

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1568 Session of
2008

INTRODUCED BY BROWNE, ORIE, SCARNATI, ARMSTRONG, FOLMER,
RAFFERTY, EICHELBERGER, WAUGH, ROBBINS, BAKER, EARLL,
D. WHITE AND VANCE, SEPTEMBER 18, 2008

REFERRED TO FINANCE, SEPTEMBER 18, 2008

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

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17 In order to preserve the long-term fiscal stability and
18 viability of this Commonwealth and its political subdivisions,
19 the purpose of this chapter is to provide a unified retirement
20 system for employees of the Commonwealth, its political
21 subdivisions and all other employers to participate in and to
22 provide retirement income security through a system of defined
23 contribution authorized by the United States Internal Revenue
24 Code, permitting the employees to obtain the advantages inherent
25 in the plans relative to the income tax treatment of the
26 contributions and disbursements made under defined contribution
27 plans.

28 § 7102. Definitions.

29 The following words and phrases when used in this chapter
30 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

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

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

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

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

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

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

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

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

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

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

19 (3) The Court Administrator of Pennsylvania.

20 (4) The Chief Clerk of the Senate.

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

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

26 (7) The director or similar person for any entity that
27 employs a public employee.

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

subsection or other subdivision of such section in 26 U.S.C.
(relating to Internal Revenue Code).

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

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

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

"Municipality." Any of the following:

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

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

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

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

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

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

1 (1) A State employee.

2 (2) A school employee.

3 (3) A municipal employee.

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

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

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

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

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

17 (4) The State Board of Education.

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

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

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

28 "State employee." Any person holding a State office or
29 position under the Commonwealth or employed by the Commonwealth
30 in any capacity. The term shall not include an independent

1 contractor, a person compensated on a fee basis or a person paid
2 directly by an entity other than a State Employees' Retirement
3 System employer. The term shall include members of the General
4 Assembly and any officer or employee of any of the following:

5 (1) The Pennsylvania Turnpike Commission, the Delaware
6 River Port Authority, the Port Authority Transit Corporation,
7 the Philadelphia Regional Port Authority, the Delaware River
8 Joint Toll Bridge Commission, the State Public School
9 Building Authority, the General State Authority, the State
10 Highway and Bridge Authority, the Delaware Valley Regional
11 Planning Commission and the Susquehanna River Basin
12 Commission, if the commission or authority makes employer
13 contributions on behalf of employees under section 7112
14 (relating to employer contributions).

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

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

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

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

30 (iii) The public corporation contributes to the fund

1 the money required to build up the reserves necessary for
2 the payment of the annuities of the officers and
3 employees without any liability on the part of the
4 Commonwealth to make appropriations for those purposes.

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

6 § 7103. Establishment.

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

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

11 § 7104. Public Employees' Retirement System Board.

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

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

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

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

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

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

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

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

29 (7) Three members appointed by the Governor. One of the
30 members first appointed by the Governor shall be appointed

1 for a term which shall expire on June 30, 2013, one member
2 for a term which shall expire on June 30, 2013, and one
3 member for a term which shall expire on June 30, 2014.

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

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

1 other retirement board or system.

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

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

18 (g) Corporate power and legal advisor.--The board shall
19 possess the powers and privileges of a corporation. The Attorney
20 General shall be the legal advisor of the board.

21 § 7105. Duties of board.

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

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

30 (2) Notwithstanding any other provision of law, the

1 compensation of investment professionals shall be established
2 by the board. The compensation of all other officers and
3 employees of the board who are not covered by a collective
4 bargaining agreement shall be established by the board
5 consistent with the standards of compensation established by
6 the Executive Board of the Commonwealth.

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

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

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

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

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

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

29 (6) Supervise a staff of administrative, technical and
30 clerical employees engaged in recordkeeping and clerical

1 processing activities in maintaining files of members,
2 accounting for contributions, processing payments to
3 annuitants, preparing required reports and retirement
4 counseling.

5 (c) Specific duties.--In order to establish and administer
6 the system, the powers and duties of the board shall include the
7 following:

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

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

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

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

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

27 (6) Establishing standards or criteria for the providing
28 of options to an active member concerning the method of
29 investing amounts accumulated under the system if the options
30 include a diversified mix of low-cost investment products

1 that span the risk-return spectrum.

2 (7) Establishing standards or criteria for informing
3 active members of specific options offered by qualified
4 managers.

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

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

17 (10) Establishing processes for participation in the
18 system. The election period shall begin on the date that an
19 individual becomes a qualified employee and shall end 90 days
20 from that date.

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

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

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

29 (ii) Dispose of an active member's account pursuant
30 to a domestic relations order unless in conflict with the

1 IRC.

2 (13) Administering the system in compliance with the
3 IRC.

4 (14) Promulgating regulations necessary to administer
5 this chapter.

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

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

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

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

1 the board.

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

3 (1) The board shall keep a record of all its proceedings
4 which shall be open to inspection by the public.

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

14 (i) In the case of an alternative investment or
15 alternative investment vehicle, involve the release of
16 sensitive investment or financial information relating to
17 the alternative investment or alternative investment
18 vehicle which the fund was able to obtain only upon
19 agreeing to maintain its confidentiality.

20 (ii) Cause substantial competitive harm to the
21 person from whom sensitive investment or financial
22 information relating to the investment was received.

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

27 (3) The following shall apply:

28 (i) The sensitive investment or financial
29 information excluded from inspection under paragraph

30 (2)(i), to the extent not otherwise excluded from

1 inspection, shall constitute a public record subject to
2 public inspection under the Right-to-Know Law once the
3 board is no longer required by its agreement to maintain
4 confidentiality.

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

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

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

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

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

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

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

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

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

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

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

25 § 7106. Administration and investment options.

26 (a) Administration.--The board shall administer the system
27 as a defined contribution retirement system under the IRC under
28 which benefits will be provided for active members. The benefits
29 to be provided for or on behalf of active members in the system
30 shall be provided through active member-directed investments in

1 accordance with IRC § 401(a). Active members and employers shall
2 contribute to the system in accordance with sections 7111
3 (relating to active member contributions) and 7112 (relating to
4 employer contributions).

5 (b) Investment options.--The system shall provide a variety
6 of investment options. The investment options shall include
7 lifestyle funds that are based upon age and projected
8 retirement.

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

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

24 (e) Investment guidance.--The system shall make available
25 investment guidance in accordance with pension industry
26 standards.

27 (f) Membership.--Membership in the system shall consist of
28 public employees occupying permanent positions with an employer.
29 § 7107. Plan structure.

30 (a) Duties.--In developing and making available the system,

1 the board shall do all of the following:

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

4 (2) Provide consistency in the plan for all active
5 members.

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

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

14 (5) Allow for online administration and daily
15 valuations.

16 (6) Allow for rollovers into this plan from plans of
17 other public employers.

18 (7) Provide active members with the necessary financial
19 planning resources to allow active members to make adequate
20 portfolio allocation decisions.

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

23 (9) Benchmark the system continually against the best
24 demonstrated practices within the entire industry.

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

27 (1) Provide any additional benefit beyond that provided
28 under this chapter that results in an increased cost to any
29 taxpayer of this Commonwealth.

30 (2) Implement or administer any loan provisions unless

1 required by law.

2 (c) Costs.--Any administrative costs, overhead costs or
3 nonrecurring, start-up costs shall be paid by the board with an
4 annual appropriation to the board for administrative costs. Any
5 other costs may be charged against participant accounts.

6 § 7108. Investments and expenses.

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

20 § 7109. Attachment.

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

29 § 7110. Investments.

30 Investment of contributions by any corporation, institution,

insurance company or custodial bank that the board has approved shall not be unreasonably delayed, and in no case shall the investment of contributions be delayed more than 30 days from the date of payroll deduction to the date that funds are invested. Any interest earned on the funds pending investment shall be allocated to the Commonwealth and credited to the accounts of active members who are then participating in the system unless the interest is used to defray administrative costs and fees that would otherwise be required to be borne by active members who are then participating in the system.

§ 7111. Active member contributions.

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

§ 7112. Employer contributions.

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

(b) Disability.--In the event an active member becomes totally and permanently disabled, the employer shall continue to make employer contributions in the same amount as the employer's previous contribution on behalf of the active member as provided under subsection (a) until the active member has attained 65

years of age. A contribution under this subsection shall be made regardless of the level of the active member's contributions or the absence thereof.

§ 7113. Vesting.

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

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

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

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

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

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

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

1 (a) Manual of regulations.--The board shall, with the advice
2 of the Attorney General, prepare and provide, within 90 days of
3 the effective date of this section, a manual incorporating rules
4 and regulations consistent with the provisions of this chapter
5 to the heads of departments who shall provide the information to
6 newly hired public employees who are active members and shall
7 make the information contained in the manual available to the
8 general membership. The board shall thereafter advise the heads
9 of departments within 90 days of any changes in the rules and
10 regulations due to changes in the law or due to changes in
11 administrative policies.

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

23 § 7115. Duties of heads of departments.

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

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

5 (2) If the removal is due to a transfer to another
6 department, the head of department shall furnish the
7 department and the board with a complete public service
8 record, including past public service.

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

12 (i) In the case of death of the member the head of
13 department shall notify the board.

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

26 (b) Records and information.--At any time at the request of
27 the board and at termination of service of a member, the head of
28 department shall furnish service and compensation records and
29 any other information as the board may require and shall
30 maintain and preserve the records as the board may direct for

1 the expeditious discharge of its duties.

2 (c) Employer contributions.--The head of department shall
3 cause the required employer contributions to be made and
4 deducted under section 7110 (relating to investments). The head
5 of department shall certify to the State Treasurer the amounts
6 deducted and shall send the total amount picked up and deducted,
7 together with a duplicate of the voucher to the secretary of the
8 board every pay period. On or before January 31, 2009, and on or
9 before each January 31 thereafter, the head of department shall,
10 at the time when the income and withholding information required
11 by law is furnished to each member, also furnish the amount of
12 employer contributions made on his behalf.

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

22 (e) Annual statement to active members.--Annually, upon
23 receipt from the board, the head of department shall furnish to
24 each active member the statement specified under section 7114(b)
25 (relating to duties of board to advise and report to heads of
26 departments and members).

27 (f) Termination of service.--The head of department shall,
28 in the case of any active member terminating public service who
29 is ineligible for an annuity before attainment of superannuation
30 age, advise the member in writing of any benefits to which the

member may be entitled under this chapter and shall have the member prepare, on or before the date of termination of public service, an application for the return of total accumulated deductions.

(g) Date of application for benefits.--Any application properly executed and filed under subsection (f) with the department and not filed with the board within 30 days shall be deemed to have been filed with the board on the date filed with the department, and in such case all required data shall be furnished to the board immediately.

§ 7116. Administration.

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

§ 7117. Applicability.

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

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

Section 2. The following shall apply:

(1) The provisions of the act of February 1, 1974 (P.L.34, No.15), known as the Pennsylvania Municipal

1 Retirement Law, shall not apply to municipal employees
2 employed after November 30, 2008.

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

5 (3) The provisions of 71 Pa.C.S. Pt. XXV shall not apply
6 to State employees employed after November 30, 2008.

7 (4) The provisions of any statute that provides for
8 local retirement benefits shall not apply to a public
9 employee employed after November 30, 2008.

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