

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1977 Session of
2007

INTRODUCED BY BOYD, BEAR, CREIGHTON, CUTLER, ELLIS, EVERETT,
FAIRCHILD, GINGRICH, HANNA, HICKERNELL, HORNAMAN, HUTCHINSON,
KAUFFMAN, KILLION, MARSHALL, McILHATTAN, MENSCH, MOUL,
MUSTIO, NAILOR, PICKETT, ROAE, ROHRER, RUBLEY, SCHRODER,
SONNEY, REICHLEY, STEIL, SWANGER, THOMAS, TRUE, WATSON AND
MACKERETH, OCTOBER 26, 2007

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 26, 2007

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania
2 Consolidated Statutes, providing for a unified retirement
3 system for employees of the Commonwealth and its political
4 subdivisions and other employers.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Title 71 of the Pennsylvania Consolidated
8 Statutes is amended by adding a part to read:

9 PART XXVII

10 UNIFIED CONTRIBUTION PENSION PLAN

11 Chapter

12 71. Membership, Contributions and Benefits

13 CHAPTER 71

14 MEMBERSHIP, CONTRIBUTIONS AND BENEFITS

15 Sec.

16 7101. Declaration of purpose.

17 7102. Definitions.

1 7103. Establishment.
2 7104. Public Employees' Retirement System Board.
3 7105. Duties of board.
4 7106. Administration and investment options.
5 7107. Plan structure.
6 7108. Investments and expenses.
7 7109. Attachment.
8 7110. Investments.
9 7111. Active member contributions.
10 7112. Employer contributions.
11 7113. Vesting.
12 7114. Duties of board to advise and report to heads of
13 departments and members.
14 7115. Duties of heads of departments.
15 7116. Administration.
16 7117. Applicability.
17 § 7101. Declaration of purpose.
18 In order to preserve the long-term fiscal stability and
19 viability of this Commonwealth and its political subdivisions,
20 the purpose of this chapter is to provide a unified retirement
21 system for employees of the Commonwealth, its political
22 subdivisions and all other employers to participate in and to
23 provide retirement income security through a system of defined
24 contribution authorized by the United States Internal Revenue
25 Code, permitting the employees to obtain the advantages inherent
26 in the plans relative to the income tax treatment of the
27 contributions and disbursements made under defined contribution
28 plans.
29 § 7102. Definitions.

30 The following words and phrases when used in this chapter

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Active member." A public employee, or a member on leave
4 without pay, for whom contributions are being made pursuant to
5 the system established under this chapter.

6 "Board." The Public Employees' Retirement System Board.

7 "Compensation." The remuneration actually received as a
8 public employee, excluding any of the following:

9 (1) Refunds for expenses, contingency and accountable
10 expense allowances.

11 (2) Severance payments or payments for unused vacation
12 or sick leave.

13 "Employer." Any governmental entity directly responsible for
14 the employment and payment of a public employee.

15 "Fund." The Public Employees' Retirement Fund.

16 "Head of department." Any of the following:

17 (1) The chief administrative officer of a department.

18 (2) The chairperson or executive director of an agency,
19 authority or independent board or commission.

20 (3) The Court Administrator of Pennsylvania.

21 (4) The Chief Clerk of the Senate.

22 (5) The Chief Clerk of the House of Representatives.

23 (6) A designee of any of the individuals listed under
24 this definition who otherwise executes duties similar to that
25 of a chief administrative officer of an employer or a
26 department of any other employer.

27 "IRC." The Internal Revenue Code of 1986 (Public Law 99-514
28 26 U.S.C. § 1 et seq.). A reference in this part to "IRC § XXX"
29 shall be deemed to refer to the identically numbered section and
30 subsection or other subdivision of such section in 26 U.S.C.

1 (relating to Internal Revenue Code).

2 "Lifestyle funds." An investment fund featuring an asset mix
3 determined by the level of risk and return that is appropriate
4 for an individual active member.

5 "Member contributions." Regular contributions by members
6 under section 7111 (relating to active member contributions).

7 "Municipal employee." A person holding an office or position
8 under a municipality or a municipal government association and
9 paid on a regular salary or per diem basis. The term shall not
10 include officers and employees paid wholly on a fee basis.

11 "Municipality." Any of the following:

12 (1) A city, borough, town, township, county, county
13 institution district or any newly created governmental unit.

14 (2) An authority created solely or jointly by a city,
15 borough, town, township, county or county institution
16 district.

17 (3) An institution supported and maintained by a
18 municipality or a municipal government association.

19 (4) An industrial development corporation as defined
20 under section 2301 of the act of June 29, 1996 (P.L.434,
21 No.67), known as the Job Enhancement Act, which has adopted
22 bylaws and the governing body of the industrial development
23 corporation is organized and holds regular public meetings.

24 "Pensionable earnings." Compensation minus any compensation
25 received for the performance of overtime or compensation in the
26 form of a bonus, regardless if the bonus is pro rata, lump sum
27 or in any other method.

28 "Public employee." Any of the following employees that begin
29 public service after November 30, 2008:

30 (1) A State employee.

1 (2) A school employee.

2 (3) A municipal employee.

3 (4) An employee of a political subdivision of the
4 Commonwealth.

5 "Public school." Any classes or schools within this
6 Commonwealth conducted under the order and superintendence of
7 the Department of Education, including any of the following:

8 (1) All educational classes of an employer charged with
9 the responsibility of public education within this
10 Commonwealth as well as those classes financed wholly or in
11 part by the Federal Government.

12 (2) State-owned colleges and universities, The
13 Pennsylvania State University and community colleges.

14 (3) Area vocational-technical schools and intermediate
15 units.

16 (4) The State Board of Education.

17 (5) Scotland School for Veterans' Children, Thaddeus
18 Stevens State School of Technology and the Pennsylvania State
19 Oral School for the Deaf.

20 "Public service." The service of a public employee during
21 which the required member contributions have been made.

22 "School employee." A person engaged in work relating to a
23 public school for any governmental entity and for which work the
24 person is receiving regular remuneration as an officer,
25 administrator or employee. The term does not include an
26 independent contractor or a person compensated on a fee basis.

27 "State employee." Any person holding a State office or
28 position under the Commonwealth or employed by the Commonwealth
29 in any capacity. The term shall not include an independent
30 contractor, a person compensated on a fee basis or a person paid

1 directly by an entity other than a State Employees' Retirement
2 System employer. The term shall include members of the General
3 Assembly and any officer or employee of any of the following:

4 (1) The Pennsylvania Turnpike Commission, the Delaware
5 River Port Authority, the Port Authority Transit Corporation,
6 the Philadelphia Regional Port Authority, the Delaware River
7 Joint Toll Bridge Commission, the State Public School
8 Building Authority, the General State Authority, the State
9 Highway and Bridge Authority, the Delaware Valley Regional
10 Planning Commission and the Susquehanna River Basin
11 Commission, if the commission or authority contributes to the
12 fund the money required to build up the reserves necessary
13 for the payment of the annuities of the officers and
14 employees without any liability on the part of the
15 Commonwealth to make appropriations for those purposes.

16 (2) The Interstate Commission of the Delaware River
17 Basin, if the commission contributes to the fund the money
18 required to build up the reserves necessary for the payment
19 of the annuities of the officers and employees without any
20 liability on the part of the Commonwealth to make
21 appropriations for those purposes.

22 (3) A separate independent public corporation created by
23 statute, except for a municipal or quasi-municipal
24 corporation, if the following apply:

25 (i) The officer or employee remains an officer or
26 employee of the public corporation.

27 (ii) The officer or employee of the public
28 corporation was an employee of the Commonwealth
29 immediately prior to employment by the public
30 corporation.

1 (iii) The public corporation contributes to the fund
2 the money required to build up the reserves necessary for
3 the payment of the annuities of the officers and
4 employees without any liability on the part of the
5 Commonwealth to make appropriations for those purposes.

6 "System." The Public Employee's Retirement System.

7 § 7103. Establishment.

8 (a) System establishment.--A public employees' retirement
9 system is established for public employees.

10 (b) Fund establishment.--The Public Employees' Retirement
11 Fund is established.

12 § 7104. Public Employees' Retirement System Board.

13 (a) Establishment.--The Public Employees' Retirement System
14 Board is established for the purpose of administering and
15 managing the system.

16 (b) Status and membership.--The board shall be an
17 independent administrative board and shall consist of the
18 following members:

19 (1) The State Treasurer, who shall be an ex officio
20 member.

21 (2) Two members of the Senate or a designee.

22 (3) Two members of the House of Representatives or a
23 designee.

24 (4) The Chairman of the State Employees' Retirement
25 Board.

26 (5) The Chairman of the Public School Employees'
27 Retirement Board.

28 (6) The Chairman of the Pennsylvania Municipal
29 Retirement Board.

30 (7) Three members appointed by the Governor.

1 (c) Terms and qualifications.--Except as provided under
2 subsection (d), members shall serve for terms of four years.
3 Members appointed by the Governor may not be or have been a
4 public employee on or before the effective date of this section,
5 nor may be a current or former member of the State Employees'
6 Retirement System, the Public School Employees' Retirement
7 System, the Pennsylvania Municipal Retirement System or any
8 other Pennsylvania public retirement system and shall be subject
9 to confirmation by the Senate.

10 (d) Legislative members.--The members of the Senate shall be
11 appointed by the President pro tempore of the Senate and shall
12 consist of a majority member and a minority member. One member
13 of the House of Representatives shall be appointed by the
14 Majority Leader of the House of Representatives. One member of
15 the House of Representatives shall be appointed by the Minority
16 Leader of the House of Representatives. The legislative members
17 shall serve on the board for the duration of their legislative
18 terms and shall continue to serve until 30 days after the
19 convening of the next regular session of the General Assembly
20 after the expiration of their respective legislative terms or
21 until a successor is appointed for the new term, whichever
22 occurs first. A vacancy occurring during the term of an
23 appointed member shall be filled for the unexpired term by the
24 appointment and confirmation of a successor in the same manner
25 as the member's predecessor. Legislative members shall be
26 precluded from being appointed to the board if they have
27 previously or are currently serving in any capacity with any
28 other retirement board or system.

29 (e) Oath of office.--Each member of the board shall take an
30 oath of office that the member will, so far as it devolves upon

1 the member, diligently and honestly administer the affairs of
2 the board and will not knowingly violate or willfully permit to
3 be violated any of the provisions of law applicable to this
4 chapter. The oath shall be subscribed by the member taking it
5 and certified by the officer before whom it is taken and shall
6 be immediately filed in the Office of the Secretary of the
7 Commonwealth.

8 (f) Compensation and expenses.--All board members shall be
9 reimbursed for any necessary expenses and shall not suffer loss
10 of salary or wages through serving on the board, except that, if
11 duties the board has mandated are not executed, no compensation
12 or reimbursement for necessary expenses of board members shall
13 be paid or payable during the period in which the duties are not
14 executed.

15 (g) Corporate power and legal advisor.--The board shall
16 possess the powers and privileges of a corporation. The Attorney
17 General shall be the legal advisor of the board.

18 § 7105. Duties of board.

19 (a) Employees.--The following shall apply:

20 (1) The positions of secretary, assistant secretary and
21 investment professional shall be placed under the
22 unclassified service provisions of the act of August 5, 1941
23 (P.L.752, No.286), known as the Civil Service Act. All other
24 positions of the board shall be placed in either the
25 classified or unclassified service according to the
26 definition of the terms under the Civil Service Act.

27 (2) Notwithstanding any other provision of law, the
28 compensation of investment professionals shall be established
29 by the board. The compensation of all other officers and
30 employees of the board who are not covered by a collective

bargaining agreement shall be established by the board
consistent with the standards of compensation established by
the Executive Board of the Commonwealth.

(b) Secretary.--The secretary shall act as chief
administrative officer for the board. In addition to other
powers and duties conferred upon and delegated to the secretary
by the board, the secretary shall do all of the following:

(1) Serve as the administrative agent of the board.

(2) Serve as liaison between the board and applicable
legislative committees, the Treasury Department, the
Department of the Auditor General and between the board and
the investment counsel and the mortgage supervisor in
arranging for investments to secure maximum returns to the
fund.

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

(4) Direct the maintenance of files and records and
preparations or periodic reports.

(5) Receive inquiries and requests for information
concerning the system from the press, Commonwealth officials,
State employees, the general public, research organizations
and officials and organizations from other states and provide
information as authorized by the board.

(6) Supervise a staff of administrative, technical and
clerical employees engaged in recordkeeping and clerical
processing activities in maintaining files of members,
accounting for contributions, processing payments to
annuitants, preparing required reports and retirement

1 counseling.

2 (c) Specific duties.--In order to establish and administer
3 the system, the powers and duties of the board shall include the
4 following:

5 (1) Providing to active members a defined contribution
6 retirement plan that is compliant with the IRC and the
7 requirements of this chapter.

8 (2) Entering into written agreements with financial or
9 other organizations to administer the system for an active
10 member and to invest funds held pursuant to the system. The
11 system and any written agreement shall comply with the IRC.

12 (3) Establishing procedures whereby public employees
13 shall participate in the system and may change their
14 investment choices on a periodic basis, as determined by the
15 board, which shall not be less frequently than once per
16 calendar month.

17 (4) Arranging for a deduction, from the compensation of
18 public employees, of employee contributions to the system.

19 (5) Establishing criteria for selection by the board of
20 the financial institutions, insurance companies or other
21 organizations that may be qualified as managers, on behalf of
22 the board, of funds accumulated under the system on behalf of
23 any active member.

24 (6) Establishing standards or criteria for the providing
25 of options to an active member concerning the method of
26 investing amounts accumulated under the system if the options
27 include a diversified mix of low-cost investment products
28 that span the risk-return spectrum.

29 (7) Establishing standards or criteria for informing
30 active members of specific options offered by qualified

1 managers.

2 (8) Designing a comprehensive, balanced and impartial
3 educational program to assist active members in their choice
4 of investment options under the system, which shall include
5 retirement planning education and financial planning guidance
6 on matters such as investment diversification, investment
7 risks, investment costs and asset allocation.

8 (9) Establishing standards and criteria for the
9 disclosure to active members of the anticipated and actual
10 income attributable to the amounts, property and rights and
11 all fees, costs and charges to be made against the amounts
12 accumulated to cover the costs of administering and managing
13 the funds.

14 (10) Establishing processes for election to participate
15 in the system. The election period shall begin on the date
16 that an individual becomes a qualified employee and shall end
17 90 days from that date.

18 (11) Performing an annual review of any qualified fund
19 manager for the purpose of assuring it continues to meet all
20 standards and criteria established.

21 (12) Establishing procedures whereby any active member
22 may do one of the following:

23 (i) Withdraw accumulated amounts in cases of
24 financial hardship or separation of an active member from
25 State service or as otherwise permitted under the IRC.

26 (ii) Dispose of an active member's account pursuant
27 to a domestic relations order unless in conflict with the
28 IRC.

29 (13) Administering the system in compliance with the
30 IRC.

1 (14) Promulgating regulations necessary to administer
2 this chapter.

3 (d) Prohibited interests.--No member or employee of the
4 board shall have any direct or indirect interest in the gains or
5 profits of any investment made by the board.

6 (e) Professional personnel.--The board shall contract for
7 the services of investment advisors and counselors and any other
8 professional personnel as it deems advisable. The board may,
9 with the approval of the Attorney General, contract for legal
10 services.

11 (f) Expenses.--The board shall, through the Governor, submit
12 to the General Assembly annually a budget covering the
13 administrative expenses of this part. The expenses as approved
14 by the General Assembly in an appropriation bill shall be paid
15 in whole or in part from nonvested forfeitures. Concurrently
16 with its administrative budget, the board shall also submit to
17 the General Assembly annually a list of proposed expenditures
18 which the board intends to pay through the use of directed
19 commissions, together with a list of actual expenditures from
20 the past year actually paid by the board through the use of
21 directed commissions. All directed commission expenditures shall
22 be made by the board for the exclusive benefit of the system and
23 its members.

24 (g) Meetings.--The board shall hold at least six regular
25 public meetings annually and any other public meetings as it may
26 deem necessary. A majority of the board shall constitute a
27 quorum for the transaction of business at a public meeting of
28 the board.

29 (h) Records.--The following shall apply:

30 (1) The board shall keep a record of all its proceedings

1 which shall be open to inspection by the public.

2 (2) Any record, material or data received, prepared,
3 used or retained by the board or its employees, investment
4 professionals or agents relating to an investment shall not
5 constitute a public record subject to public inspection under
6 the act of June 21, 1957 (P.L.390, No.212), referred to as
7 the Right-to-Know Law, if, in the reasonable judgment of the
8 board, the inspection would do one of the following:

9 (i) In the case of an alternative investment or
10 alternative investment vehicle, involve the release of
11 sensitive investment or financial information relating to
12 the alternative investment or alternative investment
13 vehicle which the fund was able to obtain only upon
14 agreeing to maintain its confidentiality.

15 (ii) Cause substantial competitive harm to the
16 person from whom sensitive investment or financial
17 information relating to the investment was received.

18 (iii) Have a substantial detrimental impact on the
19 value of an investment to be acquired, held or disposed
20 of by the fund or would cause a breach of the standard of
21 care or fiduciary duty set forth under this chapter.

22 (3) The following shall apply:

23 (i) The sensitive investment or financial
24 information excluded from inspection under paragraph
25 (2)(i), to the extent not otherwise excluded from
26 inspection, shall constitute a public record subject to
27 public inspection under the Right-to-Know Law once the
28 board is no longer required by its agreement to maintain
29 confidentiality.

30 (ii) The sensitive investment or financial

information excluded from inspection under paragraph (2)(ii), to the extent not otherwise excluded from inspection, shall constitute a public record subject to public inspection under the Right-to-Know Law once the latter of one of the following occurs:

(A) The inspection no longer causes substantial competitive harm to the person from whom the information was received.

(B) The entity in which the investment was made is liquidated.

(iii) The sensitive investment or financial information excluded from inspection under paragraph (2)(iii), to the extent not otherwise excluded from inspection, shall constitute a public record subject to public inspection under the Right-to-Know Law once the latter of one of the following occurs:

(A) The inspection no longer has a substantial detrimental impact on the value of an investment of the fund and would not cause a breach of the standard of care or fiduciary duty under this chapter.

(B) The entity in which the investment was made is liquidated.

(i) Functions.--The board shall perform any other functions as are required for the execution of the provisions of this chapter.

(j) Performance of departmental duties.--In the event the head of department fails to comply with the procedures mandated under section 7115 (relating to duties of heads of departments), the board shall perform the duties and bill the department for the cost of the same.

1 (k) Regulations and procedures.--The board shall, with the
2 advice of the Attorney General, adopt and promulgate rules and
3 regulations for the uniform administration of the system.

4 (l) Annual financial statement.--The board shall prepare and
5 have published, on or before July 1 of each year, a financial
6 statement as of the calendar year ending December 31 of the
7 previous year showing the condition of the fund and the various
8 accounts, including the board's accrual and expenditure of
9 directed commissions, and setting forth any other facts,
10 recommendations and data as may be of use in the advancement of
11 knowledge concerning annuities and other benefits provided under
12 this chapter. The board shall submit the financial statement to
13 the Governor and the General Assembly and shall file copies with
14 the head of each department for the use of the State employees
15 and the public.

16 (m) Independent audit.--The board shall provide for an
17 annual audit of the system by an independent certified public
18 accountant, which shall include the board's accrual and
19 expenditure of directed commissions.

20 § 7106. Administration and investment options.

21 (a) Administration.--The board shall administer the system
22 as a defined contribution retirement system under the IRC under
23 which benefits will be provided for active members. The benefits
24 to be provided for or on behalf of active members in the system
25 shall be provided through active member-directed investments in
26 accordance with IRC § 401(a). Active members and employers shall
27 contribute to the system in accordance with sections 7111
28 (relating to active member contributions) and 7112 (relating to
29 employer contributions).

30 (b) Investment options.--The system shall provide a variety

1 of investment options. The investment options shall include
2 lifestyle funds that are based upon age and projected
3 retirement.

4 (c) Additional investment options.--The system shall make
5 available investment options that represent a broad cross
6 section of asset classes and risk profiles. To the extent
7 practical, a composite fund may be offered to participants which
8 represents the entire portfolio return under management within
9 the Public School Employees' Retirement System or the State
10 Employees' Retirement System.

11 (d) Default investment option.--The system shall provide a
12 default investment option to an active member who does not
13 affirmatively elect a specific investment option. The default
14 investment option shall be the lifestyle fund which most closely
15 represents the current demographic of the active member and the
16 projected retirement of the active member. The active member
17 contribution in the default investment option shall be 6% of the
18 active member's total pensionable earnings.

19 (e) Investment guidance.--The system shall make available
20 investment guidance in accordance with pension industry
21 standards.

22 (f) Membership.--Membership in the system shall consist of
23 public employees occupying permanent positions with an employer.
24 § 7107. Plan structure.

25 (a) Duties.--In developing and making available the system,
26 the board shall do all of the following:

27 (1) Implement competitive bidding practices for
28 processes that govern the daily operations of the system.

29 (2) Provide consistency in the plan for all active
30 members.

1 (3) Effectively leverage the existing administrative and
2 financial capabilities of the State Employees' Retirement
3 System and the Public School Employees' Retirement System,
4 provided that this requirement shall not implicitly preclude
5 the board from contracting with or utilizing the services of
6 existing entities providing retirement or financial services.

7 (4) Provide participants with a broad range of low-cost
8 investment alternatives.

9 (5) Allow for online administration and daily
10 valuations.

11 (6) Allow for rollovers into this plan from plans of
12 other employers, regardless of the employer being a private
13 employer or a public employer.

14 (7) Provide active members with the necessary financial
15 planning resources to allow active members to make adequate
16 portfolio allocation decisions.

17 (8) Allow an active member who is no longer a public
18 employee to maintain their account within the system.

19 (9) Benchmark the system continually against the best
20 demonstrated practices within the entire industry.

21 (b) Prohibitions.--In developing and making available the
22 system, the board shall not do any of the following:

23 (1) Provide any additional benefit beyond that provided
24 under this chapter that results in an increased cost to any
25 taxpayer of this Commonwealth.

26 (2) Implement or administer any loan provisions unless
27 required by law.

28 (c) Costs.--Any administrative costs, overhead costs or
29 nonrecurring, start-up costs shall be paid by the board with an
30 annual appropriation to the board for administrative costs. Any

1 other costs may be charged against participant accounts.

2 § 7108. Investments and expenses.

3 The board shall not be responsible for any investment loss
4 incurred in the system or for failure of any investment to earn
5 any specific or expected return or to earn as much as any other
6 investment opportunity, whether or not the other investment
7 opportunity was offered to active members in the system. The
8 board shall bear the expenses arising from allowing public
9 employees to elect to participate in the system and active
10 members to choose a fund manager which are deducted from
11 compensation amounts contributed under the system and
12 transferred to the fund manager. All other expenses arising from
13 the administration of the system shall be assessed against the
14 accounts created on behalf of active members either by the fund
15 managers or by the board.

16 § 7109. Attachment.

17 Notwithstanding any other provision of law, any benefit or
18 interest available under the system, any right to receive or
19 direct payments under the system or any distribution of payment
20 made under the system shall not, except as expressly specified
21 by the system, be subject to assignment, alienation,
22 garnishment, attachment, transfer, anticipation, sale, mortgage,
23 pledge, hypothecation, commutation, execution or levy, whether
24 by voluntary or involuntary act of any interested person.

25 § 7110. Investments.

26 Investment of contributions by any corporation, institution,
27 insurance company or custodial bank that the board has approved
28 shall not be unreasonably delayed, and in no case shall the
29 investment of contributions be delayed more than 30 days from
30 the date of payroll deduction to the date that funds are

1 invested. Any interest earned on the funds pending investment
2 shall be allocated to the Commonwealth and credited to the
3 accounts of active members who are then participating in the
4 system unless the interest is used to defray administrative
5 costs and fees that would otherwise be required to be borne by
6 active members who are then participating in the system.

7 § 7111. Active member contributions.

8 Regular active member contributions shall be made to the
9 system on behalf of each active member for current service in an
10 amount equal to a percentage of the active member's pensionable
11 earnings. The employer shall cause active member contributions
12 for current service to be made and deducted from each payroll.
13 Active members may elect to contribute to the system on their
14 behalf to the extent permitted by law.

15 § 7112. Employer contributions.

16 (a) Contributions.--The Commonwealth or any other employer
17 shall make payments to the trust fund on behalf of the active
18 member. The amount of the payments shall match the contribution
19 made by an active member dollar for dollar under section 7111
20 (relating to active member contributions) but shall not exceed
21 6% of the active member's pensionable earnings.

22 (b) Disability.--In the event an active member becomes
23 totally and permanently disabled, the employer shall continue to
24 make employer contributions in the same amount as the employer's
25 previous contribution on behalf of the active member as provided
26 under subsection (a). A contribution under this subsection shall
27 be made regardless of the level of the active member's
28 contributions or the absence thereof.

29 § 7113. Vesting.

30 (a) Forfeiture.--The following shall apply:

1 (1) Except as provided under paragraph (2), an active
2 member shall be vested after completing three years of
3 service during which the person is an active member in the
4 system with respect to employer contributions paid on behalf
5 of the active member to the system plus interest and earnings
6 on the employer contributions but minus investment fees and
7 administrative charges.

8 (2) An active member that is considered part time shall
9 only be vested if the member is compensated for at least
10 1,000 hours per year.

11 (b) Forfeiture.--The following shall apply:

12 (1) If an active member or a beneficiary entitled to a
13 payment cannot be located, the related accounts shall be
14 forfeited as of the date the active member or the beneficiary
15 cannot be located. The active member's vested account balance
16 that is so forfeited shall be restored to the active member's
17 account if the active member or beneficiary entitled to the
18 payment later submits a written election of method of
19 payment.

20 (2) Any unvested portion of an active member's accounts
21 shall be forfeited and may be applied as provided under
22 section 7105(f) (relating to duties of board) upon the death
23 or other termination of public service of the active member.

24 § 7114. Duties of board to advise and report to heads of
25 departments and members.

26 (a) Manual of regulations.--The board shall, with the advice
27 of the Attorney General, prepare and provide, within 90 days of
28 the effective date of this section, a manual incorporating rules
29 and regulations consistent with the provisions of this chapter
30 to the heads of departments who shall provide the information to

newly hired public employees who are active members and shall make the information contained in the manual available to the general membership. The board shall thereafter advise the heads of departments within 90 days of any changes in the rules and regulations due to changes in the law or due to changes in administrative policies.

(b) Member status statements and certifications.--The board shall furnish annually to the head of each department, on or before April 1, a statement for each member employed in such department showing the total accumulated deductions standing to his credit as of December 31 of the previous year and requesting the member to make any necessary corrections or revisions regarding his designated beneficiary. In addition, for each member employed in any department and for whom the department has furnished the necessary information, the board shall certify the number of years and fractional part of a year of credited service.

§ 7115. Duties of heads of departments.

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

(1) If the removal is due to leave without pay, the head of department shall furnish the board with the date of beginning of leave and of return to service and the reason for leave.

(2) If the removal is due to a transfer to another

1 department, the head of department shall furnish the
2 department and the board with a complete public service
3 record, including past public service.

4 (3) If the removal is due to termination of public
5 service, the head of department shall furnish the board with
6 a complete public service record. The following shall apply:

7 (i) In the case of death of the member the head of
8 department shall notify the board.

9 (ii) In the case of a service-connected disability
10 the head of department shall, to the best of his or her
11 ability, investigate the circumstances surrounding the
12 disablement of the member and submit in writing to the
13 board information which shall include the date, place and
14 time of disablement to the extent ascertainable, the
15 nature of duties being performed at the time and whether
16 or not the duties being performed were authorized and
17 included among the member's regular duties. The head of
18 department shall furnish in writing to the board any
19 other information as may be related to the member's
20 disablement.

21 (b) Records and information.--At any time at the request of
22 the board and at termination of service of a member, the head of
23 department shall furnish service and compensation records and
24 any other information as the board may require and shall
25 maintain and preserve the records as the board may direct for
26 the expeditious discharge of its duties.

27 (c) Employer contributions.--The head of department shall
28 cause the required employer contributions to be made and
29 deducted under section 7110 (relating to investments). The head
30 of department shall certify to the State Treasurer the amounts

1 deducted and shall send the total amount picked up and deducted,
2 together with a duplicate of the voucher to the secretary of the
3 board every pay period. On or before January 31, 2009, and on or
4 before each January 31 thereafter, the head of department shall,
5 at the time when the income and withholding information required
6 by law is furnished to each member, also furnish the amount of
7 employer contributions made on his behalf.

8 (d) Mandatory membership.--Each public employee who enters
9 into public service for the first time after November 30, 2008,
10 shall be subject to mandatory membership in the system. Upon the
11 assumption of public service of each new public employee whose
12 membership in the system is mandatory, the head of department
13 shall cause an application for membership and a nomination of
14 beneficiary to be made by such public employee and filed with
15 the board and shall make employer contributions from the
16 effective date of public service.

17 (e) Annual statement to active members.--Annually, upon
18 receipt from the board, the head of department shall furnish to
19 each active member the statement specified under section 7114(b)
20 (relating to duties of board to advise and report to heads of
21 departments and members).

22 (f) Termination of service.--The head of department shall,
23 in the case of any active member terminating public service who
24 is ineligible for an annuity before attainment of superannuation
25 age, advise the member in writing of any benefits to which the
26 member may be entitled under this chapter and shall have the
27 member prepare, on or before the date of termination of public
28 service, an application for the return of total accumulated
29 deductions.

30 (g) Date of application for benefits.--Any application

1 properly executed and filed under subsection (f) with the
2 department and not filed with the board within 30 days shall be
3 deemed to have been filed with the board on the date filed with
4 the department, and in such case all required data shall be
5 furnished to the board immediately.

6 § 7116. Administration.

7 For purposes of administering the system an individual
8 account shall be maintained in the name of each public employee.

9 § 7117. Applicability.

10 (1) Except as provided in paragraph (2), this chapter
11 shall apply to public employees entering into public service
12 after November 30, 2008, or upon the expiration of any
13 collective bargaining agreement an employer has entered
14 providing retirement benefits to a public employee, whichever
15 is later, and shall not be construed to affect any person who
16 is a public school employee, State employee or municipal
17 employee on or before November 30, 2008.

18 (2) This chapter shall apply to any person who is a
19 public school employee, State employee or municipal employee
20 before November 30, 2008, and who is not a public employee on
21 November 30, 2008, but reenters public service after November
22 30, 2008.

23 Section 2. The following shall apply:

24 (1) The provisions of the act of February 1, 1974
25 (P.L.34, No.15), known as the Pennsylvania Municipal
26 Retirement Law, shall not apply to municipal employees
27 employed after November 30, 2008.

28 (2) The provisions of 24 Pa.C.S. Pt. IV shall not apply
29 to public school employees employed after November 30, 2008.

30 (3) The provisions of 71 Pa.C.S. Pt. XXV shall not apply

1 to State employees employed after November 30, 2008.

2 Section 3. This act shall take effect in 60 days.