

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1352 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 24 (Education) and 51 (Military Affairs) of the  
2 Pennsylvania Consolidated Statutes, in preliminary  
3 provisions, further providing for definitions and  
4 construction and providing for references; in retirement  
5 membership, contributions and benefits, further providing for  
6 mandatory and optional membership, for credited school  
7 service, for waiver of adjustments and for classes of  
8 service, for elections, for eligibility points, for  
9 eligibility for annuities, for eligibility for refunds, for  
10 pickup contributions, for member contributions, for  
11 contributions for purchase of credit, for incomplete  
12 payments, for annual compensation limit, for contributions by  
13 Commonwealth, for payments by employers, for actuarial cost  
14 method, for appropriations by Commonwealth, for return of  
15 accumulated deductions, for single life annuity, for  
16 disability annuities, for termination of annuities and  
17 payment of benefits; providing for school employees' defined  
18 contribution plan; in administrative and miscellaneous  
19 provisions, further providing for the Public School  
20 Employees' Retirement Board, for administrative duties of  
21 board, for health insurance, for advisory and reporting  
22 duties, for application and election duties, for duties of  
23 employers, for rights and duties of school employees and  
24 members, for management of fund and accounts, for Public  
25 School Employees' Retirement Fund, for State accumulation  
26 account, for annuity reserve account, for State guarantee,  
27 for taxation, for attachment and assignment of funds, for  
28 approval of domestic relations orders, for irrevocable  
29 survivor annuitant and for amendment of approved domestic  
30 relations orders; providing for irrevocable successor payee;  
31 further providing for fraud and adjustment of errors and for

1 payments to school entities by Commonwealth; providing for  
2 payments to school entities by Commonwealth commencing with  
3 the 2015-2016 school year; in health insurance for retired  
4 school employees, further providing for definitions; and, in  
5 military leave of absence, further providing for retirement  
6 rights.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. The definitions of "alternate payee,"  
10 "beneficiary," "compensation," "creditable nonschool service,"  
11 "credited service," "date of termination of service,"  
12 "distribution," "domestic relations order," "eligible  
13 annuitants," "final average salary," "inactive member,"  
14 "intervening military service," "irrevocable beneficiary,"  
15 "leave for service with a collective bargaining organization,"  
16 "previous school service," "salary deductions" and "valuation  
17 interest" in section 8102 of Title 24 of the Pennsylvania  
18 Consolidated Statutes are amended and the section is amended by  
19 adding definitions to read:

20 § 8102. Definitions.

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

24 \* \* \*

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

30 "Accumulated mandatory participant contributions." The total  
31 of the mandatory pickup participant contributions paid into the  
32 trust on account of a participant's school service together with  
33 any investment earnings and losses and adjustments for fees,

1 costs and expenses credited or charged thereon.

2 "Accumulated total defined contributions." The total of the  
3 accumulated mandatory participant contributions, accumulated  
4 employer defined contributions and accumulated voluntary  
5 contributions, reduced by any distributions, standing to the  
6 credit of a participant in an individual investment account in  
7 the trust.

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

14 \* \* \*

15 "Active participant." A school employee for whom mandatory  
16 pickup participant contributions are being made to the trust or  
17 for whom such contributions otherwise required for current  
18 school service are not being made solely by reason of any  
19 provision of this part relating to the limitations under section  
20 401(a)(17) or 415 of the Internal Revenue Code of 1986 (Public  
21 Law 99-514, 26 U.S.C. § 401(a)(17) or 415.

22 \* \* \*

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

28 \* \* \*

29 "Beneficiary." [The] In the case of the system, the person  
30 or persons last designated in writing to the board by a member

1 to receive his accumulated deductions or a lump sum benefit upon  
2 the death of such member. In the case of the plan, the person or  
3 persons last designated in writing to the board by a participant  
4 to receive his accumulated total defined contributions or a lump  
5 sum benefit upon the death of such participant.

6 \* \* \*

7 "Combined service employee." A current or former school  
8 employee who is both a member of the system and a participant in  
9 the plan.

10 \* \* \*

11 "Compensation." Pickup contributions and mandatory pickup  
12 participant contributions plus any remuneration received as a  
13 school employee excluding reimbursements for expenses incidental  
14 to employment and excluding any bonus, severance payments, any  
15 other remuneration or other emolument received by a school  
16 employee during his school service which is not based on the  
17 standard salary schedule under which he is rendering service,  
18 payments for unused sick leave or vacation leave, bonuses or  
19 other compensation for attending school seminars and  
20 conventions, payments under health and welfare plans based on  
21 hours of employment or any other payment or emolument which may  
22 be provided for in a collective bargaining agreement which may  
23 be determined by the Public School Employees' Retirement Board  
24 to be for the purpose of enhancing compensation as a factor in  
25 the determination of final average salary, and for participants,  
26 excluding payments for military leave, and any other payments  
27 made by an employer while the participant is on USERRA leave,  
28 leave of absence granted under 51 Pa.C.S. § 4102 (relating to  
29 leave of absence for certain government employees), military  
30 leave of absence granted under 51 Pa.C.S. § 7302 (relating to

1 granting military leaves of absence), military leave of absence  
2 granted under 24 P.S. § 11-1176, or other types of military  
3 leave, including other types of leave payments, stipends,  
4 differential wage payments as defined in IRC § 414(u)(12) and  
5 any other payments, provided, however, that the limitation under  
6 section 401(a)(17) of the Internal Revenue Code of 1986 (Public  
7 Law 99-514, 26 U.S.C. § 401(a)(17)) taken into account for the  
8 purpose of member contributions, including regular or joint  
9 coverage member contributions, regardless of class of service,  
10 shall apply to each member who first became a member of the  
11 Public School Employees' Retirement System on or after July 1,  
12 1996, and who by reason of such fact is a noneligible member  
13 subject to the application of the provisions of section 8325.1  
14 (relating to annual compensation limit under IRC § 401(a)(17))  
15 and shall apply to each participant.

16 \* \* \*

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

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

29 "Date of termination of service." The last date of service  
30 for which:

1       (1) pickup contributions are made for an active member  
2       [or,] i;

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

8       (3) mandatory pickup participant contributions are made  
9       for an active participant;

10       (4) in the case of an inactive participant, the date of  
11       his resignation or the date his employment is formally  
12       discontinued by his employer; or

13       (5) in the case of a combined service employee, the  
14       latest of the dates in paragraph(3) or (4).

15       \* \* \*

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

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

provided in 23 Pa.C.S. § 3703 (relating to enforcement of arrearages).

\* \* \*

"Eligible annuitants." All current and prospective annuitants with 24 1/2 or more eligibility points and all current and prospective disability annuitants. Beginning January 1, 1995, "eligible annuitants" shall include members with 15 or more eligibility points who terminated or who terminate school service on or after attaining superannuation retirement age and who are annuitants with an effective date of retirement after superannuation age. The term eligible annuitants shall not include participants.

\* \* \*

"Employer defined contributions."

(1) Unless paragraph (2) is applicable, contributions equal to four percent of an active participant's compensation that are made by an employer for current service to the trust to be credited in the participant's individual investment account.

(2) For active participants who elected to be participants under section 8416 (relating to elections by members to be participants), contributions equal to 4% of an active participant's compensation which are made by an employer for current service to the trust to be credited in the participant's individual investment account. This paragraph shall apply to a participant only until termination of service such that the participant is eligible for benefits under section 8407 (relating to eligibility for benefits) without regard to whether or not a participant actually receives benefits. For subsequent school service as an active

1     participant, the employer defined contributions shall equal  
2     4% of an active participant's compensation.

3     "Final average salary." The highest average compensation  
4 received as an active member during any three nonoverlapping  
5 periods of 12 consecutive months with the compensation for part-  
6 time service being annualized on the basis of the fractional  
7 portion of the school year for which credit is received; except,  
8 if the employee was not a member for three such periods, the  
9 total compensation received as an active member annualized in  
10 the case of part-time service divided by the number of such  
11 periods of membership; in the case of a member with multiple  
12 service credit, the final average salary shall be determined by  
13 reference to compensation received by him as a [school employee]  
14 member of the system or a State employee other than as a  
15 participant in the State Employees' Defined Contribution Plan or  
16 both; and, in the case of a noneligible member, subject to the  
17 application of the provisions of section 8325.1 (relating to  
18 annual compensation limit under IRC § 401(a)(17)).

19     \* \* \*

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



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

11    "Individual investment account." The account in the trust to  
12    which are credited the amounts of the contributions made by a  
13    participant and the participant's employer in accordance with  
14    the provisions of this part, together with all interest and  
15    investment earnings after deduction for fees, costs and  
16    expenses, investment losses and charges for distributions.

17    "Intervening military service." Active military service of a  
18    member who was a school employee and an active member of the  
19    system immediately preceding his induction into the armed  
20    services or forces of the United States in order to meet a draft  
21    obligation excluding any voluntary extension of such  
22    obligational service and who becomes a school employee and an  
23    active member of the system within 90 days of the expiration of  
24    such service.

25    \* \* \*

26    "Irrevocable beneficiary." The person or persons permanently  
27    designated by a member or a participant in writing to the board  
28    pursuant to an approved domestic relations order to receive all  
29    or a portion of the accumulated deductions, vested accumulated  
30    total defined contributions or lump sum benefit payable upon the

1 death of such member or participant.

2 "Irrevocable successor payee." The person permanently  
3 designated by a participant receiving vested distributions in  
4 writing to the Board pursuant to an approved domestic relations  
5 order to receive one or more distributions from the plan upon  
6 the death of such participant.

7 \* \* \*

8 "Leave for service with a collective bargaining  
9 organization." Paid leave granted to an active member or active  
10 participant by an employer for purposes of working full time for  
11 or serving full time as an officer of a Statewide employee  
12 organization or a local collective bargaining representative  
13 under the act of July 23, 1970 (P.L.563, No.195), known as the  
14 Public Employe Relations Act: Provided, That greater than one-  
15 half of the members of the employee organization are active  
16 members of the system or active participants of the plan; that  
17 the employer shall fully compensate the member or active  
18 participant, including, but not limited to, salary, wages,  
19 pension and retirement contributions and benefits, other  
20 benefits and seniority, as if he were in full-time active  
21 service; and that the employee organization shall fully  
22 reimburse the employer for such salary, wages, pension and  
23 retirement contributions and benefits and other benefits and  
24 seniority.

25 "Mandatory pickup participant contributions." Contributions  
26 equal to 4% of compensation that are made by the employer for  
27 active participants for current service that are picked up by  
28 the employer.

29 \* \* \*

30 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

2 "Participant receiving distributions." A participant in the  
3 plan who has commenced receiving distributions from his  
4 individual investment account but who has not received a total  
5 distribution of his vested interest in the individual investment  
6 account.

7 \* \* \*

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

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

15 "Previous school service." Service [rendered] as a school  
16 employee including service in any summer school conducted by a  
17 school district of the Commonwealth, but excluding service  
18 rendered during which the school employee was or could have been  
19 a participant in the plan, prior to the member's most recent  
20 entrance in the system.

21 \* \* \*

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

29 \* \* \*

30 "Required beginning date." The latest date by which

distributions of a participant's interest in his individual investment account must commence under IRC § 401(a)(9).

\* \* \*

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

\* \* \*

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

\* \* \*

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

\* \* \*

"Trust." The School Employees' Defined Contribution Trust established under Chapter 84 (relating to school employees' defined contribution plan).

"USERRA leave." Any period of time for service in the uniformed services (as defined in 38 U.S.C. Ch. 43 (relating to employment and reemployment rights of members of the uniformed services)) by a participant or former participant who terminated school service to perform such service in the uniformed services, if such current or former participant is entitled to reemployment rights under 38 U.S.C. Ch. 38 with respect to such uniformed service.

"Valuation interest." Interest at 5 1/2% per annum,

1 compounded annually and applied to all accounts of the fund  
2 other than the members' savings account.

3 \* \* \*

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

10 Section 2. Section 8103 of Title 24 is amended by adding  
11 subsections to read:

12 § 8103. Construction of part.

13 \* \* \*

14 (c) Construction regarding inactive member and inactive  
15 participant.--As used in this part, the term "inactive member"  
16 does not include a combined service employee who is an "inactive  
17 participant." The term "inactive participant" does not include a  
18 combined service employee who is an "inactive member."

19 (d) Provisions severable.--The provisions of this part are  
20 severable and if any of its provisions shall be held to be  
21 unconstitutional, the decision of the court shall not affect or  
22 impair any of the remaining provisions. It is hereby declared to  
23 be the legislative intent that this part would have been adopted  
24 had such unconstitutional provisions not been included.

25 (e) References to certain Federal statutes.--References in  
26 this part to the IRC or the Uniformed Services Employment and  
27 Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C. §  
28 4301), including administrative regulations promulgated under  
29 the IRC or the Uniformed Services Employment and Reemployment  
30 Rights Act of 1994, are intended to include laws and regulations

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

4 (f) Construction.--

5 (1) This part may not be construed to mean that the  
6 limitations on benefits or other requirements under section  
7 401(a) of the IRC or other applicable provisions of the IRC  
8 that are applicable to participants or to the members of the  
9 system and the benefits payable under Part IV of the IRC.

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

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

22 (g) Applicability.--The following shall apply:

23 (1) The amendment of Part IV regarding the establishment  
24 of and participation in the plan shall apply to current and  
25 former members of the system who have returned to school  
26 service on or after July 1, 2015, after a termination of  
27 school service, notwithstanding the following:

28 (i) Whether the termination occurred before or after  
29 July 1, 2015.

30 (ii) Whether the school employee was an annuitant,

inactive member or vestee or withdrew accumulated deductions during the period of termination.

(2) A terminated school employee who returns to school service on or after July 1, 2015, is subject to the provisions of Part IV regarding participation in the plan or membership in the system that are in effect on the effective date of reemployment, including benefit formulas and accrual rates, eligibility for annuities and distributions, contribution rates, definitions, purchase of creditable school and nonschool service provisions and actuarial and funding assumptions.

(3) This part shall apply to a record, material or data under section 8502(e)(2) notwithstanding whether:

(i) The record, material or data was created, generated or stored before the effective date of this section.

(ii) The record, material or data was previously released or made public.

(iii) A request for the record, material or data was made or is pending final response under the former act of June 21, 1957 (P.L.390, No.212), referred to as the Right-to-Know Law, or the act of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law.

Section 3. Title 24 is amended by adding a section to read:

§ 8103.1. Reference to Public School Employees' Retirement System.

(a) Reference.--As of the effective date of this section, unless the context clearly indicates otherwise, any reference to the Public School Employees' Retirement System in a statutory provision, other than this part, and 71 Pa.C.S. Pt. XXV

1 (relating to retirement for State employees and officers), shall  
2 include a reference to the plan, and any reference to the Public  
3 School Employees' Retirement Fund shall include a reference to  
4 the trust.

5 (b) Agreement.--The agreement of an employer to make  
6 contributions to the fund or to enroll its employees as members  
7 in the system shall be deemed to be an agreement to make  
8 contributions to the trust or to enroll its employees in the  
9 plan.

10 Section 4. Sections 8301 and 8302(a), (b) and (c) of Title  
11 24 are amended and the sections are amended by adding  
12 subsections to read:

13 § 8301. Mandatory and optional membership in the system and  
14 participation in the plan.

15 (a) Mandatory membership.--[Membership] Unless an election  
16 to be a participant in the plan is made, membership in the  
17 system shall be mandatory as of the effective date of employment  
18 for all school employees except the following:

19 (1) [Any] Subject to the provisions in subsection (a.1),  
20 any officer or employee of the Department of Education,  
21 State-owned educational institutions, community colleges,  
22 area vocational-technical schools, technical institutes[,] or  
23 [the] The Pennsylvania State University and who is a member  
24 of the [State Employees' Retirement System] system or a  
25 member of another retirement program approved by the  
26 employer.

27 (2) [Any] Subject to the provisions in subsection (a.2),  
28 any school employee who is not a member of the system and who  
29 is employed on a per diem or hourly basis for less than 80  
30 full-day sessions or 500 hours in any fiscal year or



annuitant who returns to school service under the provisions of section 8346(b) (relating to termination of annuities).

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

(4) [Any] Subject to the provisions in subsection (a.2), any part-time school employee who has an individual retirement account pursuant to the Federal act of September 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the Employee Retirement Income Security Act of 1974.

(5) School employees whose most recent period of school service starts on or after July 1, 2015.

(a.1) (1) Any officer or employee of the Department of Education, State-owned educational institutions, community colleges and The Pennsylvania State University who is an active member on December 31, 2014, and January 1, 2015, shall remain an active member in their class of service until termination of school service. Any officer or employee of the Department of Education, State-owned educational institutions, community colleges and The Pennsylvania State University who becomes a school employee, or who returns to school service, on or after January 1, 2015, shall not be eligible for membership in the system and shall not be eligible to become a participant in the plan.

(2) Any officer or employee of an area vocational-technical school or technical institute who is an active member on June 30, 2015, and July 1, 2015, shall remain an active member in their class of service until termination of

1 school service. Any officer or employee of an area  
2 vocational-technical school or technical institute who  
3 becomes a school employee, or who returns to school service,  
4 on or after July 1, 2015, shall be a mandatory participant in  
5 the plan and shall not be eligible to elect membership or  
6 participation in the State Employees' Retirement System or  
7 plan or another retirement program approved by the employer.

8 (3) Any school employee other than those listed in  
9 subsection (a)(1) who are active members on June 30, 2015 and  
10 July 1, 2015, shall remain active members in their class of  
11 service until termination of school service.

12 (a.2) On or after July 1, 2015, any school employee who is  
13 not a member of the system and who is employed on a per diem or  
14 hourly basis, or annuitant who returns to school service under  
15 the provisions of section 8346(b), shall be a mandatory  
16 participant in the plan, unless the school employee is:

17 (1) a part-time school employee who has an individual  
18 retirement account pursuant to the Employee Retirement Income  
19 Security Act of 1974; and

20 (2) makes an election not to become a participant.

21 (b) Prohibited membership in the system.--The school  
22 employees categorized in subsection (a)(1) [and (2)], (2), (4)  
23 and (5) shall not have the right to elect membership in the  
24 system.

25 (c) Optional membership in the system.--The school employees  
26 categorized in subsection (a)(3) and, if otherwise eligible,  
27 subsection (a)(4) shall have the right to elect membership in  
28 the system on or before July 1, 2015. Once such election is  
29 exercised, membership shall commence from the original date of  
30 eligibility and shall continue until the termination of such

1 service or the school employee elects to be a participant of the  
2 plan.

3 (d) Mandatory participation in the plan.--Subject to the  
4 exceptions in subsections (a.1) and (a.2), a school employee who  
5 begins school service, or who returns to school service after a  
6 break in service, on or after July 1, 2015, shall be a mandatory  
7 participant in the plan as a result of such school service.

8 § 8302. Credited school service.

9 (a) Computation of credited service.--In computing credited  
10 school service of a member for the determination of benefits, a  
11 full-time salaried school employee shall receive one year of  
12 credit for each school year or the corresponding fraction  
13 thereof, in accordance with the proportion of the full school  
14 year for which the required regular member contributions have  
15 been made to the fund, or for which such contributions otherwise  
16 required for such service were not made to the fund solely by  
17 reason of any provision of this part relating to the limitations  
18 under IRC § 401(a)(17) or 415(b). A per diem or hourly school  
19 employee shall receive one year of credited service for each  
20 nonoverlapping period of 12 consecutive months in which he is  
21 employed and for which contributions are made to the fund, or  
22 would have been made but for such limitations under the IRC, for  
23 at least 180 full-day sessions or 1,100 hours of employment. If  
24 such member was employed and contributions were made to the fund  
25 for less than 180 full-day sessions or 1,100 hours, he shall be  
26 credited with a fractional portion of a year determined by the  
27 ratio of the number of full-day sessions or hours of service  
28 actually rendered and for which contributions are made to the  
29 fund to 180 full-day sessions or 1,100 hours, as the case may  
30 be. A part-time salaried employee shall be credited with the

fractional portion of the year which corresponds to the service actually rendered and for which contributions are made to the fund in relation to the service required as a comparable full-time salaried employee. In no case shall a member receive more than one year of credited service for any 12 consecutive months or a member who has elected multiple service receive an aggregate in the two systems of more than one year of credited service for any 12 consecutive months.

(b) Approved leaves of absence.--An active member or active participant shall receive credit for an approved leave of absence provided that:

(1) the member returns for a period at least equal to the length of the leave or one year as a member of the system or the participant returns to school service as an active participant in the plan, whichever is less, to the school district which granted his leave, unless such condition is waived by the employer; and

(2) the proper contributions are made by the member and the employer or by the active participant and the employer.

\* \* \*

(c) Cancellation of credited service.--All credited service in the system shall be cancelled if a member withdraws his accumulated deductions. A partial or total distribution of accumulated total defined contributions to a combined service employee shall not cancel service credited in the system.

(d) Military service by a participant.--A participant who has performed USERRA leave shall be treated and may make contributions as provided by this subsection.

(1) A participant who is reemployed from USERRA leave shall be treated as not having incurred a break in school

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

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

28 (3) A participant employee who performs USERRA leave  
29 from which the employee could have been reemployed from  
30 USERRA leave had the school employee returned to school

1 service in the time frames required by 38 U.S.C. Ch. 43 for  
2 reemployment rights, but did not do so, shall not be eligible  
3 to make mandatory pickup participant contributions or  
4 voluntary contributions for the period of USERRA leave should  
5 the employee later return to school service and be a  
6 participant in the plan.

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

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

28 Section 5. Section 8303.1 of Title 24 is amended to read:

29 § 8303.1. Waiver of adjustments.

30 (a) Allowance.--Upon appeal by an affected member,

1 participant, beneficiary or survivor annuitant, the board may  
2 waive an adjustment or any portion of an adjustment made under  
3 section 8534(b) (relating to fraud and adjustment of errors) if  
4 in the opinion of the board or the board's designated  
5 representative:

6 (1) the adjustment or portion of the adjustment will  
7 cause undue hardship to the member, participant, beneficiary  
8 or survivor annuitant;

9 (2) the adjustment was not the result of erroneous  
10 information supplied by the member, participant, beneficiary  
11 or survivor annuitant;

12 (3) the member or participant had no knowledge or notice  
13 of the error before adjustment was made, and the member, participant, beneficiary or survivor annuitant took action  
14 with respect to their benefits based on erroneous information  
15 provided by the system or plan; and

17 (4) the member, participant, beneficiary or survivor  
18 annuitant had no reasonable grounds to believe the erroneous  
19 information was incorrect before the adjustment was made.

20 (b) Time period.--In order to obtain consideration of a  
21 waiver under this section, the affected member, participant,  
22 beneficiary or survivor annuitant must appeal to the board in  
23 writing within 30 days after receipt of notice that benefits  
24 have been adjusted or, if no notice was given, within 30 days  
25 after the adjustment was known or should have been known to the  
26 affected member, participant, beneficiary or survivor annuitant.  
27 For any adjustments made prior to the effective date of this  
28 subsection for which the member, participant, beneficiary or  
29 survivor annuitant appealed to the board and was denied, an  
30 appeal under this section must be filed within 90 days of the

1 effective date of this subsection.

2 Section 6. Section 8305(b) of Title 24 is amended and the  
3 section is amended by adding a subsection to read:

4 § 8305. Classes of service.

5 \* \* \*

6 (b) Other class membership.--A school employee who is a  
7 member of a class of service other than Class T-C on the  
8 effective date of this part may elect to become a member of  
9 Class T-C or Class T-D or may retain his membership in such  
10 other class until the service is discontinued or he elects to  
11 become a full coverage member or elects to purchase credit for  
12 previous school or creditable nonschool service. Any service  
13 thereafter as a member of the system shall be credited as Class  
14 T-C or T-D service as applicable.

15 \* \* \*

16 (f) Ineligibility for active membership and classes of  
17 service.--An individual who elects to be a participant in the  
18 plan or who first becomes a school employee on or after July 1,  
19 2015, or who returns to school service on or after July 1, 2015  
20 after a termination of school service, shall be ineligible for  
21 active membership in the system. Instead, any such school  
22 employee shall be a participant in the plan as a result of such  
23 school service, subject to the provisions in section 8301  
24 (relating to mandatory and optional membership).

25 Section 7. Sections 8305.1(c) and 8305.2(c) and (d) of Title  
26 24 are amended to read:

27 § 8305.1. Election to become a Class T-D member.

28 \* \* \*

29 (c) Effect of election.--An election to become a Class T-D  
30 member shall remain in effect until the termination of



1 employment. Those members who, on the effective date of this  
2 section, contribute at the rate of 5 1/4% shall be deemed to  
3 have accepted the basic contribution rate of 6 1/2% for all  
4 Class T-D service performed on or after January 1, 2002. Those  
5 members who, on the effective date of this section, contribute  
6 at the rate of 6 1/4% shall be deemed to have accepted the basic  
7 contribution rate of 7 1/2% for all Class T-D service performed  
8 on or after January 1, 2002. Upon termination and a subsequent  
9 reemployment that occurs before July 1, 2015, the school  
10 employee's class of service shall be credited in the class of  
11 service otherwise provided for in this part. If the reemployment  
12 occurs on or after July 1, 2015, the school employee's  
13 eligibility for membership in the system or participation in the  
14 plan shall be as provided in this part.

15 \* \* \*

16 § 8305.2. Election to become a Class T-F member.

17 \* \* \*

18 (c) Effect of election.--An election to become a Class T-F  
19 member shall be irrevocable and shall commence from the original  
20 date of eligibility and shall remain in effect for all future  
21 school service creditable in the system. [A member who elects  
22 Class T-F membership shall receive Class T-F service credit on  
23 any and all future service, regardless of whether the member  
24 terminates service or has a break in service.]

25 (d) Effect of failure to make election.--If a member fails  
26 to timely file an election to become a Class T-F member, then  
27 the member shall be enrolled as a member of Class T-E, unless  
28 the school employee elects or is required to be a participant in  
29 the plan, and the member shall never be able to elect Class T-F  
30 service, regardless of whether the member terminates service or

1 has a break in service.

2 Section 8. Section 8306(b) of Title 24 is amended and the  
3 section is amended by adding a subsection to read:

4 § 8306. Eligibility points.

5 \* \* \*

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

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

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

29 (c) Transitional rule for members electing participation.--  
30 In determining whether a school employee, who is an active

member or an inactive member on July 1, 2015, and who elects to become a participant in the plan under section 8416 (relating to election by members to be participants) has the five or ten eligibility points required by sections 8102, 8307(b), 8308, 8344(b) (relating to disability annuities) and 8345(a), any such combined service employee shall be considered to have satisfied any requirement for five or ten eligibility points, as applicable, if the combined service employee does not terminate school service for three or more years after the effective date of participation in the plan.

Section 9. Section 8307(a) and (b) of Title 24 are amended and the section is amended by adding a subsection to read:

§ 8307. Eligibility for annuities.

(a) Superannuation annuity.--An active or an inactive member, or a combined service employee who is an active or inactive participant, and who attains superannuation age shall be entitled to receive a superannuation annuity upon termination of service and filing of a proper application.

(a.1) Points.--Notwithstanding any regulation promulgated by the board, application or interpretation of Part IV (relating to retirement for school employees), or administrative practice to the contrary, a combined service employee's eligibility for a superannuation annuity or other rights and benefits based on attaining superannuation age or a superannuation score of 92 shall be determined by including only those eligibility points actually accrued.

(b) Withdrawal annuity.--A vestee in Class T-C or Class T-D with five or more eligibility points or an active or inactive Class T-C or Class T-D member, or a combined service employee with Class T-C or T-D service, who terminates school service

1 having five or more eligibility points shall, upon filing a  
2 proper application, be entitled to receive an early annuity. A  
3 vestee in Class T-E or Class T-F with ten or more eligibility  
4 points or an active or inactive Class T-E or Class T-F member,  
5 or a combined service employee with Class T-E or T-F service,  
6 who terminates school service having ten or more eligibility  
7 points shall, upon filing a proper application, be entitled to  
8 receive an early annuity.

9 \* \* \*

10 Section 10. Sections 8310, 8321(b), 8322.1(a), 8323(a) and  
11 (d), 8324(b), (c) and (d), 8325, 8325.1(a), 8326(a) and (c),  
12 8327, 8328(b), (c), (d), (e), (g) and (h), 8330 and 8341 of  
13 Title 24 are amended to read:

14 § 8310. Eligibility for refunds.

15 Upon termination of service any active member, regardless of  
16 eligibility for benefits, may elect to receive his accumulated  
17 deductions in lieu of any benefit from the system to which he is  
18 entitled.

19 § 8321. Regular member contributions for current service.

20 \* \* \*

21 (b) Class T-E and Class T-F shared-risk contributions.--  
22 Commencing with the annual actuarial valuation performed under  
23 section 8502(j) (relating to administrative duties of board),  
24 for the period ending June 30, 2014, and every three years  
25 thereafter, the board shall compare the actual investment rate  
26 of return, net of fees, to the annual interest rate adopted by  
27 the board for the calculation of the normal contribution rate,  
28 based on the market value of assets, for the prior ten-year  
29 period. If the actual investment rate of return, net of fees, is  
30 less than the annual interest rate adopted by the board by an

1 amount of 1% or more, the shared-risk contribution rate of Class  
2 T-E and T-F members will increase by .5%. If the actual  
3 investment rate of return, net of fees, is equal to or exceeds  
4 the annual interest rate adopted by the board, the shared-risk  
5 contributions rate of Class T-E and T-F members will decrease by  
6 .5%. Class T-E and T-F members will contribute at the total  
7 member contribution rate in effect when they are hired. The  
8 total member contribution rate for Class T-E members shall not  
9 be less than 7.5%, nor more than 9.5%. The total member  
10 contribution rate for Class T-F members shall not be less than  
11 10.3%, nor more than 12.3%. Notwithstanding this subsection, if  
12 the system's actuarial funded status is 100% or more as of the  
13 date used for the comparison required under this subsection, as  
14 determined in the current annual actuarial valuation, the  
15 shared-risk contribution rate shall be zero. In the event that  
16 the annual interest rate adopted by the board for the  
17 calculation of the normal contribution rate is changed during  
18 the period used to determine the shared-risk contribution rate,  
19 the board, with the advice of the actuary, shall determine the  
20 applicable rate during the entire period, expressed as an annual  
21 rate. For periods commencing on or after July 1, 2015, the  
22 determination of the shared-risk member contribution rate shall  
23 be based on the annual interest rate adopted by the board for  
24 the calculation of the accrued liability contribution rate under  
25 section 8328(c) (relating to actuarial cost method).

26 (1) Until the system has a ten-year period of investment  
27 rate of return experience following the effective date of  
28 this subsection, the look-back period shall begin not earlier  
29 than the effective date of this subsection.

30 (2) For any fiscal year in which the employer

1 contribution rate is lower than the final contribution rate  
2 under section 8328(h) (relating to actuarial cost method),  
3 the total member contribution rate for Class T-E and T-F  
4 members shall be prospectively reset to the basic  
5 contribution rate.

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

10 § 8322.1. Pickup contributions.

11 (a) Treatment for purposes of IRC § 414(h).--All  
12 contributions to the fund required to be made under sections  
13 8321 (relating to regular member contributions for current  
14 service) and 8322 (relating to joint coverage member  
15 contributions), with respect to current school service rendered  
16 by an active member on or after January 1, 1983, shall be picked  
17 up by the employer and shall be treated as the employer's  
18 contribution for purposes of IRC § 414(h).

19 \* \* \*

20 § 8323. Member contributions for creditable school service.

21 (a) Previous school service, sabbatical leave and full  
22 coverage.--The contributions to be paid by an active member or  
23 an eligible State employee for credit in the system for  
24 reinstatement of all previously credited school service, school  
25 service not previously credited, sabbatical leave as if he had  
26 been in full-time daily attendance, or full-coverage membership  
27 shall be sufficient to provide an amount equal to the  
28 accumulated deductions which would have been standing to the  
29 credit of the member for such service had regular member  
30 contributions been made with full coverage at the rate of

1 contribution necessary to be credited as Class T-C service,  
2 Class T-D service if the member is a Class T-D member, Class T-E  
3 service if the member is a Class T-E member or Class T-F service  
4 if the member is a Class T-F member and had such contributions  
5 been credited with statutory interest during the period the  
6 contributions would have been made and during all periods of  
7 subsequent school service as an active member or inactive member  
8 and State service as an active member or inactive member on  
9 leave without pay up to the date of purchase.

10 \* \* \*

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

12 (1) In all cases other than for the purchase of credit  
13 for sabbatical leave and activated military service leave  
14 beginning before the effective date of paragraph (2), the  
15 amount payable shall be certified by the board in accordance  
16 with methods approved by the actuary and may be paid in a  
17 lump sum within 90 days or in the case of an active member or  
18 an eligible State employee who is an active member of the  
19 State Employees' Retirement System it may be amortized with  
20 statutory interest through salary deductions to the system in  
21 amounts agreed upon by the member and the board. The salary  
22 deduction amortization plans agreed to by members and the  
23 board may include a deferral of payment amounts and statutory  
24 interest until the termination of school service or State  
25 service or becoming a participant and combined service  
26 employee as the board in its sole discretion decides to  
27 allow. The board may limit salary deduction amortization  
28 plans to such terms as the board in its sole discretion  
29 determines. In the case of an eligible State employee who is  
30 an active member of the State Employees' Retirement System,

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

4 (2) In the case of activated military service leave  
5 beginning before the effective date of this paragraph, the  
6 amount payable may be paid according to this subsection or  
7 subsection (c.1), but all lump sum payments must be made  
8 within one year of the termination of activated military  
9 service leave.

10 § 8324. Contributions for purchase of credit for creditable  
11 nonschool service and noncreditable school service.

12 \* \* \*

13 (b) Nonintervening military service.--The amount due for the  
14 purchase of credit for military service other than intervening  
15 military service shall be determined by applying the member's  
16 basic contribution rate plus the normal contribution rate as  
17 provided in section 8328 (relating to actuarial cost method) at  
18 the time of entry of the member into school service subsequent  
19 to such military service to one-third of his total compensation  
20 received during the first three years of such subsequent  
21 credited school service and multiplying the product by the  
22 number of years and fractional part of a year of creditable  
23 nonintervening military service being purchased together with  
24 statutory interest during all periods of subsequent school  
25 service as an active or inactive member and State service as an  
26 active member or inactive member on leave without pay to date of  
27 purchase. Upon certification of the amount due, payment may be  
28 made in a lump sum within 90 days or in the case of an active  
29 member or an eligible State employee who is an active member of  
30 the State Employees' Retirement System it may be amortized with



1 statutory interest through salary deductions to the system in  
2 amounts agreed upon by the member and the board. The salary  
3 deduction amortization plans agreed to by members and the board  
4 may include a deferral of payment amounts and statutory interest  
5 until the termination of school service or State service or  
6 becoming a participant and a combined service employee as the  
7 board in its sole discretion decides to allow. The board may  
8 limit salary deduction amortization plans to such terms as the  
9 board in its sole discretion determines. In the case of an  
10 eligible State employee who is an active member of the State  
11 Employees' Retirement System, the agreed upon salary deductions  
12 shall be remitted to the State Employees' Retirement Board,  
13 which shall certify and transfer to the board the amounts paid.  
14 Application may be filed for all such military service credit  
15 upon completion of three years of subsequent credited school  
16 service and shall be credited as Class T-C service. In the event  
17 that a Class T-E member makes a purchase of credit for such  
18 military service, then such service shall be credited as Class  
19 T-E service. In the event that a Class T-F member makes a  
20 purchase of credit for such military service, then such service  
21 shall be credited as Class T-F service.

22 (c) Intervening military service.--Contributions on account  
23 of credit for intervening military service shall be determined  
24 by the member's basic contribution rate and compensation at the  
25 time of entry of the member into active military service,  
26 together with statutory interest during all periods of  
27 subsequent school service as an active or inactive member and  
28 State service as an active member or inactive member on leave  
29 without pay to date of purchase. Upon application for such  
30 credit the amount due shall be certified in the case of each

1 member by the board, in accordance with methods approved by the  
2 actuary, and contributions may be made by one of the following  
3 methods:

4 (1) Regular monthly payments during active military  
5 service.

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

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

22 (d) Other creditable nonschool service and noncreditable  
23 school service.--

24 (1) Contributions on account of Class T-C credit for  
25 creditable nonschool service other than military service  
26 shall be determined by applying the member's basic  
27 contribution rate plus the normal contribution rate as  
28 provided in section 8328 at the time of the member's entry  
29 into school service subsequent to such creditable nonschool  
30 service to his total compensation received during the first

1 year of subsequent credited school service and multiplying  
2 the product by the number of years and fractional part of a  
3 year of creditable nonschool service being purchased together  
4 with statutory interest during all periods of subsequent  
5 school service as an active or inactive member or State  
6 service as an active member or inactive member on leave  
7 without pay to the date of purchase, except that in the case  
8 of purchase of credit for creditable nonschool service as set  
9 forth in section 8304(b)(5) (relating to creditable nonschool  
10 service) the member shall pay only the employee's share  
11 unless otherwise provided by law. Upon certification of the  
12 amount due, payment may be made in a lump sum within 90 days  
13 or in the case of an active member or an eligible State  
14 employee who is an active member of the State Employees'  
15 Retirement System it may be amortized with statutory interest  
16 through salary deductions to the system in amounts agreed  
17 upon by the member and the board. The salary deduction  
18 amortization plans agreed to by the members and the board may  
19 include a deferral of payment amounts and statutory interest  
20 until the termination of school service or State service or  
21 becoming a participant and combined service employee as the  
22 board in its sole discretion decides to allow. The board may  
23 limit salary deduction amortization plans to such terms as  
24 the board in its sole discretion determines. In the case of  
25 an eligible State employee who is an active member of the  
26 State Employees' Retirement System, the agreed upon salary  
27 deductions shall be remitted to the State Employees'  
28 Retirement Board, which shall certify and transfer to the  
29 board the amounts paid.

30 (2) Contributions on account of Class T-E or Class T-F

1 credit for creditable nonschool service other than military  
2 service shall be the present value of the full actuarial cost  
3 of the increase in the projected superannuation annuity  
4 caused by the additional service credited on account of the  
5 purchase. Upon certification of the amount due, payment may  
6 be made in a lump sum within 90 days or, in the case of an  
7 active member or an eligible State employee who is an active  
8 member of the State Employees' Retirement System, it may be  
9 amortized with statutory interest through salary deductions  
10 to the system in amounts agreed upon by the member and the  
11 board. The salary deduction amortization plans agreed to by  
12 the members and the board may include a deferral of payment  
13 amounts and statutory interest until the termination of  
14 school service or State service or becoming a participant and  
15 combined service employee as the board in its sole discretion  
16 decides to allow. The board may limit salary deduction  
17 amortization plans to the terms as the board in its sole  
18 discretion determines. In the case of an eligible State  
19 employee who is an active member of the State Employees'  
20 Retirement System, the agreed upon salary deductions shall be  
21 remitted to the State Employees' Retirement Board, which  
22 shall certify and transfer to the board the amounts paid.

23 (3) Contributions on account of Class T-E or Class T-F  
24 credit for noncreditable school service other than military  
25 service shall be the present value of the full actuarial cost  
26 of the increase in the projected superannuation annuity  
27 caused by the additional service credited on account of the  
28 purchase. Upon certification of the amount due, payment may  
29 be made in a lump sum within 90 days or, in the case of an  
30 active member or an eligible State employee who is an active

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

16 \* \* \*

17 § 8325. Incomplete payments.

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

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

14 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

15 (a) General rule.--In addition to other applicable  
16 limitations set forth in this part, and notwithstanding any  
17 provision of this part to the contrary, the annual compensation  
18 of each noneligible member and each participant taken into  
19 account for benefit purposes under this subchapter shall not  
20 exceed the limitation under IRC § 401(a)(17). On and after July  
21 1, 1996, any reference in this part to the limitation under IRC  
22 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of  
23 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual  
24 compensation limit set forth in this subsection. The OBRA '93  
25 annual compensation limit is \$150,000, as adjusted by the  
26 commissioner for increases in the cost of living in accordance  
27 with IRC § 401(a)(17)(B). The cost-of-living adjustment in  
28 effect for a calendar year applies to any determination period  
29 which is a period, not exceeding 12 months, over which  
30 compensation is determined, beginning in such calendar year. If

a determination period consists of fewer than 12 months, the OBRA '93 compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period and the denominator of which is 12.

\* \* \*

§ 8326. Contributions by the Commonwealth.

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

\* \* \*

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

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

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

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

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

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

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

§ 8327. Payments by employers.

(a) General rule.--[Each]

(1) For payments prior to June 30, 2015, each employer, including the Commonwealth as employer of employees of the Department of Education, State-owned colleges and universities, Thaddeus Stevens College of Technology, Western Pennsylvania School for the Deaf, Scotland School for Veterans' Children[, ] and [the] The Pennsylvania State University, shall make payments to the fund each quarter in an amount equal to one-half the sum of the percentages, as determined under section 8328 (relating to actuarial cost method), applied to the total compensation during the pay periods in the preceding quarter of all its employees who were members of the system during such period, including members on activated military service leave. In the event a member on activated military service leave does not return to



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

8 (2) For payments after June 30, 2015, each employer,  
9 including the Commonwealth as employer of employees of the  
10 Department of Education, State-owned colleges and  
11 universities, Thaddeus Stevens College of Technology, Western  
12 Pennsylvania School for the Deaf, Scotland School for  
13 Veterans' Children and The Pennsylvania State University,  
14 shall make payments to the fund each quarter in an amount  
15 equal to one-half the sum of the percentages, as determined  
16 under section 8328, applied to the total compensation during  
17 the pay periods in the preceding quarter of all its employees  
18 who were members of the system during such period, including  
19 members on activated military service leave, plus the accrued  
20 liability contribution rate applied to the total compensation  
21 of all active participants in the plan. In the event a member  
22 on activated military service leave does not return to  
23 service for the necessary time or receives an undesirable,  
24 bad conduct or dishonorable discharge or does not elect to  
25 receive credit for activated military service under section  
26 8302(b.1)(3), the contributions made by the employer on  
27 behalf of such member shall be returned with valuation  
28 interest upon application by the employer.

29 (b) Deduction from appropriations.--

30 (1) To facilitate the payment of amounts due from any

1 employer to the fund and the trust through the State  
2 Treasurer and to permit the exchange of credits between the  
3 State Treasurer and any employer, the Secretary of Education  
4 and the State Treasurer shall cause to be deducted and paid  
5 into the fund and the trust from the amount of any moneys due  
6 to any employer on account of any appropriation for schools  
7 or other purposes amounts equal to the employer and pickup  
8 contributions which an employer is required to pay to the  
9 fund, as certified by the board, and as remains unpaid on the  
10 date such appropriations would otherwise be paid to the  
11 employer. Such amount shall be credited to the appropriate  
12 accounts in the fund and the trust.

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

1 district made pursuant to this section shall be deducted from  
2 the amount due to the charter school district pursuant to the  
3 Public School Code of 1949.

4 (c) Payments by employers after June 30, 1995.--After June  
5 30, 1995, and before July 1, 2015, each employer, including the  
6 Commonwealth as employer of employees of the Department of  
7 Education, State-owned colleges and universities, Thaddeus  
8 Stevens College of Technology, Western Pennsylvania School for  
9 the Deaf, Scotland School for Veterans' Children and The  
10 Pennsylvania State University, shall make payments to the fund  
11 and the trust each quarter in an amount computed in the  
12 following manner:

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

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

29 (3) For any employer, whether or not a school entity, in  
30 computing the amount of payment due each quarter, there shall

1 be excluded from the total compensation referred to in this  
2 subsection and subsection (a) any amount of compensation of a  
3 noneligible member on the basis of which member or  
4 participant contributions have not been made by reason of the  
5 limitation under IRC § 401(a)(17). Any amount of contribution  
6 to the fund or trust paid by the employer on behalf of a  
7 noneligible member or participant on the basis of  
8 compensation which was subject to exclusion from total  
9 compensation in accordance with the provisions of this  
10 paragraph shall, upon the board's determination or upon  
11 application by the employer, be returned to the employer with  
12 valuation interest.

13 (d) Payments by employers after June 30, 2014.--After June  
14 30, 2015, each employer, including the Commonwealth as employer  
15 of employees of the Department of Education, State-owned  
16 colleges and universities, Thaddeus Stevens College of  
17 Technology, Western Pennsylvania School for the Deaf, Scotland  
18 School for Veterans' Children and The Pennsylvania State  
19 University, shall make payments to the fund and trust each  
20 quarter in an amount computed in the following manner:

21 (1) For an employer that is a school entity, the amount  
22 shall be the sum of the percentages as determined under  
23 section 8328 applied to the total compensation during the pay  
24 periods in the preceding quarter of all employees who were  
25 active members of the system during such period, including  
26 members on activated military service leave, plus the accrued  
27 liability contribution rate applied to the total compensation  
28 of all active participants in the plan. In the event a member  
29 on activated military service leave does not return to  
30 service for the necessary time or receives an undesirable,

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

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

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

21 (e) Deemed agreed to.--The agreement of an employer listed  
22 in the definition of school employee under section 8102  
23 (relating to definitions) or any other law to make contributions  
24 to the fund or to enroll its employees as members in the system  
25 shall be deemed to be an agreement to make contributions to the  
26 trust or enroll its employees in the plan.

27 (f) Contributions.--The employer employing a participant  
28 shall pick up the required mandatory participant contributions  
29 by a reduction in the compensation of the participant.

30 (g) Contributions resulting from members reemployed from

USERRA leave.--When a school employee reemployed from USERRA leave makes the member contributions required to be granted school service credit for the USERRA leave after June 30, 2015, either by actual payment or by actuarial debt under section 8325 (relating to incomplete payments), the employer that employed the school employee when the member contributions are made or the last employer before termination in the case of payments under section 8325 shall make the employer contributions that would have been made under this section if the employee making the member contributions after he is reemployed from USERRA leave continued to be employed in his school office or position instead of performing USERRA leave.

§ 8328. Actuarial cost method.

\* \* \*

(b) Normal contribution rate.--[The]

(1) For the fiscal year ending June 30, 2014, the normal contribution rate shall be determined after each actuarial valuation. Until all accrued liability contributions have been completed, the normal contribution rate shall be determined, on the basis of an annual interest rate and such mortality and other tables as shall be adopted by the board in accordance with generally accepted actuarial principles, as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through the entire period of active school service, would be sufficient to fund the liability for any prospective benefit payable to him, in excess of that portion funded by his prospective member contributions, excluding the shared-risk contributions.

(2) For fiscal years beginning on or after July 1, 2014,

1 the normal contribution rate shall be determined after each  
2 actuarial valuation. Until all accrued liability  
3 contributions have been completed, the normal contribution  
4 rate shall be determined, on the basis of an annual interest  
5 rate and such mortality and other tables as shall be adopted  
6 by the board in accordance with generally accepted actuarial  
7 principles, as a level percentage of the compensation of all  
8 active members, which percentage, if contributed on the basis  
9 of the member's prospective compensation through the entire  
10 period of active school service, would be sufficient to fund  
11 the liability for any prospective benefit payable to him, in  
12 excess of that portion funded by his prospective member  
13 contributions, excluding the shared-risk contributions.

14 (c) Accrued liability contribution rate.--

15 (1) For the fiscal years beginning July 1, 2002, and  
16 ending June 30, 2011, the accrued liability contribution rate  
17 shall be computed as the rate of total compensation of all  
18 active members which shall be certified by the actuary as  
19 sufficient to fund over a period of ten years from July 1,  
20 2002, the present value of the liabilities for all  
21 prospective benefits of active members, except for the  
22 supplemental benefits provided in sections 8348 (relating to  
23 supplemental annuities), 8348.1 (relating to additional  
24 supplemental annuities), 8348.2 (relating to further  
25 additional supplemental annuities), 8348.3 (relating to  
26 supplemental annuities commencing 1994), 8348.4 (relating to  
27 special supplemental postretirement adjustment), 8348.5  
28 (relating to supplemental annuities commencing 1998), 8348.6  
29 (relating to supplemental annuities commencing 2002) and  
30 8348.7 (relating to supplemental annuities commencing 2003),

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

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

22 (3) Notwithstanding any other provision of law,  
23 beginning July 1, 2004, and ending June 30, 2011, the  
24 outstanding balance of the increase in accrued liability due  
25 to the change in benefits enacted in 2001 and the outstanding  
26 balance of the net actuarial loss incurred in fiscal year  
27 2000-2001 shall be amortized in equal dollar annual  
28 contributions over a period that ends 30 years after July 1,  
29 2002, and the outstanding balance of the net actuarial loss  
30 incurred in fiscal year 2001-2002 shall be amortized in equal



1 dollar annual contributions over a period that ends 30 years  
2 after July 1, 2003. For fiscal years beginning on or after  
3 July 1, 2004, if the accrued liability is increased by  
4 legislation enacted subsequent to June 30, 2003, such  
5 additional liability shall be funded in equal dollar annual  
6 contributions over a period of ten years from the first day  
7 of July coincident with or next following the effective date  
8 of the increase.

9 (4) For the fiscal year beginning July 1, 2011, the  
10 accrued liability contribution rate shall be computed as the  
11 rate of total compensation of all active members which shall  
12 be certified by the actuary as sufficient to fund as a level  
13 percentage of compensation over a period of 24 years from  
14 July 1, 2011, the present value of the liabilities for all  
15 prospective benefits calculated as of June 30, 2010,  
16 including the supplemental benefits as provided in sections  
17 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and  
18 8348.7, in excess of the actuarially calculated assets in the  
19 fund (calculated recognizing all realized and unrealized  
20 investment gains and losses each year in level annual  
21 installments over a ten-year period, provided that the  
22 resulting actuarially calculated assets are constrained  
23 within a range of 70%-130% of market value). In the event  
24 that the accrued liability is [increased] changed by  
25 legislation enacted subsequent to June 30, 2010, such  
26 [additional] change in liability shall be funded as a level  
27 percentage of compensation over a period of ten years from  
28 the July 1 second succeeding the date such legislation is  
29 enacted.

30 (5) Notwithstanding the above, for the fiscal years

1 beginning July 1, 2014, compensation shall be defined as the  
2 total compensation of all active members and active  
3 participants.

4 (6) For purposes of determining the accrued liability  
5 contribution rate in subsection (c) and the experience  
6 adjustment factor in subsection (e) for The Pennsylvania  
7 State University, the State System of Higher Education,  
8 State-owned educational institutions and community colleges,  
9 the term "compensation of all active members and active  
10 participants" shall include an additional amount equal to the  
11 difference between:

12 (i) the actual compensation of all active members  
13 and active participants of The Pennsylvania State  
14 University, the State System of Higher Education, State-  
15 owned educational institutions and community colleges;  
16 and,

17 (ii) the compensation of all active members, active  
18 participants, active members of the State Employees'  
19 Retirement System, active participants of the State  
20 Employees' Defined Contribution Plan and employees who  
21 are members or participants of an independent retirement  
22 program approved by the employer of The Pennsylvania  
23 State University, the State System of Higher Education,  
24 State-owned educational institutions and community  
25 collective colleges multiplied by a fraction equal to the  
26 amount determined under subparagraph (i) as part of the  
27 June 30, 2014, actuarial valuation divided by the amount  
28 of compensation of all active members, active  
29 participants, active members of the State Employees'  
30 Retirement System, active participants of the State

Employees' Defined Contribution Plan and employees who are members or participants of an independent retirement program approved by the employer determined as part of the June 30, 2014, actuarial valuation.

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

(i) the amount by which the final contribution rate exceeds the employer normal contribution rate determined under subsection (b)(1); multiplied by,

(ii) and the difference between:

(A) the actual compensation of all active members and active participants of each such educational institution; and

(B) the compensation of all active members, active participants, active members of the State Employees' Retirement System, active participants of the State Employees' Defined Contribution Plan and employees who are members or participants of an independent retirement program approved by the employer of each such educational institution multiplied by a fraction equal to the amount determined under clause (A) as part of the June 30, 2014, actuarial valuation divided by the amount of compensation of all active members, active participants, active members of the State Employees'

1           Retirement System, active participants of the State  
2           Employees' Defined Contribution Plan and employees  
3           who are members or participants of an independent  
4           retirement program approved by the employer of each  
5           such educational institution determined as part of  
6           the June 30, 2014, actuarial valuation.

7           (d) Supplemental annuity contribution rate.--

8           (1) For the period of July 1, 2002, to June 30, 2011,  
9           contributions from the Commonwealth and other employers  
10          required to provide for the payment of the supplemental  
11          annuities provided for in sections 8348, 8348.1, 8348.2,  
12          8348.4 and 8348.5 shall be paid over a period of ten years  
13          from July 1, 2002. The funding for the supplemental annuities  
14          commencing 2002 provided for in section 8348.6 shall be as  
15          provided in section 8348.6(f). The funding for the  
16          supplemental annuities commencing 2003 provided for in  
17          section 8348.7 shall be as provided in section 8348.7(f). The  
18          amount of each annual supplemental annuities contribution  
19          shall be equal to the amount of such contribution for the  
20          fiscal year beginning July 1, 2002.

21          (2) For fiscal years beginning July 1, 2011, and ending  
22          June 30, 2014, contributions from the Commonwealth and other  
23          employers whose employees are members of the system required  
24          to provide for the payment of supplemental annuities as  
25          provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,  
26          8348.5, 8348.6 and 8348.7 shall be paid as part of the  
27          accrued liability contribution rate as provided for in  
28          subsection (c)(4), and there shall not be a separate  
29          supplemental annuity contribution rate attributable to those  
30          supplemental annuities. In the event that supplemental

1 annuities are increased by legislation enacted subsequent to  
2 June 30, 2010, [the] but before July 1, 2013, such additional  
3 liability for the increase in benefits shall be funded as a  
4 level percentage of compensation over a period of ten years  
5 from the July 1 second succeeding the date such legislation  
6 is enacted.

7 (3) For fiscal years beginning on or after July 1, 2014,  
8 contributions from employers whose employees are members of  
9 the system required to provide for the payment of  
10 supplemental annuities as provided in sections 8348, 8348.1,  
11 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be  
12 paid as part of the accrued liability contribution rate as  
13 provided for in subsection (c)(4), and there shall not be a  
14 separate supplemental annuity contribution rate attributable  
15 to those supplemental annuities. In the event that  
16 supplemental annuities are increased by legislation enacted  
17 subsequent to June 30, 2013, the additional liability for the  
18 increase in benefits shall be funded as a level in equal  
19 dollar installments as a percentage of compensation of all  
20 active members and active participants over a period of ten  
21 years from the July 1 second succeeding the date such  
22 legislation is enacted.

23 (e) Experience adjustment factor.--

24 (1) For each year after the establishment of the accrued  
25 liability contribution rate for the fiscal year beginning  
26 July 1, 2011, and ending June 30, 2014, any increase or  
27 decrease in the unfunded accrued liability, excluding the  
28 gains or losses on the assets of the health insurance  
29 account, due to actual experience differing from assumed  
30 experience, changes in actuarial assumptions, changes in

1 contributions caused by the final contribution rate being  
2 different from the actuarially required contribution rate,  
3 active members making shared-risk contributions or changes in  
4 the terms and conditions of the benefits provided by the  
5 system by judicial, administrative or other processes other  
6 than legislation, including, but not limited to,  
7 reinterpretation of the provisions of this part, recognized  
8 by the actuarial valuations on June 30, 2011, and June 30,  
9 2012, shall be amortized as a level percentage of  
10 compensation over a period of 24 years beginning with the  
11 July 1 second succeeding the actuarial valuation determining  
12 said increases or decreases.

13 (2) (Reserved).

14 (3) For fiscal years beginning July 1, 2014, any  
15 increase or decrease in the unfunded accrued liability,  
16 excluding the gains or losses on the assets of the health  
17 insurance account, due to actual experience differing from  
18 assumed experience, changes in actuarial assumptions, changes  
19 in contributions caused by the final contribution rate being  
20 different from the actuarially required contribution rate,  
21 active members making shared-risk contributions or changes in  
22 the terms and conditions of the benefits provided by the  
23 system by judicial, administrative or other processes other  
24 than legislation, including, but not limited to,  
25 reinterpretation of the provisions of this part, shall be  
26 amortized as a level percentage of compensation of all active  
27 members and active participants over a period of 24 years  
28 beginning with the July 1 second succeeding the actuarial  
29 valuation determining such increases or decreases.

30 \* \* \*

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

2 (1) The collared contribution rate for each year shall  
3 be determined by comparing the actuarially required  
4 contribution rate, calculated without regard for the costs  
5 added by legislation, to the prior year's final contribution  
6 rate.

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

21 (h) Final contribution rate.--

22 (1) For the fiscal year beginning July 1, 2010, the  
23 final contribution rate is 5% of the total compensation of  
24 all active members. For each subsequent fiscal year for which  
25 the collared contribution rate is applicable, the final  
26 contribution rate shall be the collared contribution rate as  
27 calculated in subsection (g), plus the costs added by  
28 legislation.

29 (2) For all other fiscal years ending before June 30,  
30 2015, the final contribution rate shall be the actuarially

required contribution rate, provided that the final contribution rate shall not be less than the normal contribution rate as provided in subsection (b).

\* \* \*

§ 8330. Appropriations by the Commonwealth.

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

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

§ 8341. Return of accumulated deductions.

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

Section 11. Section 8342 of Title 24 is amended by adding a subsection to read:

§ 8342. Maximum single life annuity.

\* \* \*

(d) Coordination of benefits.--The determination and payment of the maximum single life annuity under this section shall be in addition to any payments a combined service employee may be



1 entitled to receive, has received or is receiving as a result of  
2 being a participant in the plan.

3 Section 12. Section 8344(b) of Title 24 is amended and the  
4 section is amended by adding a subsection to read:

5 § 8344. Disability annuities.

6 \* \* \*

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

17 \* \* \*

18 (f) Coordination of benefits.--The determination and payment  
19 of a disability annuity under this section shall be in addition  
20 to any payments a combined service employee may be entitled to  
21 receive, has received or is receiving as a result of being a  
22 participant in the plan.

23 Section 13. Sections 8346 and 8349(a) and (b) of Title 24  
24 are amended to read:

25 § 8346. Termination of annuities.

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

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

21 (a.1) Return of benefits.--In the event an annuitant whose  
22 annuity ceases pursuant to this section receives any annuity  
23 payment, including a lump sum payment pursuant to section 8345  
24 (relating to member's options) on or after the date of his  
25 return to school service or entering State service, the  
26 annuitant shall return to the board the amount so received plus  
27 statutory interest. The amount payable shall be certified in  
28 each case by the board in accordance with methods approved by  
29 the actuary and shall be paid in a lump sum within 90 days or in  
30 the case of an active member or a State employee who is an

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

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

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

(1) An annuitant or participant receiving distributions may be employed under separate contract by a public school or charter school in an extracurricular position performed primarily outside regular instructional hours and not part of mandated curriculum without loss of annuity. Neither the annuitant, the participant receiving distributions, nor the employer shall make contributions to the member's savings account, the individual investment account or State accumulation account respectively for such service. Further, such contract shall contain a waiver whereby the annuitant waives any potential retirement benefits that could arise from the contract and releases the employer and the board from any liability for such benefits. Such service shall not be subject to member or participant contributions nor be eligible for qualification as creditable school service or for participation in the plan, mandatory pickup participant contributions or employer defined contributions.

(2) Nothing in this subsection shall be construed to abridge or limit any rights provided under a collective bargaining agreement or any rights provided under the act of July 23, 1970 (P.L.563, No.195), known as the Public Employee Relations Act.

(3) For purposes of this subsection, the term "extracurricular position" means a contract position filled by an annuitant that is separate from the established academic course structure, including the position of athletic director.

(c) Subsequent discontinuance of service.--Upon subsequent

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

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

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

22 (i) is a multiple service member; or

23 (ii) who elects multiple service membership, and

24 earns three eligibility points by performing credited  
25 State service or credited school service following the  
26 most recent period of receipt of an annuity under this  
27 part, and who had the present value of his annuity frozen  
28 in accordance with subsection (a), shall qualify to have  
29 the effect of the frozen present value resulting from all  
30 previous periods of retirement eliminated, provided that

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

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

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

27 (ii) an annuity (prior to optional modification)  
28 calculated as if the former annuitant did not qualify to  
29 have the effect on the frozen present value eliminated,  
30 unless the former annuitant notifies the board in writing by

1 the later of the date the application for annuity is filed or  
2 the effective date of retirement that the former annuitant  
3 wishes to receive the lower annuity.

4 (3) In addition to any other adjustment to the present  
5 value of the maximum single life annuity that a member may be  
6 entitled to receive that occurs as a result of any other  
7 provision of law, the present value of the maximum single  
8 life annuity shall be reduced by all amounts paid or payable  
9 to him during all previous periods of retirement plus  
10 interest on these amounts until the date of subsequent  
11 retirement. The interest for each year shall be calculated  
12 based upon the annual interest rate adopted for that school  
13 year by the board for the calculation of the normal  
14 contribution rate pursuant to section 8328(b) (relating to  
15 actuarial cost method).

16 § 8349. Payment of benefits from the system.

17 (a) Annuities.--Any annuity granted under the provisions of  
18 this part and paid from the fund shall be paid in equal monthly  
19 installments.

20 (b) Death benefits.--If the amount of a death benefit  
21 payable from the fund to a beneficiary of a member under section  
22 8347 (relating to death benefits) or under the provisions of  
23 Option 1 of section 8345(a)(1) (relating to member's options) is  
24 \$10,000 or more, such beneficiary may elect to receive payment  
25 according to one of the following options:

26 (1) A lump sum payment.

27 (2) An annuity actuarially equivalent to the amount  
28 payable.

29 (3) A lump sum payment and an annuity such that the  
30 annuity is actuarially equivalent to the amount payable less

1 the lump sum payment specified by the beneficiary.

2 \* \* \*

3 Section 14. Title 24 is amended by adding a chapter to read:

4 CHAPTER 84

5 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

6 Sec.

7 8401. Establishment.

8 8402. Plan document.

9 8403. Individual investment accounts.

10 8404. Participant contributions.

11 8405. Mandatory participant pickup contributions.

12 8406. Employer defined contributions.

13 8407. Eligibility for benefits.

14 8408. Death benefits.

15 8409. Vesting.

16 8410. Termination of distributions.

17 8411. Agreements with financial institutions and other  
18 organizations.

19 8412. Powers and duties of board.

20 8413. Responsibility for investment loss.

21 8414. Investments based on participants' investment allocation  
22 choices.

23 8415. Expenses.

24 8416. Election by members to be participants.

25 8417. Required distributions.

26 § 8401. Establishment.

27 (a) School Employees' Defined Contribution Plan.---The plan  
28 is established in accordance with this part. The board shall  
29 administer and manage the plan, which shall be a defined  
30 contribution plan exclusively for the benefit of those school



employees who participate in the plan and their beneficiaries within the meaning of and in conformity with IRC § 401(a). The board shall determine the terms and provisions of the plan not inconsistent with this part, the Internal Revenue Code of 1986 and other applicable law and shall provide for the plan's administration.

(b) School Employees Defined Contribution Trust.--The trust is established as part of the plan in accordance with this part. The trust shall be comprised of the individual investment accounts and all assets and moneys in those accounts. The members of the board shall be the trustees of the trust, which shall be administered exclusively for the benefit of those school employees who participate in the plan and their beneficiaries within the meaning of and conformity with IRC § 401(a). The board shall determine the terms and provisions of the trust not inconsistent with this part, the Internal Revenue Code of 1986 and other applicable law and shall provide for the investment and administration of the trust.

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

1     (d) Name for transacting business.--By the name of "The  
2     School Employees' Defined Contribution Plan," all of the  
3     business of the plan shall be transacted, the trust invested,  
4     all requisitions for money drawn and payments made, and all of  
5     its cash and securities and other property shall be held, except  
6     that, any other law to the contrary notwithstanding, the board  
7     may establish a nominee registration procedure for the purpose  
8     of registering securities in order to facilitate the purchase,  
9     sale or other disposition of securities pursuant to the  
10    provisions of this part.

11    § 8402. Plan document.

12     The board shall set forth the terms and provisions of the  
13     plan and trust in a document containing the terms and conditions  
14     of the plan and in a trust declaration that shall be published  
15     in the Pennsylvania Bulletin. The creation of the document  
16     containing the terms and conditions of the plan and the trust  
17     declaration and the establishment of the terms and provisions of  
18     the plan and the trust need not be promulgated by regulation or  
19     formal rulemaking and shall not be subject to the act of July  
20     31, 1968 (P.L.769, No.240), referred to as the Commonwealth  
21     Documents Law. A reference in this part or other law to the plan  
22     shall include the plan document unless the context clearly  
23     indicates otherwise.

24    § 8403. Individual investment accounts.

25     The board shall:

26         (1) Establish in the trust an individual investment  
27         account for each participant in the plan. All contributions  
28         by a participant or an employer for or on behalf of a  
29         participant shall be credited to the participant's individual  
30         investment account, together with all interest and investment

1 earnings and losses. Investment and administrative fees,  
2 costs and expenses shall be charged to the participants'  
3 individual investment accounts.

4 (2) Separately track participant contributions,  
5 including investment gains and losses and employer  
6 contributions, including investment gains and losses, but all  
7 interest, investment gains and losses and investment and  
8 administrative fees, costs and expenses shall be allocated  
9 proportionately.

10 § 8404. Participant contributions.

11 (a) Mandatory contributions.--Each participant shall make  
12 mandatory pickup participant contributions through payroll  
13 deductions to his individual investment account equal to 4% of  
14 compensation for current school service. The employer shall  
15 cause such contributions for current service to be made and  
16 deducted from each payroll or on such schedule established by  
17 the board.

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

26 (c) Limitations on contributions.--No contributions shall be  
27 allowed that would cause a violation of the limitations related  
28 to contributions applicable to governmental plans contained in  
29 IRC § 415 or in other provisions of law. In the event that any  
30 disallowed contributions are made, any participant contributions

1 in excess of the limitations and investment earnings thereon  
2 shall be refunded to the participant by the board.

3 § 8405. Mandatory pickup participant contributions.

4 (a) Treatment for purposes of IRC § 414(h).--All  
5 contributions to the trust required to be made under section  
6 8404(a) (relating to participant contributions) with respect to  
7 current school service rendered by an active participant shall  
8 be picked up by the employer and shall be treated as the  
9 employer's contribution for purposes of IRC § 414(h). After the  
10 effective date of this section, an employer employing a  
11 participant in the plan shall pick up the required mandatory  
12 participant contributions by a reduction in the compensation of  
13 the participant.

14 (b) Treatment for other purposes.--For all other purposes  
15 under this part and otherwise, such mandatory pickup participant  
16 contributions shall be treated as contributions made by a  
17 participant in the same manner and to the same extent as if the  
18 contributions were made directly by the participant and not  
19 picked up.

20 § 8406. Employer defined contributions.

21 (a) Contributions for current service.--The employer of a  
22 participant shall make employer defined contributions for  
23 current service of each active participant, which shall be  
24 credited to the active participant's individual investment  
25 account. Employer defined contributions must be recorded and  
26 accounted for separately from participant contributions.

27 (b) Contributions resulting from participants reemployed  
28 from USERRA leave.--When a school employee reemployed from  
29 USERRA leave makes the mandatory pickup participant  
30 contributions permitted to be made for the USERRA leave, the

employer by whom the school employee is employed at the time the participant contributions are made shall make whatever employer defined contributions would have been made under this section had the employee making the participant contributions after being reemployed from USERRA leave continued to be employed in the employee's school position instead of performing USERRA leave. Such employer defined contributions shall be placed in the participant's individual investment account as otherwise provided by this part.

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

(a) General.--A participant who terminates school service shall be eligible to withdraw the vested accumulated total defined contributions standing to his credit in his individual investment account or such lesser amount as the participant may request. Payment shall be made in a lump sum unless the board has established other forms of distribution in the plan document. A participant who withdraws the vested accumulated total defined contributions shall no longer be a participant in the plan, notwithstanding that the participant may have contracted to receive an annuity or other form of payment from a provider retained by the board for such purposes.

(b) Required distributions.--All payments pursuant to this section shall start and be made in compliance with the minimum

distribution requirements and incidental death benefit rules of  
IRC § 401(a)(9). The board is authorized to take whatever  
actions and make whatever distributions it may determine are  
necessary to comply with such requirements.

(c) Spousal consent not required.--A participant who is  
married may receive a lump sum distribution or other  
distribution directly from the board without the consent of the  
spouse.

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

(e) Prohibition.--Loans or other distributions from the plan  
to school employees who have not terminated school service are  
not permitted.

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

§ 8408. Death benefits.

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

(b) Lump sum distribution.--In the event of the death of a  
participant receiving distributions, the board shall pay to the

1 participant's beneficiary the vested balance in the  
2 participant's individual investment account in a lump sum or in  
3 such other manner as the board may establish in the plan  
4 document or, if the board has established alternative methods of  
5 distribution in the plan document under which the participant  
6 was receiving distributions, to the participant's beneficiary or  
7 successor payee as provided in the plan document.

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

13 § 8409. Vesting.

14 Subject to the forfeiture and attachment provisions of  
15 section 8533 (relating to taxation, attachment and assignment of  
16 funds) or otherwise as provided by law, a participant shall be  
17 100% vested with respect to all mandatory pickup participant  
18 contributions, voluntary contributions and employer defined  
19 contributions paid by or on behalf of the participant to the  
20 trust plus interest and earnings on the participant and employer  
21 contributions but minus investment fees and administrative  
22 charges.

23 § 8410. Termination of distributions.

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

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

16 § 8411. Agreements with financial institutions and other  
17 organizations.

18 To establish and administer the plan, the board may enter  
19 into written agreements with one or more financial institutions  
20 or other organizations relating to the plan's administration and  
21 investment of funds held pursuant to the plan.

22 § 8412. Powers and duties of board.

23 The board shall have the following powers and duties to  
24 establish the plan and trust and to administer the provisions of  
25 this 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 can  
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 school 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 it  
14 continues to meet all standards and criteria established.

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

19 (8) The board may allow a former participant to maintain  
20 the participant's individual investment account within the  
21 plan.

22 (9) The board shall administer the plan in compliance  
23 with the qualification and other rules of 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 school service.

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

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

28          (vi) Procedures, standards and criteria for the  
29 making of distributions from the plan upon termination  
30 from employment or death or in other circumstances

1 consistent with the purpose of the plan.

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

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

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

14 (17) The provisions and restrictions of the act of July  
15 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's  
16 Investments Act, shall not apply to the plan or trust or the  
17 investments thereof, but the board is authorized to offer to  
18 the plan participants investment vehicles that would be  
19 allowed under the Protecting Pennsylvania's Investments Act.  
20 The board shall also to the extent commercially available  
21 provide that one option for participants will have an annuity  
22 investment feature.

23 § 8413. Responsibility for investment loss.

24 Neither the Commonwealth, the board, an employer nor any  
25 school entity or other political subdivision shall be  
26 responsible for any investment loss incurred under the plan or  
27 for the failure of any investment to earn any specific or  
28 expected return, or to earn as much as any other investment  
29 opportunity, whether or not such other opportunity was offered  
30 to participants in the plan.

1 § 8414. Investments based on participants' investment  
2 allocation choices.

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

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

23 § 8415. Expenses.

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

29 § 8416. Election by members to be participants.

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

member or inactive member on or after July 1, 2015, and who is employed in a position that would otherwise be eligible for participation in the plan may elect to become a participant in the plan.

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

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

§ 8417. Required distributions.

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

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

(1) (i) Except as provided under subparagraph (ii) and

1 notwithstanding any provision of this part, a  
2 contribution or benefit related to the plan may not  
3 exceed a limitation under IRC § 415 with respect to  
4 governmental plans that are in effect on the date the  
5 contribution or benefit payment takes effect.

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

9 (iii) For the purposes of this paragraph, the term  
10 "government plans" shall have the same meaning as in IRC  
11 § 414(d).

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

22 (ii) Notwithstanding subparagraph (i), an increase  
23 in benefits on or after the effective date of the  
24 addition of subsection (b) to this section for a  
25 participant in the plan shall be authorized and apply to  
26 the fullest extent allowed by law.

27 Section 15. Section 8501(a), (c) and (d) of Title 24 are  
28 amended to read:

29 § 8501. Public School Employees' Retirement Board.

30 (a) Status and membership.--The board shall be an

1 independent administrative board and shall consist of 15  
2 members: the Secretary of Education, ex officio; the State  
3 Treasurer, ex officio; two Senators; two members of the House of  
4 Representatives; the executive secretary of the Pennsylvania  
5 School Boards Association, ex officio; two to be appointed by  
6 the Governor, at least one of whom shall not be a school  
7 employee or an officer or employee of the State; three to be  
8 elected by the active professional members of the system and  
9 active professional participants of the plan from among their  
10 number; one to be elected by annuitants or a participant of the  
11 plan who has terminated school service and is receiving or is  
12 eligible to receive distributions from among their number; one  
13 to be elected by the active nonprofessional members of the  
14 system or active nonprofessional participants of the plan from  
15 among their number; and one to be elected by members of  
16 Pennsylvania public school boards from among their number. The  
17 appointments made by the Governor shall be confirmed by the  
18 Senate and each election shall be conducted in a manner approved  
19 by the board. The terms of the appointed and nonlegislative  
20 elected members shall be three years. The members from the  
21 Senate shall be appointed by the President pro tempore of the  
22 Senate and shall consist of one member from the majority and one  
23 member from the minority. The members from the House of  
24 Representatives shall be appointed by the Speaker of the House  
25 of Representatives and shall consist of one member from the  
26 majority and one member from the minority. The legislative  
27 members shall serve on the board for the duration of their  
28 legislative terms and shall continue to serve until 30 days  
29 after the convening of the next regular session of the General  
30 Assembly after the expiration of their respective legislative

1 terms or until a successor is appointed for the new term,  
2 whichever occurs first. The chairman of the board shall be  
3 elected by the board members. Each ex officio member of the  
4 board and each legislative member of the board may appoint a  
5 duly authorized designee to act in his stead. In the event that  
6 a board member, who is designated as an active participant or as  
7 the participant in the plan who is receiving or is eligible to  
8 receive distributions, receives a total distribution of the  
9 board member's interest in the plan, that board member may  
10 continue to serve on the board for the remainder of the term.

11 \* \* \*

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

21 (d) Compensation and expenses.--The members of the board who  
22 are members of the system or participants in the plan shall  
23 serve without compensation. Members of the board who are members  
24 of the system or participants in the plan and who are employed  
25 by a governmental entity shall not suffer loss of salary or  
26 wages through serving on the board. The board, on request of the  
27 employer of any member of the board who is an active  
28 professional or nonprofessional member of the system or active  
29 professional or nonprofessional participant in the plan, may  
30 reimburse such employer for the salary or wages of the member,



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

12 \* \* \*

13 Section 16. Section 8502(b), (c), (e), (h), (i), (j), (k),  
14 (n) and (o) of Title 24 are amended and the section is amended  
15 by adding a subsection to read:

16 § 8502. Administrative duties of board.

17 \* \* \*

18 (b) Professional personnel.--The board shall contract for  
19 the services of a chief medical examiner, an actuary, investment  
20 advisors, counselors, an investment coordinator, and such other  
21 professional personnel as it deems advisable. The board may  
22 utilize the same individuals and firms contracted under this  
23 subsection for both the system and the plan but shall allocate  
24 the fees, costs and expenses incurred under this subsection  
25 between the system and the plan as appropriate.

26 (c) Expenses.--The board shall, through the Governor, submit  
27 to the General Assembly annually a budget covering the  
28 administrative expenses of [this part] the system and a separate  
29 budget covering the administrative expenses of the plan. Such  
30 expenses of the system as approved by the General Assembly in an

1 appropriation bill shall be paid from investment earnings of the  
2 fund. Such expenses of the plan as approved by the General  
3 Assembly shall be paid from interest, pursuant to section  
4 8414(b) (relating to investments based on participant investment  
5 allocation choices) or assessments on the balances of the  
6 participants' individual investment accounts except as may be  
7 provided otherwise by law. Concurrently with its administrative  
8 budget, the board shall also submit to the General Assembly  
9 annually a list of proposed expenditures which the board intends  
10 to pay through the use of directed commissions, together with a  
11 list of the actual expenditures from the past year actually paid  
12 by the board through the use of directed commissions. All such  
13 directed commission expenditures shall be made by the board for  
14 the exclusive benefit of the system and its members and for the  
15 exclusive benefit of the plan and its participants,  
16 respectively.

17 \* \* \*

18 (e) Records.--

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

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

1           (i) in the case of an alternative investment or  
2 alternative investment vehicle involve the release of  
3 sensitive investment or financial information relating to  
4 the alternative investment or alternative investment  
5 vehicle which the fund or trust was able to obtain only  
6 upon agreeing to maintain its confidentiality;

7           (ii) cause substantial competitive harm to the  
8 person from whom sensitive investment or financial  
9 information relating to the investment was received; or

10          (iii) have a substantial detrimental impact on the  
11 value of an investment to be acquired, held or disposed  
12 of by the fund or trust, or would cause a breach of the  
13 standard of care or fiduciary duty set forth in this  
14 part.

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

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

28               (A) the [inspection] access no longer causes  
29 substantial competitive harm to the person from whom  
30 the information was received; or

1 (B) the entity in which the investment was made  
2 is liquidated;  
3 whichever is later.

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

10 (A) the [inspection] access no longer has a  
11 substantial detrimental impact on the value of an  
12 investment of the fund or trust and would not cause a  
13 breach of the standard of care or fiduciary duty set  
14 forth in this part; or

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

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

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

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

30 (ii) The identity of the manager of the alternative

investment vehicle.

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

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

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

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

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

(viii) The dollar amount of total management fees and costs paid to the alternative investment vehicle by

1 the system or plan on an annual fiscal year-end basis.

2 (6) Any record, material or data received, prepared,  
3 used or retained by the board or its employees or agents  
4 relating to a participant shall not constitute a public  
5 record subject to public access under the Right-to-Know Law,  
6 if, in the reasonable judgment of the board, the access would  
7 disclose any of the following:

8 (i) The existence, date, amount and any other  
9 information pertaining to the voluntary contributions,  
10 including rollover contributions and trustee-to-trustee  
11 transfers, of any participant.

12 (ii) The investment option selections of any  
13 participant.

14 (iii) The balance of a participant's individual  
15 investment account, including the amount distributed to  
16 the participant, and any investment gains or losses, or  
17 rates of return.

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

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

21 (7) Nothing in this subsection shall be construed to  
22 designate any record, material or data received, prepared,  
23 used or retained by the board or its employees or agents  
24 relating to the contributions, investments, account value or  
25 benefits payable to or on account of a participant as a  
26 public record subject to public access under the Right-to-  
27 Know Law.

28 \* \* \*

29 (h) Regulations and procedures.--The board shall, with the  
30 advice of the Attorney General and the actuary, adopt and

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

16 (i) Data.--The board shall keep in convenient form such data  
17 as are stipulated by the actuary in order that an annual  
18 actuarial valuation of the various accounts of the fund can be  
19 completed within six months of the close of each fiscal year.  
20 The board shall have final authority over the means by which  
21 data is collected, maintained and stored and in so doing shall  
22 protect the rights of its membership as to privacy and  
23 confidentiality.

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

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

20 (k) Certification of employer contributions to fund.--The  
21 board shall, each year in addition to the itemized budget  
22 required under section 8330 (relating to appropriations by the  
23 Commonwealth), certify to the employers and the Commonwealth the  
24 employer contribution rate expressed as a percentage of members'  
25 payroll necessary for the funding of prospective annuities for  
26 active members and the annuities of annuitants, and certify the  
27 rates and amounts of the normal contributions as determined  
28 pursuant to section 8328(b) (relating to actuarial cost method),  
29 accrued liability contributions as determined pursuant to  
30 section 8328(c), supplemental annuities contribution rate as



determined pursuant to section 8328(d), the experience adjustment factor as determined pursuant to section 8328(e), premium assistance contributions as determined pursuant to section 8328(f), the costs added by legislation as determined pursuant to section 8328(i), the actuarial required contribution rate as determined pursuant to section 8328(i), the collared contribution rate as determined pursuant to section 8328(g), the final contribution rate as determined pursuant to section 8328(h) and the shared-risk contribution rate as determined under section 8321(b) (relating to regular member contributions for current service), which shall be paid to the fund and credited to the appropriate accounts. These certifications shall be regarded as final and not subject to modification by the Secretary of the Budget.

\* \* \*

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

(o) Independent [audit] audits.--The board shall provide for [an annual audit] annual audits of the system and the plan by an independent certified public accounting firm, which [audit]

audits shall include the board's accrual and expenditure of directed commissions. The board may use the same independent certified public accountant for the audits of both the system and the plan.

\* \* \*

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

Section 17. Section 8502.2(a) of Title 24 is amended to read:

§ 8502.2. Health insurance.

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

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

(2) Determination of the benefits structure.

- 1           (3) Determination of enrollment procedures.
- 2           (4) Establishment of premium rates sufficient to fully
- 3 fund the program, including administrative expenses.
- 4           (5) Contracting for goods, equipment, services,
- 5 consultants and other professional personnel as needed to
- 6 operate the program.

7       \* \* \*

8       Section 18. Section 8503 heading and (a) of Title 24 are

9 amended and the section is amended by adding a subsection to

10 read:

11 § 8503. Duties of board to advise and report to employers [and

12           members], members and participants.

13       (a) Manual of regulations.--The board shall, with the advice

14 of the Attorney General and the actuary, prepare, within 90 days

15 of the effective date of this part, a manual incorporating rules

16 and regulations consistent with the provisions of this part for

17 the employers who shall make information contained therein

18 available to the general membership. The board shall thereafter

19 advise the employers within 90 days of any changes in such rules

20 and regulations due to changes in the law or due to changes in

21 administrative policies. As soon as practicable after the

22 commissioner's publication with respect thereto, the board shall

23 also advise the employers as to any cost-of-living adjustment

24 for the succeeding calendar year in the amount of the limitation

25 under IRC § 401(a)(17) and the dollar amounts of the limitations

26 under IRC § 415[(b)].

27       \* \* \*

28       (b.1) Participant status statements.--The board shall have

29 furnished annually to each participant on or before December 31,

30 and more frequently as the board may agree or as required by

1 law, a statement showing the accumulated total defined  
2 contributions credited to the participant's individual  
3 investment account, the nature and type of investments and the  
4 investment allocation of future contributions as of June 30 of  
5 the current year and requesting the participant to make any  
6 necessary corrections or revision regarding his designated  
7 beneficiary.

8 \* \* \*

9 Section 19. Section 8504(c) of Title 24 is amended to read:

10 § 8504. Duties of board to report to State Employees'

11 Retirement Board.

12 \* \* \*

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

20 (1) Certify to the State Employees' Retirement Board:

21 (i) The salary history as a member of the Public  
22 School Employees' Retirement System and the final average  
23 salary as calculated on the basis of the compensation  
24 received as a State and school employee.

25 (ii) The annuity or benefit which the member or his  
26 beneficiary is entitled to receive under this part and  
27 modified according to the option selected.

28 (2) Transfer to the State Employees' Retirement Fund the  
29 accumulated deductions standing to such member's credit and  
30 the actuarial reserve required on account of the member's

1 years of credited service in the school system and his final  
2 average salary determined on the basis of his compensation as  
3 a member in both systems.

4 Section 20. Sections 8505 heading, (b), (h), and (i),  
5 8506(a), (d), (e), (g) and (h) and 8507 heading, (a), (e) and  
6 (f) of Title 24 are amended and the sections are amended by  
7 adding subsections to read:

8 § 8505. Duties of board regarding applications and elections of  
9 members and participants.

10 \* \* \*

11 (b) State employees electing multiple service status.--Upon  
12 receipt of notification from the State Employees' Retirement  
13 Board that a former school employee has become an active member  
14 in the State Employees' Retirement System and has elected to  
15 become a member with multiple service status, the board shall:

16 (1) In case of a member who is receiving an annuity from  
17 the system:

18 (i) Discontinue payments, transfer the present value  
19 of the member's annuity at the time of entering State  
20 service, plus the amount withdrawn in a lump sum payment,  
21 on or after the date of entering State service, pursuant  
22 to section 8345 (relating to member's options), with  
23 statutory interest to date of transfer, minus the amount  
24 to be returned to the board on account of return to  
25 service that the board has determined is to be credited  
26 in the members' savings account, from the annuity reserve  
27 account to the members' savings account and resume  
28 crediting of statutory interest on the amount restored to  
29 his credit.

30 (ii) Transfer the balance of the present value of

1 the total annuity, minus the amount to be returned to the  
2 board on account of return to service that the board has  
3 determined is to be credited in the State accumulation  
4 account, from the annuity reserve account to the State  
5 accumulation account.

6 (iii) Certify to the member the amount of lump sum  
7 and annuity payments with statutory interest the member  
8 is to return to the board and, of those amounts, which  
9 amount shall be credited to the members' savings account  
10 and credited with statutory interest as such payments are  
11 returned and which amount shall be credited to the State  
12 accumulation account.

13 (2) In case of a member who is not receiving an annuity  
14 from the system and who has not withdrawn his accumulated  
15 deductions, continue or resume the crediting of statutory  
16 interest on his accumulated deductions.

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

28 \* \* \*

29 (e.1) Certification to participants terminating service.--

30 The board shall certify to a participant, within one year of

1 termination of service of such participant, in writing of the  
2 vested accumulated total defined contributions credited to the  
3 participant's individual investment account as of the date  
4 stated in the writing, any notices regarding rollover or other  
5 matters required by IRC or other law, the obligation of the  
6 participant to commence distributions from the plan by the  
7 participant's required beginning date, and the ability to  
8 receive all or part of the vested balance in the participant's  
9 individual investment account in a lump sum or in such other  
10 form as the board may authorize or as is required by law.

11 \* \* \*

12 (f.1) Notification to inactive participants approaching  
13 required beginning date.--The board shall notify each inactive  
14 participant who has terminated school service and had not  
15 commenced distribution by 90 days before the participant's  
16 required beginning date, in writing that the inactive  
17 participant has an obligation to commence distributions by his  
18 required beginning date in a form and manner required by IRC §  
19 401(a)(9) and other applicable provisions of IRC.

20 \* \* \*

21 (g.1) Initial payment to a participant.--The board shall  
22 make the initial payment to a participant who has applied for a  
23 distribution within 60 days of the filing of his application.

24 (h) Death benefits.--Upon receipt of notification of the  
25 death of a member, an active participant, an inactive  
26 participant or a former participant performing USERRA leave, the  
27 board shall notify the designated beneficiary or survivor  
28 annuitant of the benefits to which he is entitled and shall make  
29 the first payment to the beneficiary under the plan elected by  
30 the beneficiary within 60 days of receipt of certification of

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

15 (i) Medical insurance coverage.--Upon receipt of  
16 notification from an insurance carrier offering a health  
17 insurance program approved by the board that an annuitant or  
18 terminated participant who has attained age 65 has elected  
19 medical, major medical, and hospitalization insurance coverage  
20 or notification that annuitants of the system with less than 24  
21 1/2 eligibility points (other than disability annuitants of the  
22 system), spouses of annuitants and survivor annuitants eligible  
23 to elect to enroll in the approved health insurance program have  
24 elected participation in such health insurance program, the  
25 board may deduct from the annuity payments the appropriate  
26 annual charges in equal monthly installments. Such deductions  
27 shall be transmitted to the insurance carrier.

28 \* \* \*

29 § 8506. Duties of employers.

30 (a) Status of members and participants.--The employer shall,



1 each month, notify the board in a manner prescribed by the board  
2 of the salary changes effective during the past month, the date  
3 of all removals from the payroll, and the type of leave of any  
4 member or participant who has been removed from the payroll for  
5 any time during that month, and:

6 (1) if the removal is due to leave without pay, the  
7 employer shall furnish the board with the date of beginning  
8 leave, the date of return to service, and the reason for  
9 leave;

10 (2) if the removal is due to a transfer to another  
11 employer, the former employer shall furnish such employer and  
12 the board with a complete school service record, including  
13 credited or creditable nonschool service; or

14 (3) if the removal is due to termination of school  
15 service, the employer shall furnish the board with a complete  
16 school service record including credited or creditable  
17 nonschool service and in the case of death of the member the  
18 employer shall so notify the board.

19 \* \* \*

20 (c.1) Participant and employer defined contributions.--The  
21 employer shall cause the mandatory pickup participant  
22 contributions on behalf of a participant to be made and shall  
23 cause to be deducted any voluntary contributions authorized by a  
24 participant. The employer shall also cause the employer defined  
25 contributions on behalf of a participant to be made. The  
26 employer shall notify the board at times and in a manner  
27 prescribed by the board of the compensation of any participant  
28 to whom the limitation under IRC § 401(a)(17) either applies or  
29 is expected to apply and shall cause such participant's  
30 contributions to be deducted from payroll to cease at the

1 limitation under IRC § 401(a)(17) on the payroll date if and  
2 when such limit shall be reached. The employer shall certify to  
3 the board the amounts picked up and deducted and the employer  
4 defined contributions being made and shall send the total amount  
5 picked up, deducted and contributed together with a duplicate of  
6 such voucher to the secretary of the board every pay period or  
7 on such schedule as established by the board.

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

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

1 of beneficiary to be made by him and filed with the board and  
2 shall cause proper contributions to be made from the date of  
3 election of membership or participation.

4 \* \* \*

5 (g) Former State employee contributors.--The employer shall,  
6 upon the employment of a former member of the State Employees'  
7 Retirement System who is not an annuitant of the State  
8 Employees' Retirement System, advise such employee of his right  
9 to elect multiple service membership within 365 days of entry  
10 into the system and, in the case any such employee who so elects  
11 has withdrawn his accumulated deductions, require him to restore  
12 his accumulated deductions as they would have been at the time  
13 of his separation had he been a full coverage member, together  
14 with statutory interest for all periods of subsequent State and  
15 school service to date of repayment. The employer shall advise  
16 the board of such election. This subsection shall not apply to a  
17 school employee who is employed in a position where the school  
18 employee is or could be a participant in the plan other than a  
19 member who elects to become a participant in the plan.

20 (h) Former State employee annuitants.--The employer shall,  
21 upon the employment of an annuitant of the State Employees'  
22 Retirement System who applies for membership in the system,  
23 advise such employee that he may elect multiple service  
24 membership within 365 days of entry into the system and that if  
25 he so elects his annuity from the State Employees' Retirement  
26 System will be discontinued effective upon the date of his  
27 return to school service and, upon termination of school service  
28 and application for an annuity, the annuity will be adjusted in  
29 accordance with section 8346 (relating to termination of  
30 annuities). The employer shall advise the board of such

1 election. This subsection shall not apply to a school employee  
2 who is employed in a position where the school employee is or  
3 could be a participant in the plan other than a member who  
4 elects to become a participant in the plan.

5 \* \* \*

6 (k) School employees performing USERRA or military related  
7 leave of absence.--The employer shall report to the board any  
8 school employee who ceases to be an active participant to  
9 perform USERRA service, or who is granted a leave of absence  
10 under 51 Pa.C.S. § 4102 (relating to leaves of absences for  
11 certain government employees) or a military leave of absence  
12 under 51 Pa.C.S. § 7302 (relating to granting military leaves of  
13 absence), the date on which such USERRA service, leave of  
14 absence or military leave of absence began, the date on which  
15 the school employee is reemployed from USERRA leave or returns  
16 after the leave of absence or military leave of absence, if such  
17 event occurs, and any other information the board may require or  
18 direct.

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

28 (m) Obligation of educational institutions to report  
29 participation and compensation of employees in independent  
30 retirement programs.--The Pennsylvania State University, the

State System of Higher Education, State-owned educational institutions and community colleges shall report to the board the compensation and other information as the board may request for employees who are participants or members in the State Employees' Retirement System, plan or independent retirement programs approved by the employer.

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

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

\* \* \*

(b.1) Application for participation.--On or after July 1,

1 2015, in the case of a new employee who is not currently a  
2 participant in the plan and whose participation is mandatory, or  
3 in the case of a new employee whose participation is not  
4 mandatory but is permitted and who desires to become a  
5 participant in the plan, the new employee shall execute an  
6 application for participation and a nomination of a beneficiary.

7 \* \* \*

8 (d.1) Voluntary contributions by a participant.--Any active  
9 participant who desires to make voluntary contributions to be  
10 credited to his individual investment account shall notify the  
11 board and, upon compliance with the requirements, procedures and  
12 limitations established by the board in the plan document, may  
13 do so subject to the limitations under IRC §§ 401(a) and 415 and  
14 other applicable law.

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

27 (e) Beneficiary for death benefits from system.--Every  
28 member shall nominate a beneficiary by written designation filed  
29 with the board to receive the death benefit or the benefit  
30 payable under the provisions of Option 1. Such nomination may be

1 changed at any time by the member by written designation filed  
2 with the board. A member may also nominate a contingent  
3 beneficiary or beneficiaries to receive the death benefit or the  
4 benefit payable under the provisions of Option 1.

5 (e.1) Beneficiary for death benefits from plan.--Every  
6 participant shall nominate a beneficiary by written designation  
7 filed with the board as provided in section 8506 (relating to  
8 duties of employers) to receive the death benefit payable under  
9 section 8347 (relating to death benefits). A participant may  
10 also nominate a contingent beneficiary or beneficiaries to  
11 receive the death benefit provided under this section. Such  
12 nomination may be changed at any time by the participant by  
13 written designation filed with the board.

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

18 (f) Termination of service by members.--Each member who  
19 terminates school service and who is not then a disability  
20 annuitant shall execute on or before the date of termination of  
21 service a written application, duly attested by the member or  
22 his legally constituted representative, electing to do one of  
23 the following:

24 (1) Withdraw his accumulated deductions.

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

29 (3) Receive an immediate annuity, if eligible, and may,  
30 if he is a joint coverage member, elect to become a full

coverage member and agree to pay within 30 days of date of termination of service the lump sum required.

\* \* \*

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

\* \* \*

Section 21. Sections 8521(b), 8522, 8524, 8525, 8531, 8533, 8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:  
§ 8521. Management of fund and accounts.

\* \* \*

(b) Crediting of interest.--The board annually shall allow statutory interest, excluding the individual investment accounts, to the credit of the members' savings account on the mean amount of the accumulated deductions of all members for whom interest is payable for the preceding year and valuation interest on the mean amount of the annuity reserve account for the preceding year to the credit of that account. The board annually shall allow valuation interest calculated on the mean amount for the preceding year of the balance in the State accumulation account excluding any earnings of the fund credited to the account during that year. In the event the total earnings for the year do not exceed 5 1/2% of the mean amount for the preceding year of the total assets of the fund less earnings credited to the fund during that year plus the administrative



1 expenses of the board, the difference required to be  
2 appropriated from the General Fund shall be credited to the  
3 State accumulation account.

4 \* \* \*

5 § 8522. Public School Employees' Retirement Fund.

6 The fund shall consist of all moneys in the several separate  
7 funds in the State Treasury set apart to be used under the  
8 direction of the board for the benefit of members of the system;

9 and the Treasury Department shall credit to the fund all moneys  
10 received from the Department of Revenue arising from the

11 contributions relating to or on behalf of the members of the  
12 system required under the provisions of Chapter 83 (relating to  
13 membership, contributions and benefits) and all earnings from

14 investments or moneys of said fund. There shall be established  
15 and maintained by the board the several ledger accounts

16 specified in sections 8523 (relating to members' savings  
17 account), 8524 (relating to State accumulation account), 8525  
18 (relating to annuity reserve account) and 8526 (relating to

19 health insurance account). The individual investment accounts

20 that are part of the trust are not part of the fund. Mandatory

21 pickup participant contributions, voluntary contributions and

22 employer defined contributions made under this part and any

23 income earned by the investment of such contributions shall not

24 be paid or credited to the fund but instead shall be paid to the

25 trust and credited to the individual investment accounts.

26 § 8524. State accumulation account.

27 The State accumulation account shall be the ledger account to

28 which shall be credited all contributions of the Commonwealth

29 and other employers as well as the earnings of the fund, except

30 the premium assistance contributions and earnings thereon in the

1 health insurance account. Valuation interest shall be allowed on  
2 the total amount of such account less any earnings of the fund  
3 credited during the year. The reserves necessary for the payment  
4 of annuities and death benefits resulting from membership in the  
5 system as approved by the board and as provided in Chapter 83  
6 (relating to membership, contributions and benefits) shall be  
7 transferred from the State accumulation account to the annuity  
8 reserve account. At the end of each year the required interest  
9 shall be transferred from the State accumulation account to the  
10 credit of the members' savings account and the annuity reserve  
11 account. The administrative expenses of the board shall be  
12 charged to the State accumulation account.

13 § 8525. Annuity reserve account.

14 (a) Credits and charges to account.--The annuity reserve  
15 account shall be the ledger account to which shall be credited  
16 the reserves held for the payment of annuities and death  
17 benefits resulting from membership in the system on account of  
18 all annuitants and the contributions from the Commonwealth and  
19 other employers as determined in accordance with section 8328  
20 (relating to actuarial cost method) for the payment of the  
21 supplemental annuities provided in sections 8348 (relating to  
22 supplemental annuities), 8348.1 (relating to additional  
23 supplemental annuities), 8348.2 (relating to further additional  
24 supplemental annuities), 8348.3 (relating to supplemental  
25 annuities commencing 1994), 8348.4 (relating to special  
26 supplemental postretirement adjustment), 8348.5 (relating to  
27 supplemental annuities commencing 1998), 8348.6 (relating to  
28 supplemental annuities commencing 2002) and 8348.7 (relating to  
29 supplemental annuities commencing 2003). The annuity reserve  
30 account shall be credited with valuation interest. After the

transfers provided in sections 8523 (relating to members' savings account) and 8524 (relating to State accumulation account), all annuity and death benefit payments shall be charged to the annuity reserve account and paid from the fund.

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

§ 8531. State guarantee regarding the system.

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

§ 8533. Taxation, attachment and assignment of funds.

(a) General rule.--Except as provided in subsections (b), (c) and (d), the right of a person to a member's annuity, a State annuity, or retirement allowance, to the return of contributions, any benefit or right accrued or accruing to any

1 person under the provisions of this part, and the moneys in the  
2 fund and the trust are hereby exempt from any State or municipal  
3 tax, and exempt from levy and sale, garnishment, attachment, the  
4 provisions of Article XIII.1 of the the act of April 9, 1929  
5 (P.L.343, No.176), known as The Fiscal Code, or any other  
6 process whatsoever, and shall be unassignable. No participant or  
7 beneficiary, successor payee, spouse or alternate payee of a  
8 participant shall have the ability to commute, sell, assign,  
9 alienate, anticipate, mortgage, pledge, hypothecate, commutate  
10 or otherwise transfer or convey any benefit or interest in an  
11 individual investment account or rights to receive or direct  
12 distributions under this part or under agreements entered into  
13 under this part except as otherwise provided in this part and in  
14 the case of either a member or a participant.

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

property as part of an approved domestic relations order entered  
before the date of the order or action in a court or other  
tribunal resulting in a forfeiture of a participant's interest  
in the trust shall not be subject to the Public Employee Pension  
Forfeiture Act, section 16(b) of the Article V of the  
Constitution of Pennsylvania or 42 Pa.C.S. § 3352. Any  
accumulated employer defined contributions forfeited as a result  
of this subsection or other law shall be retained by the board  
and used for the payment of expenses of the plan.

(c) Domestic relations order.--Rights under this part shall  
be subject to attachment in favor of an alternate payee as set  
forth in an approved domestic relations order.

(d) Direct rollover.--Effective with distributions made on  
or after January 1, 1993, and notwithstanding any other  
provision of this part to the contrary, a distributee may elect,  
at the time and in the manner prescribed by the board, to have  
any portion of an eligible rollover distribution paid directly  
to an eligible retirement plan by way of a direct rollover. For  
purposes of this subsection, a "distributee" includes a member,  
a participant, [and] a member's surviving spouse, a  
participant's surviving spouse [and] a member's former spouse  
who is an alternate payee under an approved domestic relations  
order and a participant's former spouse who is an alternate  
payee under an approved domestic relations order and anyone else  
authorized under the IRC and the plan terms approved by the  
board to have an eligible rollover distribution paid directly to  
an eligible retirement plan by way of a direct rollover. For  
purposes of this subsection, the term "eligible rollover  
distribution" has the meaning given such term by IRC § 402(f)(2)  
(A) and "eligible retirement plan" has the meaning given such

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

8 § 8533.1. Approval of domestic relations orders.

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

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

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

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

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

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

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

8 (7) Requires the member to execute an authorization  
9 allowing each alternate payee to monitor the member's  
10 compliance with the terms of the domestic relations order  
11 through access to information concerning the member  
12 maintained by the system.

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

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

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

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

30 (4) Requires the plan to pay to the alternate payee no

1 more than the lesser of the vested amount of the  
2 participant's individual investment account specified by the  
3 domestic relations order or the amount of the participant's  
4 individual investment account as of the date of the transfer  
5 of the alternate payee's share to the alternate payee.

6 (5) States that the plan shall not be required to recoup  
7 or make good for losses in value to the participant's  
8 individual investment account incurred between the date of  
9 the valuation of the account used for equitable distribution  
10 purposes and the date of distribution to the alternate payee.

11 (6) Specifies the amount or percentage of the  
12 participant's individual investment account to be paid to the  
13 alternate payee and the date upon which such valuation is  
14 based.

15 (7) Specifies the name and last known mailing address,  
16 if any, of the participant and the name and last known  
17 mailing address of each alternate payee covered by the order  
18 and states that it is the responsibility of each alternate  
19 payee to keep a current mailing address on file with the  
20 system.

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

23 (9) Requires the participant to execute an authorization  
24 allowing each alternate payee to monitor the participant's  
25 compliance with the terms of the domestic relations order  
26 through access to information concerning the participant  
27 maintained by the plan. Any authorization granted under this  
28 section shall be construed only as an authorization for the  
29 alternate payee to receive information concerning the  
30 participant which relates to the administration, calculation,



1 and payment of the alternate payee's share of the  
2 participant's account and not as an authorization to exercise  
3 the rights afforded to participants or obtain information  
4 that is not related to the administration, calculation and  
5 payment of the alternate payee's share of the participant's  
6 account.

7 (10) In the case of participants who have not yet begun  
8 to receive distributions as of the date the domestic  
9 relations order is approved by the secretary of the board or  
10 his designated representative, requires the immediate  
11 distribution of the alternate payee's share of the  
12 participant's individual investment account, which may be  
13 made by direct payment, eligible rollover or trustee-to-  
14 trustee transfer to another eligible plan or qualified  
15 account owned by the alternate payee.

16 (11) In the case of participants who are currently  
17 receiving distributions from the trust as of the date the  
18 domestic relations order is approved by the secretary of the  
19 board or his designated representative, the domestic  
20 relations order may not order the board to pay the alternate  
21 payee more than the balance available in the participant's  
22 individual investment account as of the date the order is  
23 approved or require that distributions continue to the  
24 alternate payee after the death of the participant and final  
25 settlement of the participant's individual investment  
26 account.

27 (b) Determination by secretary.--Within a reasonable period  
28 of time after receipt of a domestic relations order, the  
29 secretary of the board, or his designated representative, shall  
30 determine whether this order is an approved domestic relations

1 order and notify the member or participant and each alternate  
2 payee of this determination. Notwithstanding any other provision  
3 of law, the exclusive remedy of any member, participant or  
4 alternate payee aggrieved by a decision of the secretary of the  
5 board, or his designated representative, shall be the right to  
6 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to  
7 practice and procedure) with appeal therefrom to the  
8 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial  
9 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals  
10 from government agencies).

11 (c) Other orders.--The requirements for approval identified  
12 in [subsection (a)] subsections (a) and (a.1) shall not apply to  
13 any domestic relations order which is an order for support as  
14 that term is defined in 23 Pa.C.S. § 4302 (relating to  
15 definitions) or an order for the enforcement of arrearages as  
16 provided in 23 Pa.C.S. § 3703 (relating to enforcement of  
17 arrearages). These orders shall be approved to the extent that  
18 they do not attach moneys in excess of the limits on attachments  
19 as established by the laws of this Commonwealth and the United  
20 States, require distributions of benefits in a manner that would  
21 violate the laws of the United States, any state or this  
22 Commonwealth or require the distribution of funds for support or  
23 enforcement of arrearages against any participant who is not  
24 receiving distributions from the plan at the time such order is  
25 entered.

26 (d) Obligation discharged.--Only the requirements of this  
27 part and any regulations promulgated hereunder shall be used to  
28 govern the approval or disapproval of a domestic relations  
29 order. Therefore, if the secretary of the board, or his  
30 designated representative, acts in accordance with the

provisions of this part and any promulgated regulations in approving or disapproving a domestic relations order, then the obligations of the system or plan with respect to such approval or disapproval shall be discharged.

§ 8533.3. Irrevocable survivor annuitant.

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

§ 8533.4. Amendment of approved domestic relations orders.

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

\* \* \*

Section 22. Title 24 is amended by adding a section to read:

§ 8533.5. Irrevocable successor payee.

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

23     Section 23. Sections 8534 and 8535 of Title 24 are amended  
24 to read:

25     § 8534. Fraud and adjustment of errors.

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

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

§ 8535. Payments to school entities by Commonwealth.

For each school year beginning with the 1995-1996 school year and ending with the 2014-2015 school year, each school entity shall be paid by the Commonwealth for contributions based upon school service of active members of the system after June 30, 1995, as follows:

(1) The Commonwealth shall pay each school entity for contributions made to the Public School Employees' Retirement Fund based upon school service of all active members, including members on activated military service leave, whose effective dates of employment with their school entities are after June 30, 1994, and who also had not previously been employed by any school entity within this Commonwealth an amount equal to the amount certified by the Public School Employees' Retirement Board as necessary to provide, together with the members' contributions, reserves on account of

1 prospective annuities, supplemental annuities and the premium  
2 assistance program as provided in this part in accordance  
3 with section 8328 (relating to actuarial cost method),  
4 multiplied by the market value/income aid ratio of the school  
5 entity. For no school year shall any school entity receive  
6 less than the amount that would result if the market  
7 value/income aid ratio as defined in section 2501(14.1) of  
8 the Public School Code [of 1949] was 0.50.

9 (2) The Commonwealth shall pay each school entity for  
10 contributions made to the Public School Employees' Retirement  
11 Fund based upon school service of all active members,  
12 including members on activated military service leave, who  
13 are not described in paragraph (1), one-half of the amount  
14 certified by the Public School Employees' Retirement Board as  
15 necessary to provide, together with the members'  
16 contributions, reserves on account of prospective annuities,  
17 supplemental annuities and the premium assistance program as  
18 provided in this part in accordance with section 8328.

19 (3) School entities shall have up to five days after  
20 receipt of the Commonwealth's portion of the employer's  
21 liability to make payment to the Public School Employees'  
22 Retirement Fund. School entities are expected to make the  
23 full payment to the Public School Employees' Retirement Fund  
24 in accordance with section 8327 (relating to payments by  
25 employers) in the event the receipt of the Commonwealth's  
26 portion of the employer's liability is delayed because of  
27 delinquent salary reporting or other conduct by the school  
28 entities.

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

30 § 8535.1. Payments to school entities by Commonwealth

1 commencing with the 2015-2016 school year.

2 For each school year, beginning with the 2015-2016 school  
3 year, each school entity shall be paid by the Commonwealth for  
4 contributions based upon school service of active members of the  
5 system and active participants of the plan after June 30, 2015,  
6 as follows:

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

25 (2) The Commonwealth shall pay each school entity for  
26 contributions made to the fund based upon school service of  
27 all active members, including members on activated military  
28 service leave, and active participants of the plan who are  
29 not described in paragraph (1), one-half of the amount  
30 certified by the board as necessary to provide, together with

1 the members' and participants' contributions, reserves on  
2 account of prospective annuities, supplemental annuities and  
3 the premium assistance program as provided in this part in  
4 accordance with section 8328.

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

13 Section 25. The definition of "eligible person" in section  
14 8702(a) of Title 24 is amended to read:

15 § 8702. Definitions.

16 (a) General rule.--Subject to additional definitions  
17 contained in subsequent provisions of this part which are  
18 applicable to specific provisions of this part, the following  
19 words and phrases when used in this part shall have the meanings  
20 given to them in this section unless the context clearly  
21 indicates otherwise:

22 "Eligible person." An individual who is an annuitant or  
23 survivor annuitant or the spouse or dependent of an annuitant or  
24 survivor annuitant, or an individual who is a participant  
25 receiving distributions or a successor payee, or the spouse or  
26 dependent of a participant receiving distributions or successor  
27 payee.

28 \* \* \*

29 Section 26. Section 7306(a) of Title 51, amended October 24,  
30 2012 (P.L.1436, No.181), is amended and the section is amended



1 by adding a subsection to read:

2 § 7306. Retirement rights.

3 (a) Options available to employees.--Any employee who is a  
4 member of a retirement system other than an active member or  
5 inactive member on leave without pay of the State Employees'  
6 Retirement System or an active or inactive participant of the  
7 School Employees' Defined Contribution Plan at the time he is  
8 granted a military leave of absence shall be entitled to  
9 exercise any one of the following options in regard thereto:

10 (1) He may continue to make regular payments into the  
11 fund during the period of his military leave of absence. The  
12 amount of such payments shall be the same as they would have  
13 been, had he not been granted a military leave of absence,  
14 but had instead remained actively in his employment. The time  
15 of making such payments shall be mutually agreed upon by the  
16 employee and the retirement association of which he is a  
17 member, but in no event shall be less frequent than  
18 semiannually. The employer shall make its contributions on  
19 the same basis as is used to compute the employee's  
20 contributions. In this case, his retirement rights shall be  
21 determined on the basis that he was in the active, continuous  
22 and uninterrupted employ of his employer for the period  
23 during which he was on military leave of absence.

24 (2) He may discontinue making payments into the fund  
25 during the period of his military leave of absence. In such  
26 event, the employer shall also discontinue making its  
27 contributions during this period. In this case, his  
28 retirement rights shall be determined by completely  
29 disregarding the period of his military leave of absence for  
30 all purposes.

1       \* \* \*

2       (e) Participants of the School Employees' Defined  
3 Contribution Plan.--An employee who is an active or inactive  
4 participant of the School Employees' Defined Contribution Plan  
5 at the time he is granted a military leave of absence shall be  
6 entitled to make contributions to the Public School Employees'  
7 Defined Contribution Trust for such leave as provided in the  
8 Public School Employees' Retirement Code.

9       Section 27. (1) None of the following shall create in any  
10 member of the School Employees' Retirement System or participant  
11 in the School Employees' Defined Contribution Plan or in any  
12 other person claiming an interest in the account of any such  
13 member or participant a contractual right, either express or  
14 implied, in such provisions nor in any construction of 24  
15 Pa.C.S. Pt. IV or 51 Pa.C.S., as so amended or supplemented, or  
16 any rules or regulations adopted under 24 Pa.C.S. Pt. IV or 51  
17 Pa.C.S.:

18               (i) Anything in this act which amends or supplements  
19 provisions of 51 Pa.C.S. or 24 Pa.C.S. Pt. IV in relation  
20 to requirements for:

21                   (A) qualification of the School Employees'  
22 Defined Contribution Plan as a qualified pension plan  
23 under the Internal Revenue Code of 1986 (Public Law  
24 99-514, 26 U.S.C. §§ 401(a) and 415(b)) or compliance  
25 with the Uniformed Services Employment and  
26 Reemployment Rights Act of 1994 (Public Law 103-353,  
27 108 Stat. 3149);

28                   (B) contributions to, participation in or  
29 benefits from the School Employees' Defined  
30 Contribution Plan or School Employees' Defined

1 Contribution Trust; and

2 (C) domestic relations orders regarding  
3 alternate payees of participants in the Public School  
4 Employees' Defined Contribution Plan.

5 (ii) Any construction of 24 Pa.C.S. Pt. IV or 51  
6 Pa.C.S., as so amended or supplemented, or any rules or  
7 regulations adopted under 24 Pa.C.S. Pt. IV or 51  
8 Pa.C.S., or any term or provision of the School  
9 Employees' Defined Contribution Plan or School Employees'  
10 Defined Contribution Trust, whether established by  
11 statute or in the plan document or trust declaration.

12 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain  
13 subject to the Internal Revenue Code of 1986 and the  
14 Uniformed Services Employment and Reemployment Rights Act of  
15 1994 (Public Law 103-353, 108 Stat. 3149), and regulations  
16 under those statutes, and the General Assembly reserves to  
17 itself such further exercise of its legislative power to  
18 amend or supplement such provisions as may from time to time  
19 be required in order to maintain the qualification of such  
20 system as a qualified pension plan under section 401(a) and  
21 other applicable provisions of the Internal Revenue Code of  
22 1986 and the Uniformed Services Employment and Reemployment  
23 Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

24 Section 28. Nothing in this act shall be construed or deemed  
25 to imply that, but for the expressed applications of the  
26 limitations on benefits or other requirements under section  
27 401(a) or applicable provisions of the Internal Revenue Code of  
28 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.) to  
29 participants in the School Employees' Defined Contribution Plan,  
30 those limitations would not otherwise apply to such participants

1 or to members of the Public School Employees' Retirement System  
2 and the benefits payable pursuant to 24 Pa.C.S. Pt. IV.

3 Section 29. The amendment of 24 Pa.C.S. Pt. IV regarding the  
4 establishment of and participation in the School Employees'  
5 Defined Contribution Plan shall apply to all current and former  
6 members of the Public School Employees' Retirement System who  
7 have returned to school service on or after July 1, 2015, after  
8 a termination of school service, without regard to whether the  
9 termination occurred before or after July 1, 2015, and without  
10 regard to whether the school employee was an annuitant, inactive  
11 member, vestee or special vestee or withdrew accumulated  
12 deductions during the period of termination. A terminated school  
13 employee who returns to school service on or after July 1, 2015,  
14 does so with the expressed and specific understanding that he is  
15 subject to and accepts the terms and provisions of 24 Pa.C.S.  
16 Pt. IV as they exist regarding participation in the plan or  
17 membership in the system on the effective date of reemployment,  
18 including, but not limited to, benefit formulas and accrual  
19 rates, eligibility for annuities and distributions, contribution  
20 rates, definitions, purchase of creditable school, nonschool,  
21 school and nonschool service provisions and actuarial and  
22 funding assumptions.

23 Section 30. Nothing in this act shall be construed or deemed  
24 to imply that any calculation or actuarial method used by the  
25 Public School Employees' Retirement Board, its actuaries or the  
26 Public School Employees' Retirement System was not in accordance  
27 with the provisions of the 24 Pa.C.S. Pt. IV or other applicable  
28 law prior to the effective date of this section.

29 Section 31. Nothing in this act shall be construed or deemed  
30 to imply that any interpretation or application of the

1 provisions of 24 Pa.C.S. Pt. IV or benefits available to members  
2 of the Public School Employees' Retirement System was not in  
3 accordance with the provisions of 24 Pa.C.S. Pt. IV or other  
4 applicable law, including the Internal Revenue Code of 1986  
5 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and the Uniformed  
6 Services Employment and Reemployment Rights Act of 1994 (Public  
7 Law 103-353, 108 Stat. 3149) prior to the effective date of this  
8 section.

9       Section 32. This act shall be construed and administered in  
10 such a manner that the Public School Employees' Retirement  
11 System and the School Employees' Defined Contribution Plan will  
12 satisfy the requirements necessary to qualify as a qualified  
13 pension plan under section 401(a) and other applicable  
14 provisions of the Internal Revenue Code of 1986 (Public Law 99-  
15 514, 26 U.S.C. § 1 et seq.) and the Uniformed Services  
16 Employment and Reemployment Rights Act of 1994 (Public Law 103-  
17 353, 108 Stat. 3149). The rules, regulations and procedures  
18 adopted and promulgated by the Public School Employees'  
19 Retirement Board, and the terms and conditions of the plan  
20 document and trust declaration adopted by the Public School  
21 Employees' Retirement Board, may include those necessary to  
22 accomplish the purpose of this section.

23       Section 33. If the application of any provision of this act  
24 to any person is held invalid, the invalidity shall not affect  
25 the application of this act to any other person, but the entire  
26 act shall be invalid as to the person to whom part of it was  
27 invalid. In the event that a school employee's participation in  
28 the School Employees' Defined Contribution Plan is declared  
29 invalid, the affected school employee shall return to the School  
30 Employees' Defined Contribution Trust any distributions and

1 shall be granted status and service credit in the Public School  
2 Employees' Retirement System and shall be required to make all  
3 contributions to the Public School Employees' Retirement Fund as  
4 if this act had not been enacted. The affected school employee's  
5 accumulated mandatory participant contributions and accumulated  
6 voluntary contributions shall be transferred to the affected  
7 employee's member savings account to the extent necessary to  
8 fund that account with the member contributions and interest  
9 that would have been standing to the member's account had this  
10 act not been passed. Any remaining balance shall be refunded to  
11 the school employee who shall be responsible for paying to the  
12 fund in a manner and time determined by the Public School  
13 Employees' Retirement Board any additional funds required if the  
14 accumulated mandatory participant contributions and accumulated  
15 voluntary contributions were not sufficient. The accumulated  
16 employer defined contributions shall be transferred to the State  
17 accumulation account, and no further amount shall be due from  
18 the employer or refund paid on account of the service performed  
19 as a participant.

20 Section 34. This act shall take effect immediately.