective date of State employment.

5 (e) New employees subject to optional membership or
6 participation.--The head of department shall, upon the
7 employment or entering into office of any State employee whose
8 membership in the system or participation in the plan is not
9 mandatory, inform such employee of his opportunity to become a
10 member of the system or participant in the plan. If such
11 employee so elects, the head of department shall cause an
12 application for membership and a nomination of beneficiary to be
13 made by him and filed with the board and shall cause proper
14 contributions to be made from the effective date of membership
15 or participation.

16 * * *

17 (g) Former school employee contributors.--The head of
18 department shall, upon the employment of a former contributor to
19 the Public School Employees' Retirement System who is not an
20 annuitant of the Public School Employees' Retirement System,
21 advise such employee of his right to elect within 365 days of
22 entry into the system to become a multiple service member, and
23 in the case of any such employee who so elects and has withdrawn
24 his accumulated deductions, require him to reinstate his credit
25 in the Public School Employees' Retirement System. The head of
26 the department shall advise the board of such election. This
27 subsection shall not apply to a State employee who is employed
28 in a position where he is or may be a participant in the plan
29 other than by an election under section 5416 (relating to
30 election by members to be participants).

1 (h) Former school employee annuitants.--The head of
2 department shall, upon the employment of an annuitant of the
3 Public School Employees' Retirement System who applies for
4 membership in the system, advise such employee that he may elect
5 multiple service membership within 365 days of entry into the
6 system and if he so elects his public school employee's annuity
7 will be discontinued effective upon the date of his return to
8 State service and, upon termination of State service and
9 application for an annuity, the annuity will be adjusted in
10 accordance with section 5706 (relating to termination of
11 annuities). The head of department shall advise the board of
12 such election. This subsection shall not apply to a State
13 employee who is employed in a position where he is or may be a
14 participant in the plan other than by an election under section
15 5416.

16 (i) Annual statement to members.--Annually, upon receipt
17 from the board, the head of department shall furnish to each
18 member the statement specified in section 5903(b) (relating to
19 duties of the board to advise and report to heads of departments
20 [and], members and participants).

21 * * *

22 (l) State employees performing USERRA or military-related
23 leave of absence.--The head of department shall report to the
24 board any State employee who ceases to be an active member or
25 active participant to perform USERRA service, or who is granted
26 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
27 of absence for certain government employees) or a military leave
28 of absence under 51 Pa.C.S. § 7302 (relating to granting
29 military leaves of absence), the date on which the USERRA
30 service, leave of absence or military leave of absence began,

1 the date on which the State employee is reemployed from USERRA
2 leave or returns after the leave of absence or military leave of
3 absence, if the event occurs, and any other information the
4 board may require or direct.

5 * * *

6 (n) Obligation of educational institutions to report
7 participation and compensation of employees in independent
8 retirement programs.--The Pennsylvania State University, the
9 State System of Higher Education, State-owned educational
10 institutions and community colleges shall report to the board
11 the compensation and other information as the board may request
12 for the application and administration of sections 5507.1
13 (relating to contributions to the system by the Commonwealth and
14 other employers starting July 1, 2015) and 5508.1(c) and (d)
15 (relating to actuarial cost method for fiscal years beginning
16 July 1, 2015, or later) of employees who are participants or
17 members in the Public School Employees' Retirement System,
18 School Employees' Defined Contribution Plan or independent
19 retirement programs approved by the employer.

20 Section 34. Section 5907 heading, (a), (e) and (f) of Title
21 71 are amended and the section is amended by adding subsections
22 to read:

23 § 5907. Rights and duties of State employees [and], members and
24 participants.

25 (a) Information on new employees.--Upon his assumption of
26 duties each new State employee shall furnish the head of
27 department with a complete record of his previous State service,
28 his school service or creditable nonstate service, and proof of
29 his date of birth and current status in the system and the plan
30 and in the Public School Employees' Retirement System and the

1 School Employees' Defined Contribution Plan. Willful failure to
2 provide the information required by this subsection to the
3 extent available upon entrance into the system shall result in
4 the forfeiture of the right of the member to subsequently assert
5 any right to benefits based on any of the required information
6 which he failed to provide. In any case in which the board finds
7 that a member is receiving an annuity based on false
8 information, the total amount received predicated on such false
9 information together with statutory interest doubled and
10 compounded shall be deducted from the present value of any
11 remaining benefits to which the member is legally entitled.

12 * * *

13 (b.1) Application for participation.--On or after January 1,
14 2015, in the case of a new employee who is not currently a
15 participant in the plan and whose participation is mandatory or
16 in the case of a new employee whose participation is not
17 mandatory but is permitted and who desires to become a
18 participant in the plan, the new employee shall execute an
19 application for participation and a nomination of a beneficiary.

20 * * *

21 (d.2) Contributions for USERRA leave.--Any active
22 participant or inactive participant on leave without pay or
23 former participant who was reemployed from USERRA leave who
24 desires to make mandatory pickup participant contributions and
25 voluntary contributions for his USERRA leave shall so notify the
26 board within the time period required under 38 U.S.C. Ch. 43
27 (relating to employment and reemployment rights of members of
28 the uniformed services) and IRC § 414(u) of his desire to make
29 such contributions. Upon making the permitted mandatory pickup
30 participant contributions within the allowed time period, the

1 head of the department shall make the corresponding employer
2 defined contributions at the same time.

3 (d.3) Voluntary contributions by participant.--Any active
4 participant who desires to make voluntary contributions to be
5 credited to his individual investment account shall notify the
6 board and, upon compliance with the requirements, procedures and
7 limitations established by the board in the plan document, may
8 do so subject to the limitation under IRC §§ 401(a) and 415 and
9 other applicable law.

10 (e) Beneficiary for death benefits from the system.--Every
11 member shall nominate a beneficiary by written designation filed
12 with the board as provided in section 5906(d) or (e) (relating
13 to duties of heads of departments) to receive the death benefit
14 payable under section 5707 (relating to death benefits) or the
15 benefit payable under the provisions of Option 1 of section
16 5705(a) (1) (relating to member's options). Such nomination may
17 be changed at any time by the member by written designation
18 filed with the board. A member may also nominate a contingent
19 beneficiary or beneficiaries to receive the death benefit
20 provided under section 5707 or the benefit payable under the
21 provisions of Option 1 of section 5705(a) (1).

22 (e.1) Beneficiary for death benefits from the plan.--Every
23 participant shall nominate a beneficiary by written designation
24 filed with the board as provided in section 5906(d) or (e) to
25 receive the death benefit payable under section 5408 (relating
26 to death benefits). A participant may also nominate a contingent
27 beneficiary or beneficiaries to receive the death benefit
28 provided under section 5408. Such nomination may be changed at
29 any time by the participant by written designation filed with
30 the board.

1 (e.2) Beneficiary for combined service employee.--A combined
2 service employee may designate or nominate different persons to
3 be beneficiaries, survivor annuitants and successor payees for
4 his benefits from the system and the plan.

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

10 (1) withdraw his total accumulated deductions; or
11 (2) vest his retirement rights; and if he is a joint
12 coverage member, and so desires, elect to become a full
13 coverage member and agree to pay within 30 days of the date
14 of termination of service the lump sum required; or

15 (3) receive an immediate annuity and may,
16 (i) if eligible, elect to convert his medical, major
17 medical, and hospitalization coverage to the plan for
18 State annuitants; and

19 (ii) if he is a joint coverage member, elect to
20 become a full coverage member and agree to pay within 30
21 days of date of termination of service the lump sum
22 required.

23 * * *

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

1 * * *

2 Section 35. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,
3 5938, 5939, 5951 and 5953 of Title 71 are amended to read:

4 § 5931. Management of fund and accounts.

5 * * *

6 (b) Crediting of interest.--The board, annually, shall allow
7 the required interest on the mean amount for the preceding year
8 to the credit of each of the accounts other than the individual
9 investment accounts. The amount so allowed shall be credited
10 thereto by the board and transferred from the interest reserve
11 account.

12 * * *

13 § 5932. State Employees' Retirement Fund.

14 The fund shall consist of all balances in the several
15 separate accounts set apart to be used under the direction of
16 the board for the benefit of members of the system; and the
17 Treasury Department shall credit to the fund all moneys received
18 from the Department of Revenue arising from the contributions
19 relating to or on behalf of members of the system required under
20 the provisions of Chapter 55 (relating to contributions), and
21 any income earned by the investments or moneys of said fund.
22 There shall be established and maintained by the board the
23 several ledger accounts specified in sections 5933 (relating to
24 members' savings account), 5934 (relating to State accumulation
25 account), 5935 (relating to annuity reserve account), 5936
26 (relating to State Police benefit account), 5937 (relating to
27 enforcement officers' benefit account), 5938 (relating to
28 supplemental annuity account) and 5939 (relating to interest
29 reserve account). The individual investment accounts that are
30 part of the trust shall not be part of the fund. Mandatory

1 pickup participant contributions, voluntary contributions and
2 employer defined contributions made under this part and any
3 income earned by the investment of such contributions shall not
4 be paid or credited to the fund but shall be paid to the trust
5 and credited to the individual investment accounts.

6 § 5934. State accumulation account.

7 The State accumulation account shall be the ledger account to
8 which shall be credited all contributions of the Commonwealth or
9 other employers whose employees are members of the system and
10 made in accordance with the provisions of [section 5507(a) or
11 (d) (relating to contributions by the Commonwealth and other
12 employers)] sections 5507(a) or (d) (relating to contributions
13 to the system by the Commonwealth before July 1, 2015) and
14 5507.1 (relating to contributions to the system by the
15 Commonwealth and other employers starting July 1, 2015) except
16 that the amounts received under the provisions of the act of May
17 12, 1943 (P.L.259, No.120), and the amounts received under the
18 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
19 No.21), shall be credited to the State Police benefit account or
20 the enforcement officers' benefit account as the case may be.
21 All amounts transferred to the fund by county retirement systems
22 or pension plans in accordance with the provisions of section
23 5507(c) also shall be credited to the State accumulation
24 account. All amounts transferred to the fund by the Public
25 School Employees' Retirement System in accordance with section
26 5303.2(e) (relating to election to convert school service to
27 State service), except amounts credited to the members' savings
28 account, and all amounts paid by the Department of Corrections
29 in accordance with section 5303.2(f) also shall be credited to
30 the State accumulation account. The State accumulation account

1 shall be credited with valuation interest. The reserves
2 necessary for the payment of annuities and death benefits
3 resulting from membership in the system as approved by the board
4 and as provided in Chapter 57 (relating to benefits) shall be
5 transferred from the State accumulation account to the annuity
6 reserve account provided for in section 5935 (relating to
7 annuity reserve account), except that the reserves necessary on
8 account of a member who is an officer of the Pennsylvania State
9 Police or an enforcement officer shall be transferred from the
10 State accumulation account to the State Police benefit account
11 provided for in section 5936 (relating to State Police benefit
12 account) or to the enforcement officers' benefit account as
13 provided for in section 5937 (relating to enforcement officers'
14 benefit account) as the case may be. The reserves necessary for
15 the payment of supplemental annuities in excess of those
16 reserves credited to the supplemental annuity account on June
17 30, 2010, shall be transferred from the State accumulation
18 account to the supplemental annuity account. In the event that
19 supplemental annuities are increased by legislation enacted
20 after December 31, 2009, the necessary reserves shall be
21 transferred from the State accumulation account to the
22 supplemental annuity account.

23 § 5935. Annuity reserve account.

24 (a) Credits and charges to account.--The annuity reserve
25 account shall be the ledger account to which shall be credited
26 the reserves held for payment of annuities and death benefits on
27 account of all annuitants except in the case of members who are
28 officers of the Pennsylvania State Police or enforcement
29 officers. The annuity reserve account shall be credited with
30 valuation interest. After the transfers provided in sections

1 5933 (relating to members' savings account), 5934 (relating to
2 State accumulation account) and 5938 (relating to supplemental
3 annuity account), all annuity and death benefit payments
4 resulting from membership in the system except those payable to
5 any member who retires as an officer of the Pennsylvania State
6 Police or an enforcement officer shall be charged to the annuity
7 reserve account and paid from the fund.

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

19 § 5936. State Police benefit account.

20 (a) Credits and charges to account.--The State Police
21 benefit account shall be the ledger account to which shall be
22 credited all contributions received under the provisions of the
23 act of May 12, 1943 (P.L.259, No.120), and any additional
24 Commonwealth or other employer contributions provided for in
25 [section 5507 (relating to contributions by the Commonwealth and
26 other employers)] sections 5507 (relating to contributions to
27 the system by the Commonwealth and other employers before July
28 1, 2015) and 5507.1 (relating to contributions to the system by
29 the Commonwealth and other employers starting July 1, 2015)
30 which are creditable to the State Police benefit account. The

1 State Police benefit account shall be credited with the required
2 interest. In addition, upon the filing of an application for an
3 annuity by a member who is an officer of the Pennsylvania State
4 Police, the total accumulated deductions standing to the credit
5 of the member in the members' savings account and the necessary
6 reserves from the State accumulation account shall be
7 transferred to the State Police benefit account. Thereafter, the
8 total annuity of such annuitant shall be charged to the State
9 Police benefit account and paid from the fund.

10 (b) Transfers from account.--Should the said annuitant be
11 subsequently restored to active service as a member of the
12 system or as a participant in the plan, the present value of the
13 member's annuity at the time of reentry into State service shall
14 be transferred from the State Police benefit account and placed
15 to his individual credit in the members' savings account. In
16 addition, the actuarial reserve for his annuity calculated as if
17 he had been a member of Class A if he has Class A or Class C
18 service credited; as if he had been a member of Class A-3 if the
19 annuitant has Class A-3 State service credited; or as if he had
20 been a member of Class A-4 if the annuitant has Class A-4
21 service credited, less the amount transferred to the members'
22 savings account shall be transferred from the State Police
23 benefit account to the State accumulation account. Upon
24 subsequent retirement other than as an officer of the
25 Pennsylvania State Police the actuarial reserve remaining in the
26 State Police benefit account shall be transferred to the
27 appropriate reserve account.

28 § 5937. Enforcement officers' benefit account.

29 (a) Credits and charges to account.--The enforcement
30 officers' benefit account shall be the ledger account to which

1 shall be credited moneys transferred from the enforcement
2 officers' retirement account in the State Stores Fund according
3 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
4 known as the Liquor Code, and any additional Commonwealth or
5 other employer contributions provided for in [section 5507
6 (relating to contributions by the Commonwealth and other
7 employers)] sections 5507 (relating to contributions to the
8 system by the Commonwealth and other employers before July 1,
9 2015) and 5507.1 (relating to contributions to the system by the
10 Commonwealth and other employers starting July 1, 2015) which
11 are creditable to the enforcement officers' benefit account. The
12 enforcement officers' benefit account shall be credited with the
13 required interest. In addition, upon the filing of an
14 application for an annuity by a member who is an enforcement
15 officer of the Pennsylvania Liquor Control Board, the total
16 accumulated deductions standing to the credit of the member in
17 the members' savings account and the necessary reserves from the
18 State accumulation account shall be transferred to the
19 enforcement officers' benefit account. Thereafter, the total
20 annuity of such annuitant shall be charged to the enforcement
21 officers' benefit account and paid from the fund.

22 (b) Transfers from account.--Should the said annuitant be
23 subsequently restored to active service as a member of the
24 system or as a participant in the plan, the present value of the
25 member's annuity at the time of reentry into State service shall
26 be transferred from the enforcement officers' benefit account
27 and placed to his individual credit in the members' savings
28 account. In addition, the actuarial reserve for his annuity
29 calculated as if he had been a member of Class A if the
30 annuitant does not have any Class AA, Class A-3 or Class A-4

1 service credited; as if he had been a member of Class AA if the
2 annuitant does have Class AA service credited; as if he had been
3 a member of Class A-3 if the annuitant has Class A-3 State
4 service credited; or as if he had been a member of Class A-4 if
5 the annuitant has Class A-4 service credited, less the amount
6 transferred to the members' savings account shall be transferred
7 from the enforcement officers' benefit account to the State
8 accumulation account. Upon subsequent retirement other than as
9 an enforcement officer the actuarial reserve remaining in the
10 enforcement officers' benefit account shall be transferred to
11 the appropriate reserve account.

12 § 5938. Supplemental annuity account.

13 The supplemental annuity account shall be the ledger account
14 to which shall be credited all contributions from the
15 Commonwealth and other employers in accordance with section
16 5507(b) [(relating to contributions by the Commonwealth and
17 other employers)] (relating to contributions to the system by
18 the Commonwealth and other employers before July 1, 2015) for
19 the payment of the supplemental annuities provided in sections
20 5708 (relating to supplemental annuities), 5708.1 (relating to
21 additional supplemental annuities), 5708.2 (relating to further
22 additional supplemental annuities), 5708.3 (relating to
23 supplemental annuities commencing 1994), 5708.4 (relating to
24 special supplemental postretirement adjustment), 5708.5
25 (relating to supplemental annuities commencing 1998), 5708.6
26 (relating to supplemental annuities commencing 2002), 5708.7
27 (relating to supplemental annuities commencing 2003) and 5708.8
28 (relating to special supplemental postretirement adjustment of
29 2002) made before July 1, 2010, the amount transferred from the
30 State accumulation account to provide all additional reserves

1 necessary as of June 30, 2010, to pay such supplemental
2 annuities and adjustments, and the amounts transferred from the
3 State accumulation account to provide all additional reserves
4 necessary as a result of supplemental annuities enacted after
5 December 31, 2009. The supplemental annuity account shall be
6 credited with valuation interest. The reserves necessary for the
7 payment of such supplemental annuities shall be transferred from
8 the supplemental annuity account to the annuity reserve account
9 as provided in section 5935 (relating to annuity reserve
10 account).

11 § 5939. Interest reserve account.

12 The interest reserve account shall be the ledger account to
13 which shall be credited all income earned by the fund and to
14 which shall be charged all administrative and investment
15 expenses incurred by the fund. At the end of each year the
16 required interest shall be transferred from the interest reserve
17 account to the credit of each of the accounts of the fund in
18 accordance with the provisions of this subchapter. In addition,
19 at the end of each accounting period, the interest reserve
20 account shall be credited or charged with all recognized changes
21 in the market valuation of the investments of the fund. The
22 administrative and investment expenses of the board relating to
23 the administration of the system and investments of the fund
24 shall be paid from the fund out of earnings. Any surplus or
25 deficit in the interest reserve account at the end of each year
26 shall be transferred to the State accumulation account.

27 § 5951. State guarantee regarding the State Employees'
28 Retirement System.

29 The required interest charges payable, the maintenance of
30 reserves in the fund, and the payment of all annuities and other

1 benefits granted by the board from the system under the
2 provisions of this part relating to the establishment and
3 administration of the system are hereby made obligations of the
4 Commonwealth. All income, interest, and dividends derived from
5 deposits and investments of the system authorized by this part
6 shall be used for the payment of the said obligations of the
7 Commonwealth and shall not be used for any obligations of the
8 plan or trust.

9 § 5953. Taxation, attachment and assignment of funds.

10 (a) General rule.--

11 (1) Except as provided in paragraphs (2), (3) [and], (4)
12 and (5), the right of a person to any benefit or right
13 accrued or accruing under the provisions of this part and the
14 moneys in the fund and the trust are hereby exempt from any
15 State or municipal tax, levy and sale, garnishment,
16 attachment, spouse's election, the provisions of Article
17 XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known
18 as The Fiscal Code, or any other process whatsoever, and no
19 participant or beneficiary, successor payee or alternate
20 payee of a participant shall have the ability to commute,
21 sell, assign, alienate, anticipate, mortgage, pledge,
22 hypothecate, commutate or otherwise transfer or convey any
23 benefit or interest in an individual investment account or
24 rights to receive or direct distributions under this part or
25 under agreements entered into under this part except as
26 otherwise provided in this part and in the case of either a
27 member or a participant except for a set-off by the
28 Commonwealth in the case provided in subparagraph (i), and
29 shall be unassignable except:

30 (i) To the Commonwealth in the case of a member or

1 participant who is terminating State service and has been
2 determined to be obligated to the Commonwealth for the
3 repayment of money owed on account of his employment or
4 to the fund on account of a loan from a credit union to a
5 member which has been satisfied by the board from the
6 fund.

7 (ii) To a credit union as security for a loan to a
8 member not to exceed \$750 and interest not to exceed 6%
9 per annum discounted and/or fines thereon if the credit
10 union is now or hereafter organized and incorporated
11 under the laws of this Commonwealth and the membership of
12 such credit union is limited solely to officials and
13 employees of the Commonwealth and if such credit union
14 has paid to the fund \$3 for each such assignment.

15 (2) Rights under this part shall be subject to
16 forfeiture as provided by the act of July 8, 1978 (P.L.752,
17 No.140), known as the Public Employee Pension Forfeiture Act,
18 and by or pursuant to section 16(b) of Article V of the
19 Constitution of Pennsylvania. Forfeitures under this
20 subsection or under any other provision of law may not be
21 applied to increase the benefits that any member would
22 otherwise receive under this part. Notwithstanding this
23 paragraph, 42 Pa.C.S. § 3352 (relating to pension rights),
24 the Public Employee Pension Forfeiture Act or section 16(b)
25 of Article V of the Constitution of Pennsylvania, the
26 accumulated mandatory participant contributions and
27 accumulated voluntary contributions standing to the credit of
28 a participant shall not be forfeited but shall be available
29 for payment of fines and restitution as provided by law.
30 Furthermore, amounts in the trust that have been ordered to

1 be distributed to an alternate payee as the result of an
2 equitable distribution of marital property as part of an
3 approved domestic relations order entered before the date of
4 the order or action in a court or other tribunal resulting in
5 a forfeiture of a participant's interest in the trust shall
6 not be subject to 42 Pa.C.S. § 3352, the Public Employee
7 Pension Forfeiture Act or section 16(b) of Article V of the
8 Constitution of Pennsylvania. Any accumulated employer
9 defined contributions forfeited as a result of this paragraph
10 or other law shall be retained by the board and used for the
11 payment of expenses of the plan.

12 (3) Rights under this part shall be subject to
13 attachment in favor of an alternate payee as set forth in an
14 approved domestic relations order.

15 (4) Effective with distributions made on or after
16 January 1, 1993, and notwithstanding any other provision of
17 this part to the contrary, a distributee may elect, at the
18 time and in the manner prescribed by the board, to have any
19 portion of an eligible rollover distribution paid directly to
20 an eligible retirement plan by way of a direct rollover. For
21 purposes of this paragraph, a "distributee" includes a member
22 [and], a participant, a member's surviving spouse [and], a
23 participant's surviving spouse, a member's former spouse who
24 is an alternate payee under an approved domestic relations
25 order, a participant's former spouse who is an alternate
26 payee under an approved domestic relations order and anyone
27 else authorized under the IRC and the plan terms approved by
28 the board to have an eligible rollover distribution paid
29 directly to an eligible retirement plan by way of a direct
30 rollover. For purposes of this paragraph, the term "eligible

1 rollover distribution" has the meaning given such term by IRC
2 § 402(f)(2)(A), and "eligible retirement plan" has the
3 meaning given such term by IRC § 402(c)(8)(B), except that a
4 qualified trust shall be considered an eligible retirement
5 plan only if it accepts the distributee's eligible rollover
6 distribution; however, in the case of an eligible rollover
7 distribution to a surviving spouse, an eligible retirement
8 plan is an "individual retirement account" or an "individual
9 retirement annuity" as those terms are defined in IRC §
10 408(a) and (b).

11 (b) Authorized payments from fund.--The board shall be
12 authorized to pay from the fund:

13 (1) In the case of a member or participant who is
14 terminating service, the amount determined after
15 certification by the head of the department that the member
16 or participant is so obligated, and after review and approval
17 by the department or agency's legal representative or upon
18 receipt of an assignment from the member or participant in
19 the amount so certified[.], except that no payment shall be
20 made from the individual investment account of a participant
21 until the participant otherwise applies for and receives a
22 distribution and shall not exceed the amount of the
23 distribution.

24 (2) In the case of a loan to a member the amount of the
25 loan and any fine or interest due thereon to the credit union
26 except 5% of the total amount due which is to be retained in
27 the fund as a collection fee:

28 (i) if the member obtaining the loan shall have been
29 in default in required payments for a period of not less
30 than two years; or

1 (ii) at such time as the Department of Banking shall
2 require the credit union to charge the amount of the loan
3 against the reserve fund of such credit union.

4 Any member who shall have pledged such rights as security for
5 a loan from a credit union and, on whose behalf the board
6 shall have made any payment by reason of that member's
7 default, may not thereafter pledge or assign such rights to a
8 credit union.

9 (3) In the case of a participant whose former spouse is
10 an alternate payee of an equitable distribution of marital
11 assets under an approved domestic relations order, a lump sum
12 of the alternate payee's interest in the participant's
13 accumulated total defined contributions. This paragraph
14 applies without regard to whether the participant has not
15 terminated, is terminating or has terminated State service.

16 Section 36. Section 5953.1(a) introductory paragraph and
17 (1), (b), (c) and (d) of Title 71 are amended and the section is
18 amended by adding a subsection to read:

19 § 5953.1. Approval of domestic relations orders.

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

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

28 * * *

29 (a.1) Certification regarding participants.--A domestic
30 relations order pertaining to a participant shall be certified

1 as an approved domestic relations order by the secretary of the
2 board or his designated representative only if that order meets
3 all of the following:

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

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

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

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

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

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

1 (7) Specifies the name and last known mailing address,
2 if any, of the participant and the name and last known
3 mailing address of each alternate payee covered by the order
4 and states that it is the responsibility of each alternate
5 payee to keep a current mailing address on file with the
6 plan.

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

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

23 (10) In the case of a participant who has not yet begun
24 to receive distributions as of the date the domestic
25 relations order is approved by the secretary of the board or
26 his designated representative, requires the immediate
27 distribution of the alternate payee's share of the
28 participant's individual investment account, which may be by
29 direct payment, eligible rollover or trustee-to-trustee
30 transfer to another eligible plan or qualified account owned

1 by the alternate payee.

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

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

27 (c) Other orders.--The requirements for approval identified
28 in [subsection (a)] subsections (a) and (a.1) shall not apply to
29 any domestic relations order which is an order [for] of support
30 as the term is defined at 23 Pa.C.S. § 4302 (relating to

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

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

21 Section 37. Sections 5953.2, 5953.3 and 5953.4(a) of Title
22 71 are amended to read:

23 § 5953.2. Irrevocable beneficiary.

24 Notwithstanding any other provision of this part, a domestic
25 relations order may provide for an irrevocable beneficiary. A
26 domestic relations order requiring the nomination of an
27 irrevocable beneficiary shall be deemed to be one that requires
28 a member or participant to nominate an alternate payee as a
29 beneficiary and that prohibits the removal or change of that
30 beneficiary without approval of a court of competent

1 jurisdiction, except by operation of law. Such a domestic
2 relations order may be certified as an approved domestic
3 relations order by the secretary of the board, or his designated
4 representative, after the member or participant makes such
5 nomination, in which case the irrevocable beneficiary so ordered
6 by the court cannot be changed by the member or participant
7 without approval by the court.

8 § 5953.3. Irrevocable survivor annuitant.

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

24 § 5953.4. Amendment of approved domestic relations orders.

25 (a) Deceased alternate payee.--In the event that the
26 alternate payee predeceases the member or the participant and
27 there are benefits payable to the alternate payee, the divorce
28 court may amend the approved domestic relations order to
29 substitute a person for the deceased alternate payee to receive
30 any benefits payable to the deceased alternate payee.

1 * * *

2 Section 38. Title 71 is amended by adding a section to read:
3 § 5953.6. Irrevocable successor payee.

4 Notwithstanding any other provisions of this part, a domestic
5 relations order pertaining to a participant may provide for an
6 irrevocable successor payee only if the participant is receiving
7 a payment pursuant to a payment option provided by the board
8 that allows for a successor payee. A domestic relations order
9 requiring the designation of an irrevocable successor payee
10 shall be deemed to be one that requires a participant who is
11 receiving payments from an annuity or other distribution option
12 to designate an alternate payee as a successor payee and that
13 prohibits the removal or change of that successor payee without
14 approval of a court of competent jurisdiction, except by
15 operation of law. Such a domestic relations order may be
16 certified as an approved domestic relations order by the
17 secretary of the board or his designated representative, in
18 which case the irrevocable successor payee so ordered by the
19 court shall not be changed by the participant without approval
20 by the court. A person ineligible to be designated as a
21 successor payee shall not be designated as an irrevocable
22 successor payee. A court shall not name an irrevocable successor
23 payee if the alternate payee is eligible to receive a lump sum
24 distribution of the alternate payee's portion of the marital
25 portion of the pension benefit.

26 Section 39. Sections 5954 and 5955 of Title 71 are amended
27 to read:

28 § 5954. Fraud and adjustment of errors.

29 (a) Penalty for fraud.--Any person who shall knowingly make
30 any false statement or shall falsify or permit to be falsified

1 any record or records of this system or plan in any attempt to
2 defraud the system or plan as a result of such act shall be
3 guilty of a misdemeanor of the second degree.

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

18 § 5955. Construction of part.

19 (a) Exclusive source of rights and benefits.--Regardless of
20 any other provision of law, pension and benefit rights of State
21 employees shall be determined solely by this part or any
22 amendment thereto, and no collective bargaining agreement nor
23 any arbitration award between the Commonwealth and [its] other
24 employers and their employees or their collective bargaining
25 representatives shall be construed to change any of the
26 provisions herein, to require the board to administer pension or
27 retirement benefits not set forth in this part or not
28 established by the board in the plan document, to require the
29 board to modify, amend or change any of the terms and provisions
30 of the plan document, or otherwise require action by any other

1 government body pertaining to pension or retirement benefits or
2 rights of State employees. Notwithstanding the foregoing, any
3 pension or retirement benefits or rights previously so
4 established by or as a result of an arbitration award shall
5 remain in effect after the expiration of the current collective
6 bargaining agreement between the State employees so affected and
7 the Commonwealth until the expiration of each of the collective
8 bargaining agreements in effect on January 1, 2011, at which
9 time the classes of membership and resulting member contribution
10 rates and contributions for creditable nonstate service,
11 eligibility for vesting, withdrawal and superannuation
12 annuities, optional modification of annuities and other terms
13 and conditions related to class of membership shall be as
14 determined by this part for employees covered by those and
15 successor collective bargaining agreements. For purposes of
16 administering this part, for those State employees who are
17 members of each such collective bargaining unit, the date
18 January 1, 2011, contained in this part, except in this section,
19 shall be replaced with the date of the day immediately following
20 the expiration of each such collective bargaining agreement. The
21 provisions of this part insofar as they are the same as those of
22 existing law are intended as a continuation of such laws and not
23 as new enactments. The provisions of this part shall not affect
24 any act done, liability incurred, right accrued or vested, or
25 any suit or prosecution pending or to be instituted to enforce
26 any right or penalty or to punish any offense under the
27 authority of any repealed laws.

28 (b) State employee on leave without pay.--As used within
29 this part, the term "inactive member on leave without pay" does
30 not include a combined service employee who is an inactive

1 participant on leave without pay.

2 (c) Officer or member of the Pennsylvania State Police.--The
3 following shall apply:

4 (1) Notwithstanding a provision of subsection (a) or
5 section 12.1 of the act of November 23, 2010 (P.L.1269,
6 No.120) regarding the continued effectiveness of pension or
7 retirement benefits or rights previously established by or as
8 a result of a binding arbitration award issued before July 1,
9 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
10 referred to as the Policemen and Firemen Collective
11 Bargaining Act, and implemented by the board, the pension or
12 retirement benefits or rights of a State employee who on
13 January 1, 2015, is a current or former State police officer,
14 shall be a provided in this part as if the binding
15 arbitration award was not issued, except as provided under
16 this subsection.

17 (2) A State employee who on January 1, 2015, is a
18 current or former State police officer shall be eligible to
19 accrue benefits pursuant to the binding arbitration as
20 implemented by the board until the termination of State
21 service or election to be a participant in the plan. Any
22 State service performed after a termination of State service
23 or election to participate in the plan shall not accrue
24 benefits under the binding arbitration award or in the
25 system, but may, if eligible, result in participation in the
26 plan.

27 (3) A State employee who on January 1, 2015, is not a
28 current or former State police officer who subsequently
29 becomes a State police officer shall be eligible to accrue
30 benefits pursuant to the binding arbitration award until the

1 termination of State service or election to be a participant
2 in the plan, provided that the State employee has not
3 terminated State service or elected to be a participant in
4 the plan prior to becoming a State police officer.

5 (4) An individual who is not a State employee on January
6 1, 2015, or who is a State employee but not a member of the
7 system on January 1, 2015, who subsequently becomes a State
8 police officer shall not be eligible to accrue benefits
9 pursuant to the binding arbitration award, but instead shall
10 be eligible to be a participant in the plan. This paragraph
11 shall apply without regard to prior service as a State police
12 officer or whether service was performed or benefits accrued
13 under this binding arbitration award.

14 (5) To the extent that any officer or member of the
15 Pennsylvania State Police who is eligible to retire after
16 June 30, 1989, as provided in a binding arbitration award
17 issued before July 1, 1989, pursuant to the act of June 24,
18 1968 (P.L.237, No.111), referred to as the Policemen and
19 Firemen Collective Bargaining Act, as implemented by the
20 board with a benefit based on 50% of highest year salary upon
21 accruing 20 or more years of credited State service or
22 nonstate service in the system, or based on 75% of highest
23 year salary upon accruing 25 or more years of credited State
24 or nonstate service in the system, such eligibility shall be
25 determined solely on service credited, compensation paid and
26 contributions made as a member of the system. Service as a
27 State police officer credited in the system shall not operate
28 to prevent any State employee from being a participant in the
29 plan for any State service that would otherwise result in
30 participation in the plan. Any State service performed,

1 compensation paid and contributions made as a participant in
2 the plan shall not be included in determining eligibility for
3 and the amount of benefits provided from the system, provided
4 however, that entitlement to actual receipt of benefits are
5 subject to the provisions of this part regarding employment
6 and termination as a State employee. Any benefit resulting
7 from participation in the plan shall be in addition to any
8 benefit a State police officer may be eligible to receive as
9 a member of the system.

10 Section 40. Nothing in this act shall be construed or deemed
11 to imply that the release or making public of any record,
12 material or data described in 71 Pa.C.S. § 5902(e) (2) as not
13 being a public record is a violation of the State Employees'
14 Retirement Board's fiduciary duties.

15 Section 41. Notwithstanding any regulation promulgated by
16 the State Employees' Retirement Board, application or
17 interpretation of 71 Pa.C.S. Pt. XXV, or administrative practice
18 to the contrary, a combined service employee's eligibility for a
19 superannuation annuity or other rights and benefits based on
20 attaining superannuation age or a superannuation score of 92
21 shall be determined by including only those eligibility points
22 actually accrued.

23 Section 42. (a) Nothing in this act which amends or
24 supplements provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt.
25 XXV in relation to requirements:

26 (1) for qualification of the State Employees' Defined
27 Contribution Plan as a qualified pension plan under the
28 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
29 1 et seq.) or compliance with 38 U.S.C. Ch. 43 (relating to
30 employment and reemployment rights of members of the

1 uniformed services);

2 (2) for contributions to, participation in or benefits
3 from the State Employees' Defined Contribution Plan or State
4 Employees' Defined Contribution Trust; or

5 (3) for domestic relations orders regarding alternate
6 payees of participants in the State Employees' Defined
7 Contribution Plan;

8 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as so
9 amended or supplemented, or any rules or regulations adopted
10 under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term or provision
11 of the State Employees' Defined Contribution Plan or State
12 Employees' Defined Contribution Trust, whether established by
13 statute or in the plan document or trust declaration, shall
14 create in any member of the State Employees' Retirement System
15 or participant in the State Employees' Defined Contribution Plan
16 or in any other person claiming an interest in the account of
17 any such member or participant a contractual right, either
18 express or implied, in such provisions nor in any construction
19 of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, as so amended or
20 supplemented, or any rules or regulations adopted under 51
21 Pa.C.S. or 71 Pa.C.S. Pt. XXV. The provisions of 71 Pa.C.S. Pt.
22 XXV shall remain subject to the Internal Revenue Code of 1986
23 and 38 U.S.C. Ch. 43 and regulations thereunder, and the General
24 Assembly reserves to itself such further exercise of its
25 legislative power to amend or supplement such provisions as may
26 from time to time be required in order to maintain the
27 qualification of such system as a qualified pension plan under
28 section 401(a) and other applicable provisions of the Internal
29 Revenue Code of 1986 and 38 U.S.C. Ch. 43.

30 (b) References in this act to the Internal Revenue Code of

1 1986 or 38 U.S.C. Ch. 43, or administrative regulations
2 promulgated thereunder, are intended to include such laws and
3 regulations in effect on the effective date of this act and as
4 they may hereafter be amended or supplemented or supplanted by
5 successor provisions.

6 Section 43. Nothing in this act shall be construed or deemed
7 to imply that, but for the expressed applications of the
8 limitations on benefits or other requirements under section
9 401(a) or other applicable provisions of the Internal Revenue
10 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those
11 limitations would not otherwise apply to such participants or to
12 members of the State Employees' Retirement System and the
13 benefits payable under 71 Pa.C.S. Pt. XXV.

14 Section 44. (a) Notwithstanding any provisions of this part
15 to the contrary, no contributions or benefit related to the
16 State Employees' Defined Contribution Plan shall be made or
17 payable to the extent that such contributions or benefits exceed
18 any limitation under section 415 of the Internal Revenue Code of
19 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
20 with respect to governmental plans as such term is defined in
21 section 414(d) of the Internal Revenue Code of 1986 on the date
22 the contributions or benefit payment becomes effective. Any
23 increase in any limitation under section 415 of the Internal
24 Revenue Code of 1986 shall be applicable to all current and
25 future participants.

26 (b) No future amendment of this part that increases
27 contributions or benefits for active participants, inactive
28 participants or participants receiving distributions shall be
29 deemed by the rules of statutory construction or otherwise to
30 provide for contributions or benefits in excess of any

1 limitation, as adjusted or subsequently increased, provided for
2 under section 415 of the Internal Revenue Code of 1986 unless
3 specifically so provided by legislation. Notwithstanding this
4 section, any future increase in benefits for any participants in
5 the plan are intended to be applicable to the fullest extent
6 allowed by law and this section authorizes any such increases in
7 limitations or allowable benefits.

8 Section 45. The amendment of 71 Pa.C.S. Pt. XXV relating to
9 the establishment of and participation in the State Employees'
10 Defined Contribution Plan shall apply to all current and former
11 members of the State Employees' Retirement System who have
12 returned to State service on or after January 1, 2015, after a
13 termination of State service, without regard to whether the
14 termination occurred before or after January 1, 2015, and
15 without regard to whether the State employee was an annuitant,
16 inactive member, vestee or special vestee or withdrew
17 accumulated deductions during the period of termination. A
18 terminated State employee who returns to State service on or
19 after January 1, 2015, does so with the expressed and specific
20 understanding that he is subject to and accepts the terms and
21 provisions of 71 Pa.C.S. Pt. XXV as they exist regarding
22 participation in the plan or membership in the system on the
23 effective date of reemployment, including, but not limited to,
24 benefit formulas and accrual rates, eligibility for annuities
25 and distributions, contribution rates, definitions, purchase of
26 creditable school, nonschool, State and nonstate service
27 provisions and actuarial and funding assumptions.

28 Section 46. Nothing in this act shall be construed or deemed
29 to imply that any calculation or actuarial method used by the
30 State Employees' Retirement Board, its actuaries or the State

1 Employees' Retirement System was not in accordance with the
2 provisions of the State Employees' Retirement Code or other
3 applicable law prior to the effective date of this section.

4 Section 47. (a) Notwithstanding any other provision of law,
5 any change in accrued liability of the State Employees'
6 Retirement System created by this act as a result of changes in
7 benefits shall be funded in equal dollar installments over a
8 period of 20 years beginning July 1, 2014. Any change in accrued
9 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and
10 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be
11 funded in equal dollar installments over a period of 30 years
12 beginning July 1, 2014. Payments required to fund any changes in
13 accrued liability resulting from this act shall be subject to
14 any limits imposed by this act on employer contributions to the
15 State Employees' Retirement System, and shall not be subject to
16 re-amortization for 30 years under 71 Pa.C.S. § 5508.1(c). For
17 purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508, any such
18 changes shall not be considered to be costs added by
19 legislation.

20 (b) For purposes of this section, the provisions of 71
21 Pa.C.S. §§ 5507.1(b)(3) and 5508.1(c)(2) and (d) shall apply.

22 Section 48. Nothing in this act shall be construed or deemed
23 to imply that any interpretation or application of the
24 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
25 members of the State Employees' Retirement System was not in
26 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
27 applicable law, including the Internal Revenue Code of 1986
28 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
29 (relating to employment and reemployment rights of members of
30 the uniformed services), prior to the effective date of this

1 section.

2 Section 49. This act shall be construed and administered in
3 such a manner that the State Employees' Retirement System and
4 the State Employees' Defined Contribution Plan will satisfy the
5 requirements necessary to qualify as a qualified pension plan
6 under section 401(a) and other applicable provisions of the
7 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
8 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and
9 reemployment rights of members of the uniformed services). The
10 rules, regulations and procedures adopted and promulgated by the
11 State Employees' Retirement Board and the terms and conditions
12 of the plan document and trust declaration adopted by the State
13 Employees' Retirement Board may include those necessary to
14 accomplish the purpose of this section.

15 Section 50. If the application of any provision of this act
16 to any person is held invalid, the invalidity shall not affect
17 the application of this act to any other person, but the entire
18 act shall be invalid as to the person to whom part of it was
19 invalid. In the event that a State employee's participation in
20 the State Employees' Defined Contribution Plan is declared
21 invalid, the affected State employee shall return to the State
22 Employees' Defined Contribution Trust any distributions and
23 shall be granted the status and service credit in the State
24 Employees' Retirement System and shall be required to make all
25 contributions to the State Employees' Retirement Fund as if this
26 act had not been enacted. The affected State employee's
27 accumulated mandatory participant contributions and accumulated
28 voluntary contributions shall be transferred to the affected
29 employee's member savings account to the extent necessary to
30 fund that account with the member contributions and interest

1 that would have been standing to the member's account had this
2 act not been enacted. Any remaining balance shall be refunded to
3 the State employee, who shall be responsible for paying to the
4 fund in a manner and time determined by the State Employees'
5 Retirement Board any additional funds required if the
6 accumulated mandatory participant contributions and accumulated
7 voluntary contributions were not sufficient. The accumulated
8 employer defined contributions shall be transferred to the State
9 accumulation account and no further amount shall be due from the
10 employer or refund paid.

11 Section 51. This act shall take effect immediately.