

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2041 Session of 2015

INTRODUCED BY MILLARD, TURZAI, TOBASH, KAMPF, DAY, DIAMOND,
EVERETT, GROVE, PHILLIPS-HILL, KAUFFMAN, MCGINNIS, MENTZER,
MOUL, SAYLOR, STAATS AND WARD, MAY 9, 2016

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MAY 9, 2016

AN ACT

1 Amending Titles 24 (Education), 51 (Military Affairs) and 71
2 (State Government) of the Pennsylvania Consolidated Statutes,
3 in Title 24, in preliminary provisions, further providing for
4 definitions and construction and providing for references; in
5 retirement membership, contributions and benefits, further
6 providing for mandatory and optional membership, for credited
7 school service, for waiver of adjustments, for creditable
8 nonschool service, for classes of service, for elections, for
9 eligibility points, for eligibility for annuities, for
10 eligibility for refunds, for pickup contributions, for member
11 contributions, for contributions for purchase of credit, for
12 annual compensation limit, for contributions by Commonwealth,
13 for payments by employers, for actuarial cost method, for
14 appropriations by Commonwealth, for return of accumulated
15 deductions, for single life annuity, for disability
16 annuities, for termination of annuities and for payment of
17 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, 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
32 payments to school entities by Commonwealth, providing for
33 payments to school entities by Commonwealth commencing with

1 the 2017-2018 school year; and, in health insurance for
2 retired school employees, further providing for definitions;
3 in Title 51, in employment preferences and pensions, further
4 providing for military leaves of absence; in Title 71, in
5 retirement for State employees and officers, further
6 providing for definitions, for preliminary provisions and for
7 membership, credited service, classes of service; and
8 eligibility benefits; providing for State Employees' Defined
9 Contribution Plan; further providing for contributions, for
10 benefits and for administration, funds and accounts; and
11 making editorial changes.

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

14 ARTICLE I

15 AMENDMENTS TO TITLE 24

16 Section 101. The definitions of "alternate payee,"
17 "beneficiary," "compensation," "creditable nonschool service,"
18 "credited service," "date of termination of service,"
19 "distribution," "domestic relations order," "eligible
20 annuitants," "final average salary," "inactive member,"
21 "intervening military service," "irrevocable beneficiary,"
22 "leave for service with a collective bargaining organization,"
23 "previous school service," "reemployed from USERRA leave,"
24 "salary deductions," "USERRA leave" and "valuation interest" in
25 section 8102 of Title 24 of the Pennsylvania Consolidated
26 Statutes, amended December 28, 2015 (P.L.529, No.93), are
27 amended and the section is amended by adding definitions to
28 read:

29 § 8102. Definitions.

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

33 * * *

34 "Accumulated employer defined contributions." The total of
35 the employer defined contributions paid into the trust on

account of a participant's school service together with any investment earnings and losses and adjustment for fees, costs and expenses credited or charged thereon.

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

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

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

* * *

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

* * *

"Alternate payee." Any spouse, former spouse, child or dependent of a member or participant who is recognized by a

1 domestic relations order as having a right to receive all or a
2 portion of the moneys payable to that member or participant
3 under this part.

4 * * *

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

12 * * *

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

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

* * *

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

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

1 writing.

2 "Date of termination of service." The last date of service
3 for which:

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

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

11 (3) mandatory pickup participant contributions are made
12 for an active participant; or

13 (4) in the case of an inactive participant, the date of
14 his resignation or the date his employment is formally
15 discontinued by his employer.

16 * * *

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

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

1 to definitions) and orders for the enforcement of arrearages as
2 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
3 arrearages).

4 * * *

5 "Eligible annuitants." All current and prospective
6 annuitants with 24 1/2 or more eligibility points and all
7 current and prospective disability annuitants. Beginning January
8 1, 1995, "eligible annuitants" shall include members with 15 or
9 more eligibility points who terminated or who terminate school
10 service on or after attaining superannuation retirement age and
11 who are annuitants with an effective date of retirement after
12 superannuation age. The term eligible annuitants shall not
13 include participants.

14 * * *

15 "Employer defined contributions." Contributions equal to 4%
16 of an active participant's compensation that are made by an
17 employer for current service to the trust to be credited in the
18 participant's individual investment account.

19 "Final average salary." The highest average compensation
20 received as an active member during any three nonoverlapping
21 periods of 12 consecutive months with the compensation for part-
22 time service being annualized on the basis of the fractional
23 portion of the school year for which credit is received; except,
24 if the employee was not a member for three such periods, the
25 total compensation received as an active member annualized in
26 the case of part-time service divided by the number of such
27 periods of membership; in the case of a member with multiple
28 service credit, the final average salary shall be determined by
29 reference to compensation received by him as a [school employee]
30 member of the system or a State employee other than as an

1 employee in the State Employees' Defined Contribution Plan or
2 both; and, in the case of a noneligible member, subject to the
3 application of the provisions of section 8325.1 (relating to
4 annual compensation limit under IRC § 401(a)(17)). Final average
5 salary shall be determined by including in compensation,
6 payments deemed to have been made to a member reemployed from
7 USERRA leave to the extent member contributions have been made
8 as provided in section 8302(d)(2) (relating to credited school
9 service) and payments made to a member on leave of absence under
10 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
11 government employees) as provided in section 8302(d)(6).\

12 * * *

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

24 "Inactive participant." A participant for whom no mandatory
25 pickup participant contributions are being made to the trust,
26 except in the case of an active participant for whom such
27 contributions otherwise required for current school service are
28 not being made solely by reason of any provision of this part
29 relating to limitations under section 401(a)(17) or 415 of the
30 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §

1 401(a)(17) or 415), who has vested accumulated total defined
2 contributions standing to his credit in the trust and who has
3 not filed an application for a distribution.

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

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

18 * * *

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

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

30 * * *

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

18 "Mandatory pickup participant contributions." Contributions
19 equal to 7% of compensation that are made by the employer for
20 active participants for current service that are picked up by
21 the employer.

22 * * *

23 "Participant." An active participant, inactive participant
24 or participant receiving distributions.

25 "Participant receiving distributions." A participant in the
26 plan who has commenced receiving distributions from his
27 individual investment account but who has not received a total
28 distribution of his vested interest in the individual investment
29 account.

30 * * *

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

3 "Plan document." The documents created by the board under
4 section 8402 (relating to plan document) that contain the terms
5 and provisions of the plan and trust as established by the board
6 regarding the establishment, administration and investment of
7 the plan and trust.

8 "Previous school service." Service [rendered] as a school
9 employee including service in any summer school conducted by a
10 school district of the Commonwealth, but excluding service
11 rendered during which the school employee was or could have been
12 a participant in the plan, prior to the member's most recent
13 entrance in the system.

14 * * *

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

23 * * *

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

29 * * *

30 "State Employees' Defined Contribution Plan." The defined

1 contribution plan for State employees established by 71 Pa.C.S.
2 Pt. XXV (relating to retirement for State employees and
3 officers).

4 * * *

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

9 * * *

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

13 * * *

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

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

26 * * *

27 "Voluntary contributions." Contributions made by a
28 participant to the trust and credited to his individual
29 investment account in excess of his mandatory pickup participant
30 contributions either by salary deduction paid through the

employer or by an eligible rollover or direct trustee-to-trustee transfers.

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

§ 8103. Construction of part.

* * *

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

(g) References to certain Federal statutes.--References in this part to the IRC or the Uniformed Services Employment and Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C. § 4301), including administrative regulations promulgated under the IRC or the Uniformed Services Employment and Reemployment Rights Act of 1994, are intended to include laws and regulations in effect on the effective date of this section and amended, supplemented or supplanted on and after the effective date of this section.

(h) Construction.--

(1) This part may not be construed to mean that the limitations on benefits or other requirements under IRC § 401(a) or other applicable provisions of the IRC that are applicable to participants in the plan do not apply to the participants or to the members of the system and the benefits payable under this part.

(2) This part may not be construed to mean that an interpretation or application of the provisions of this part

1 or benefits available to members of the Public School
2 Employees' Retirement System was not in accordance with the
3 provisions of this part or other applicable law, including
4 the IRC and the Uniformed Services Employment and
5 Reemployment Rights Act of 1994 before the effective date of
6 this subsection.

7 (3) This part may not be construed to mean that the
8 release or publicizing of a record, material or data that
9 would not constitute a public record under section 8502(e)(2)
10 (relating to administrative duties of board) is a violation
11 of the fiduciary duties of the board.

12 (i) Applicability.--This part shall apply to a record,
13 material or data under section 8502(e)(2) notwithstanding
14 whether:

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

17 (2) The record, material or data was previously released
18 or made public.

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

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

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

28 (a) Reference.--As of the effective date of this section,
29 unless the context clearly indicates otherwise, any reference to
30 the Public School Employees' Retirement System in a statutory

1 provision, other than this part, and 71 Pa.C.S. Pt. XXV
2 (relating to retirement for State employees and officers), shall
3 include a reference to the plan, and any reference to the Public
4 School Employees' Retirement Fund shall include a reference to
5 the trust.

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

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

12 § 8301. Mandatory and optional membership in the system and
13 participation in the plan.

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

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

24 (2) [Any] Subject to the provisions in subsection (a.2),
25 any school employee who is not a member of the system and who
26 is employed on a per diem or hourly basis for less than 80
27 full-day sessions or 500 hours in any fiscal year or
28 annuitant who returns to school service under the provisions
29 of section 8346(b) (relating to termination of annuities).

30 (3) Any officer or employee of a governmental entity who

1 subsequent to December 22, 1965, and prior to July 1, 1975,
2 administers, supervises[,] or teaches classes financed wholly
3 or in part by the Federal Government so long as he continues
4 in such service.

5 (4) [Any] Subject to the provisions in subsection (a.2),
6 any part-time school employee who has an individual
7 retirement account pursuant to the Federal act of September
8 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
9 Employee Retirement Income Security Act of 1974.

10 (5) Any school employee who first begins school service
11 on or after July 1, 2017.

12 (a.1) Exceptions to mandating participation in plan.--

13 (1) Any officer or employee of the Department of
14 Education, a State-owned educational institution, a community
15 college or The Pennsylvania State University who is an active
16 member on December 31, 2016, and January 1, 2017, shall
17 remain an active member in the officer's or employee's class
18 of service until termination of school service. Any officer
19 or employee of the Department of Education, a State-owned
20 educational institution, a community college or The
21 Pennsylvania State University who becomes a school employee
22 on or after July 1, 2017, shall be a mandatory participant in
23 the plan and shall not be eligible to elect membership or
24 participation in the system.

25 (2) Any officer or employee of an area vocational-
26 technical school or technical institute who is an active
27 member on June 30, 2017, and July 1, 2017, shall remain an
28 active member in the officer's or employee's class of service
29 until termination of school service. Any officer or employee
30 of an area vocational-technical school or technical institute

1 who becomes a school employee on or after July 1, 2017, shall
2 be a mandatory participant in the plan and shall not be
3 eligible to elect membership or participation in the system.

4 (3) Any school employee other than those listed in
5 subsection (a)(1) who is an active member on June 30, 2017,
6 and July 1, 2017, shall remain an active member in the
7 employee's class of service until termination of school
8 service.

9 (a.2) Per diem and hourly employees.--On or after July 1,
10 2017, any school employee who is not a member of the system and
11 who is employed on a per diem or hourly basis shall be a
12 mandatory participant in the plan, unless the employee is a
13 part-time school employee who has an individual retirement
14 account pursuant to the Employee Retirement Income Security Act
15 of 1974.

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

19 (c) Optional membership in system.--The school employees
20 categorized in subsection (a)(3) and, if otherwise eligible,
21 subsection (a)(4) shall have the right to elect membership in
22 the system before July 1, 2017. Once such election is exercised,
23 membership shall commence from the original date of eligibility
24 and shall continue until the termination of such service.

25 (d) Mandatory participation in plan.--Subject to the
26 exceptions in subsection (a.1), a school employee who first
27 begins school service on or after July 1, 2017, shall be a
28 mandatory participant in the plan as a result of such school
29 service.

30 Section 105. Section 8302(a), (b), (c) and (d) of Title 24,

1 amended December 28, 2015 (P.L.529, No.93), are amended to read:

2 § 8302. Credited school service.

3 (a) Computation of credited service.--In computing credited
4 school service of a member for the determination of benefits, a
5 full-time salaried school employee shall receive one year of
6 credit for each school year or the corresponding fraction
7 thereof, in accordance with the proportion of the full school
8 year for which the required regular member contributions have
9 been made to the fund, or for which such contributions otherwise
10 required for such service were not made to the fund solely by
11 reason of any provision of this part relating to the limitations
12 under IRC § 401(a)(17) or 415. A per diem or hourly school
13 employee shall receive one year of credited service for each
14 nonoverlapping period of 12 consecutive months in which he is
15 employed and for which contributions are made to the fund, or
16 would have been made but for such limitations under the IRC, for
17 at least 180 full-day sessions or 1,100 hours of employment. If
18 such member was employed and contributions were made to the fund
19 for less than 180 full-day sessions or 1,100 hours, he shall be
20 credited with a fractional portion of a year determined by the
21 ratio of the number of full-day sessions or hours of service
22 actually rendered and for which contributions are made to the
23 fund to 180 full-day sessions or 1,100 hours, as the case may
24 be. A part-time salaried employee shall be credited with the
25 fractional portion of the year which corresponds to the service
26 actually rendered and for which contributions are made to the
27 fund in relation to the service required as a comparable full-
28 time salaried employee. In no case shall a member receive more
29 than one year of credited service for any 12 consecutive months
30 or a member who has elected multiple service receive an

1 aggregate in the two systems of more than one year of credited
2 service for any 12 consecutive months.

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

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

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

14 * * *

15 (c) Cancellation of credited service.--All credited service
16 in the system shall be cancelled if a member withdraws his
17 accumulated deductions.

18 (d) Credit for military service.--A school employee who has
19 performed USERRA leave may receive credit in the system or
20 participate in the plan as follows:

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

1 (relating to definitions). School employees may not receive
2 service credit or exercise the options under 51 Pa.C.S. §
3 7306(a), (b) and (c) (relating to retirement rights) for
4 military leaves that begin on or after the effective date of
5 this subsection, except otherwise provided under this
6 subsection.

7 (2) A school employee who has performed USERRA leave may
8 receive credit in the system as provided by this paragraph.

9 (i) A school employee who is reemployed from USERRA
10 leave as an active member of the system shall be treated
11 as not having incurred a break in school service by
12 reason of the USERRA leave and shall be granted
13 eligibility points as if the school employee had not been
14 on the USERRA leave. If a school employee who is
15 reemployed from USERRA leave as an active member of the
16 system subsequently makes regular member contributions,
17 shared-risk member contributions and any other member
18 contributions in the amounts and in the time periods
19 required by 38 U.S.C. Ch. 43 (relating to employment and
20 reemployment rights of members of the uniformed services)
21 and IRC § 414(u) as if the school employee had continued
22 in his school office or employment and performed school
23 service and been compensated during the period of USERRA
24 leave, the school employee shall be granted school
25 service credit for the period of USERRA leave. The
26 employee shall have his benefits, rights and obligations
27 determined under this part as if he was an active member
28 who performed creditable school service during the USERRA
29 leave in the job position that he would have held had he
30 not been on USERRA leave and received the compensation on

1 which the member contributions to receive school service
2 credit for the USERRA leave were determined.

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

24 (iii) A school employee who is reemployed from
25 USERRA leave as an active member of the system and who
26 does not make the required member contributions or makes
27 only part of the required member contributions within the
28 allowed payment period shall not be:

29 (A) Granted credited service for the period of
30 USERRA leave for which the required member

1 contributions were not timely made.

2 (B) Eligible to subsequently make contributions.

3 (C) Granted either school service credit or
4 nonschool service credit for the period of USERRA
5 leave for which the required member contributions
6 were not timely made.

7 (2.1) The following shall apply:

8 (i) A participant who is reemployed from USERRA
9 leave shall be treated as not having incurred a break in
10 school service by reason of the USERRA leave and shall be
11 granted vesting credit as if the participant had not been
12 on USERRA leave. If a participant who is reemployed from
13 USERRA leave subsequently makes mandatory pickup
14 participant contributions in the amounts and in the time
15 periods required by 38 U.S.C. Ch. 43 (relating to
16 employment and reemployment rights of members of the
17 uniformed services) and IRC § 414(u) as if the
18 participant had continued in school employment and
19 performed school service and been compensated during the
20 period of USERRA leave, then the participant's employer
21 shall make the corresponding employer defined
22 contributions. Such an employee shall have the employees
23 contributions, benefits, rights and obligations
24 determined under this part as if he were an active
25 participant who performed school service during the
26 USERRA leave in the job position that the employee would
27 have held had he not been on USERRA leave and received
28 the compensation on which the mandatory pickup
29 participant contributions to receive school service
30 credit for the USERRA leave were determined, including

1 the right to make voluntary contributions on such
2 compensation as permitted by law.

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

12 (3) A school employee who is a member of the system and
13 performs USERRA leave from which the employee could have been
14 reemployed from USERRA leave had the school employee returned
15 to school service in the time frames required by 38 U.S.C.
16 Ch. 43 for reemployment rights, but did not do so, shall be
17 able to receive creditable nonschool service as
18 nonintervening military service for the period of USERRA
19 leave if the employee later returns to school service as an
20 active member of the system and is otherwise eligible to
21 purchase the service as nonintervening military service.

22 (3.1) A participant employee who performs USERRA leave
23 from which the employee could have been reemployed from
24 USERRA leave had the school employee returned to school
25 service in the time frames required by 38 U.S.C. Ch. 43 for
26 reemployment rights, but did not do so, shall not be eligible
27 to make mandatory pickup participant contributions or
28 voluntary contributions for the period of USERRA leave should
29 the employee later return to school service and be a
30 participant in the plan.

1 (4) [A school employee] An active member or inactive
2 member on leave without pay who, on or after the effective
3 date of this subsection, is granted a leave of absence under
4 section 1178 of the Public School Code, a leave of absence
5 under 51 Pa.C.S. § 4102 (relating to leaves of absence for
6 certain government employees) or a military leave under 51
7 Pa.C.S. Ch. 73, that is not USERRA leave shall be able to
8 receive creditable nonschool service as nonintervening
9 military service should the employee return to school service
10 as an active member of the system and is otherwise eligible
11 to purchase the service as nonintervening military service.

12 (4.1) An active participant or inactive participant who,
13 on or after the effective date of this subsection, is granted
14 a leave of absence under 51 Pa.C.S. § 4102 (relating to
15 leaves of absence for certain government employees) or a
16 military leave under 51 Pa.C.S. Ch. 73 (relating to military
17 leave of absence), that is not USERRA leave shall not be able
18 to make mandatory pickup participant contributions or
19 voluntary contributions during or for the leave of absence or
20 military leave, and shall not have employer defined
21 contributions made during such leave, without regard to
22 whether or not the school employee received salary, wages,
23 stipends, differential wage payments or other payments from
24 his employer during the leave, notwithstanding any provision
25 to the contrary in 51 Pa.C.S. Ch. 73 or § 4102.

26 (5) If a member dies while performing USERRA leave, the
27 beneficiaries or survivor annuitants of the deceased member
28 shall be entitled to any additional benefits, including
29 eligibility points, other than benefit accruals relating to
30 the period of qualified military service, provided under this

1 part as if the member resumed and then terminated employment
2 on account of death.

3 (5.1) If a participant dies while performing USERRA
4 leave, then the beneficiaries or successor payees, as the
5 case may be, of the deceased participant are entitled to any
6 additional benefits, other than benefit accruals relating to
7 the period of qualified military service, provided under this
8 part as if the participant had resumed and then terminated
9 employment on account of death.

10 (6) A school employee who is on a leave of absence from
11 his duties as a school employee and for which 51 Pa.C.S. §
12 4102 provides that he is not to suffer a loss of pay, time or
13 efficiency shall not be an active member, receive service
14 credit or make member contributions for the leave of absence
15 except as provided for in this part. Notwithstanding this
16 paragraph, any pay the member receives under section 1178 of
17 the Public School Code or 51 Pa.C.S. § 4102 shall be included
18 in the determination of final average salary and other
19 calculations in the system utilizing compensation as if the
20 payments were compensation under this part.

21 Section 106. Sections 8303.1 and 8304(a) of Title 24 are
22 amended to read:

23 § 8303.1. Waiver of adjustments.

24 (a) Allowance.--Upon appeal by an affected member,
25 participant, beneficiary or survivor annuitant, the board may
26 waive an adjustment or any portion of an adjustment made under
27 section 8534(b) (relating to fraud and adjustment of errors) if
28 in the opinion of the board or the board's designated
29 representative:

30 (1) the adjustment or portion of the adjustment will

1 cause undue hardship to the member, participant, beneficiary
2 or survivor annuitant;

3 (2) the adjustment was not the result of erroneous
4 information supplied by the member, participant, beneficiary
5 or survivor annuitant;

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

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

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

25 § 8304. Creditable nonschool service.

26 (a) Eligibility.--An active member or a multiple service
27 member who is an active member of the State Employees'
28 Retirement System shall be eligible to receive Class T-C, Class
29 T-E or Class T-F service credit for creditable nonschool service
30

1 and Class T-D, Class T-E or Class T-F service for intervening
2 military service, provided the member becomes a Class T-D member
3 pursuant to section 8305.1 (relating to election to become a
4 Class T-D member) or Class T-F member pursuant to section 8305.2
5 (relating to election to become a Class T-F member) or 8305
6 (relating to classes of service), as set forth in subsection (b)
7 provided that he is not entitled to receive, eligible to receive
8 now or in the future, or is receiving retirement benefits for
9 such service under a retirement system administered and wholly
10 or partially paid for by any other governmental agency or by any
11 private employer, or a retirement program approved by the
12 employer in accordance with section 8301(a)(1) (relating to
13 mandatory and optional membership in the system and
14 participation in the plan), and further provided that such
15 service is certified by the previous employer and the manner of
16 payment of the amount due is agreed upon by the member, the
17 employer, and the board.

18 * * *

19 Section 107. Section 8305(b) of Title 24 is amended and the
20 section is amended by adding a subsection to read:

21 § 8305. Classes of service.

22 * * *

23 (b) Other class membership.--A school employee who is a
24 member of a class of service other than Class T-C on the
25 effective date of this part may elect to become a member of
26 Class T-C or Class T-D or may retain his membership in such
27 other class until the service is discontinued or he elects to
28 become a full coverage member or elects to purchase credit for
29 previous school or creditable nonschool service. Any service
30 thereafter as a member of the system shall be credited as Class

1 T-C or T-D service as applicable.

2 * * *

3 (f) Ineligibility for active membership and classes of
4 service.--An individual who first becomes a school employee on
5 or after July 1, 2017, shall be ineligible for active membership
6 in the system. Instead, any such school employee shall be a
7 participant in the plan as a result of such school service,
8 subject to the provisions in section 8301 (relating to mandatory
9 and optional membership in the system and participation in the
10 plan).

11 Section 108. Sections 8305.2(c) and (d) and 8306(b) of Title
12 24 are amended to read:

13 § 8305.2. Election to become a Class T-F member.

14 * * *

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

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

29 § 8306. Eligibility points.

30 * * *

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

2 (1) In determining whether a member, other than a
3 disability annuitant who returns to school service after June
4 30, 2001, upon termination of the disability annuity, who is
5 not a school employee or a State employee on June 30, 2001,
6 and July 1, 2001, and who has previous school service, has
7 the five eligibility points required by the definition of
8 "vestee" in sections 8102 (relating to definitions), 8307
9 (relating to eligibility for annuities), 8308 (relating to
10 eligibility for vesting) and 8345 (relating to member's
11 options), only eligibility points earned by performing
12 credited school service as an active member of the system,
13 USERRA leave or credited State service as an active member of
14 the State Employees' Retirement System after June 30, 2001,
15 shall be counted until such member earns one eligibility
16 point by performing credited school service, USERRA leave or
17 credited State service after June 30, 2001, at which time all
18 eligibility points as determined under subsection (a) shall
19 be counted.

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

25 Section 109. Section 8307(c) of Title 24 is amended to read:

26 § 8307. Eligibility for annuities.

27 * * *

28 (c) Disability annuity.--An active or inactive member who
29 has credit for at least five years of service shall, upon filing
30 of a proper application, be entitled to a disability annuity if

1 he becomes mentally or physically incapable of continuing to
2 perform the duties for which he is employed and qualifies for an
3 annuity in accordance with the provisions of section 8505(c)(1)
4 (relating to duties of board regarding applications and
5 elections of members and participants).

6 Section 110. Section 8310 of Title 24, amended December 28,
7 2015 (P.L.529, No.93), is amended to read:

8 § 8310. Eligibility for refunds.

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

13 Section 111. Section 8321(b) of Title 24 is amended to read:

14 § 8321. Regular member contributions for current service.

15 * * *

16 (b) Class T-E and Class T-F shared-risk contributions.--
17 Commencing with the annual actuarial valuation performed under
18 section 8502(j) (relating to administrative duties of board),
19 for the period ending June 30, 2014, and every three years
20 thereafter, the board shall compare the actual investment rate
21 of return, net of fees, to the annual interest rate adopted by
22 the board for the calculation of the normal contribution rate,
23 based on the market value of assets, for the prior ten-year
24 period. If the actual investment rate of return, net of fees, is
25 less than the annual interest rate adopted by the board by an
26 amount of 1% or more, the shared-risk contribution rate of Class
27 T-E and T-F members will increase by .5%. If the actual
28 investment rate of return, net of fees, is equal to or exceeds
29 the annual interest rate adopted by the board, the shared-risk
30 contributions rate of Class T-E and T-F members will decrease by

1 .5%. Class T-E and T-F members will contribute at the total
2 member contribution rate in effect when they are hired. The
3 total member contribution rate for Class T-E members shall not
4 be less than 7.5%, nor more than 9.5%. The total member
5 contribution rate for Class T-F members shall not be less than
6 10.3%, nor more than 12.3%. Notwithstanding this subsection, if
7 the system's actuarial funded status is 100% or more as of the
8 date used for the comparison required under this subsection, as
9 determined in the current annual actuarial valuation, the
10 shared-risk contribution rate shall be zero. In the event that
11 the annual interest rate adopted by the board for the
12 calculation of the normal contribution rate is changed during
13 the period used to determine the shared-risk contribution rate,
14 the board, with the advice of the actuary, shall determine the
15 applicable rate during the entire period, expressed as an annual
16 rate. For periods commencing on or after July 1, 2017, the
17 determination of the shared-risk member contribution rate shall
18 be based on the annual interest rate adopted by the board for
19 the calculation of the accrued liability contribution rate under
20 section 8328(c) (relating to actuarial cost method).

21 (1) Until the system has a ten-year period of investment
22 rate of return experience following the effective date of
23 this subsection, the look-back period shall begin not earlier
24 than the effective date of this subsection.

25 (2) For any fiscal year in which the employer
26 contribution rate is lower than the final contribution rate
27 under section 8328(h) (relating to actuarial cost method),
28 the total member contribution rate for Class T-E and T-F
29 members shall be prospectively reset to the basic
30 contribution rate.

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

Section 112. Section 8322.1(a) of Title 24, amended December 28, 2015 (P.L.529, No.93), is amended to read:

§ 8322.1. Pickup contributions.

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

(b) Treatment for other purposes.--For all other purposes, under this part and otherwise, such pickup contributions shall be treated as contributions made by a member in the same manner and to the same extent as contributions made by a member prior to January 1, 1983.

Section 113. Sections 8323(a) and (d), 8324(b), (c) and (d), 8325.1(a), 8326(a), (c) and (d), 8325.1(a), 8326(a), (c) and (d), 8327, 8328(b), (c), (g) and (h) and 8330 of Title 24 are amended to read:

§ 8323. Member contributions for creditable school service.

(a) Previous school service, sabbatical leave and full coverage.--The contributions to be paid by an active member or an eligible State employee for credit in the system for reinstatement of all previously credited school service, school

1 service not previously credited, sabbatical leave as if he had
2 been in full-time daily attendance, or full-coverage membership
3 shall be sufficient to provide an amount equal to the
4 accumulated deductions which would have been standing to the
5 credit of the member for such service had regular member
6 contributions been made with full coverage at the rate of
7 contribution necessary to be credited as Class T-C service,
8 Class T-D service if the member is a Class T-D member, Class T-E
9 service if the member is a Class T-E member or Class T-F service
10 if the member is a Class T-F member and had such contributions
11 been credited with statutory interest during the period the
12 contributions would have been made and during all periods of
13 subsequent school service as an active member or inactive member
14 and State service as an active member or inactive member on
15 leave without pay up to the date of purchase.

16 * * *

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

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

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

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

15 § 8324. Contributions for purchase of credit for creditable
16 nonschool service and noncreditable school service.

17 * * *

18 (b) Nonintervening military service.--The amount due for the
19 purchase of credit for military service other than intervening
20 military service shall be determined by applying the member's
21 basic contribution rate plus the normal contribution rate as
22 provided in section 8328 (relating to actuarial cost method) at
23 the time of entry of the member into school service subsequent
24 to such military service to one-third of his total compensation
25 received during the first three years of such subsequent
26 credited school service and multiplying the product by the
27 number of years and fractional part of a year of creditable
28 nonintervening military service being purchased together with
29 statutory interest during all periods of subsequent school
30 service as an active or inactive member and State service as an

1 active member or inactive member on leave without pay to date of
2 purchase. Upon certification of the amount due, payment may be
3 made in a lump sum within 90 days or in the case of an active
4 member or an eligible State employee who is an active member of
5 the State Employees' Retirement System it may be amortized with
6 statutory interest through salary deductions to the system in
7 amounts agreed upon by the member and the board. The salary
8 deduction amortization plans agreed to by members and the board
9 may include a deferral of payment amounts and statutory interest
10 until the termination of school service or State service as the
11 board in its sole discretion decides to allow. The board may
12 limit salary deduction amortization plans to such terms as the
13 board in its sole discretion determines. In the case of an
14 eligible State employee who is an active member of the State
15 Employees' Retirement System, the agreed upon salary deductions
16 shall be remitted to the State Employees' Retirement Board,
17 which shall certify and transfer to the board the amounts paid.
18 Application may be filed for all such military service credit
19 upon completion of three years of subsequent credited school
20 service and shall be credited as Class T-C service. In the event
21 that a Class T-E member makes a purchase of credit for such
22 military service, then such service shall be credited as Class
23 T-E service. In the event that a Class T-F member makes a
24 purchase of credit for such military service, then such service
25 shall be credited as Class T-F service.

26 (c) Intervening military service.--Contributions on account
27 of credit for intervening military service shall be determined
28 by the member's basic contribution rate and compensation at the
29 time of entry of the member into active military service,
30 together with statutory interest during all periods of

1 subsequent school service as an active or inactive member and
2 State service as an active member or inactive member on leave
3 without pay to date of purchase. Upon application for such
4 credit the amount due shall be certified in the case of each
5 member by the board, in accordance with methods approved by the
6 actuary, and contributions may be made by one of the following
7 methods:

8 (1) Regular monthly payments during active military
9 service.

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

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

25 (d) Other creditable nonschool service and noncreditable
26 school service.--

27 (1) Contributions on account of Class T-C credit for
28 creditable nonschool service other than military service
29 shall be determined by applying the member's basic
30 contribution rate plus the normal contribution rate as

provided in section 8328 at the time of the member's entry into school service subsequent to such creditable nonschool service to his total compensation received during the first year of subsequent credited school service and multiplying the product by the number of years and fractional part of a year of creditable nonschool service being purchased together with statutory interest during all periods of subsequent school service as an active or inactive member or State service as an active member or inactive member on leave without pay to the date of purchase, except that in the case of purchase of credit for creditable nonschool service as set forth in section 8304(b)(5) (relating to creditable nonschool service) the member shall pay only the employee's share unless otherwise provided by law. Upon certification of the amount due, payment may be made in a lump sum within 90 days or in the case of an active member or an eligible State employee who is an active member of the State Employees' Retirement System it may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by the members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible State employee who is an active member of the State Employees' Retirement System, the agreed upon salary deductions shall be remitted to the State Employees' Retirement Board, which shall certify and transfer to the

1 board the amounts paid.

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

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

1 active member or an eligible State employee who is an active
2 member of the State Employees' Retirement System, it may be
3 amortized with statutory interest through salary deductions
4 to the system in amounts agreed upon by the member and the
5 board. The salary deduction amortization plans agreed to by
6 the members and the board may include a deferral of payment
7 amounts and statutory interest until the termination of
8 school service or State service as the board in its sole
9 discretion decides to allow. The board may limit salary
10 deduction amortization plans to the terms as the board in its
11 sole 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 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

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

1 effect for a calendar year applies to any determination period
2 which is a period, not exceeding 12 months, over which
3 compensation is determined, beginning in such calendar year. If
4 a determination period consists of fewer than 12 months, the
5 OBRA '93 compensation limit will be multiplied by a fraction,
6 the numerator of which is the number of months in the
7 determination period and the denominator of which is 12.

8 * * *

9 § 8326. Contributions by the Commonwealth.

10 (a) Contributions on behalf of active members and
11 participants.--The Commonwealth shall make contributions into
12 the fund on behalf of all active members and participants,
13 including members and participants on activated military service
14 leave, in an amount equal to one-half the amount certified by
15 the board as necessary to provide, together with the members'
16 contributions, annuity reserves on account of prospective
17 annuities as provided in this part in accordance with section
18 8328 (relating to actuarial cost method). In case a school
19 employee has elected membership in a retirement program approved
20 by the employer, the Commonwealth shall contribute to such
21 program on account of his membership an amount no greater than
22 the amount it would have contributed had the employee been a
23 member of the Public School Employees' Retirement System.

24 * * *

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

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

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

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

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

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

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

18 (d) Contributions resulting from members reemployed from
19 USERRA leave.--When a school employee reemployed from USERRA
20 leave makes the member contributions required to be granted
21 school service credit for the USERRA leave before July 1, 2017,
22 either by actual payment or by actuarial debt under section 8325
23 (relating to incomplete payments), the Commonwealth employer or
24 other employer by whom the school employee is employed at the
25 time the member contributions are made, or the last employer
26 before termination in the case of payment under sections 8327
27 (relating to payments by employers) and 8535 (relating to
28 payments to school entities by Commonwealth), shall make any
29 employer contributions that would have been made under this
30 section as if the employee making the member contributions after

1 being reemployed from USERRA leave continued to be employed in
2 his school office or position instead of performing USERRA
3 leave.

4 § 8327. Payments by employers.

5 (a) General rule.--[Each]

6 (1) For payments on or prior to June 30, 2017, each
7 employer, including the Commonwealth as employer of employees
8 of the Department of Education, State-owned colleges and
9 universities, Thaddeus Stevens College of Technology, Western
10 Pennsylvania School for the Deaf, Scotland School for
11 Veterans' Children[,] and [the] The Pennsylvania State
12 University, shall make payments to the fund each quarter in
13 an amount equal to one-half the sum of the percentages, as
14 determined under section 8328 (relating to actuarial cost
15 method), applied to the total compensation during the pay
16 periods in the preceding quarter of all its employees who
17 were members of the system during such period, including
18 members on activated military service leave. In the event a
19 member on activated military service leave does not return to
20 service for the necessary time or receives an undesirable,
21 bad conduct or dishonorable discharge or does not elect to
22 receive credit for activated military service under section
23 8302(b.1)(3) (relating to credited school service), the
24 contributions made by the employer on behalf of such member
25 shall be returned with valuation interest upon application by
26 the employer.

27 (2) For payments after June 30, 2017, each employer,
28 including the Commonwealth as employer of employees of the
29 Department of Education, State-owned colleges and
30 universities, Thaddeus Stevens College of Technology, Western

Pennsylvania School for the Deaf, Scotland School for Veterans' Children and 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, 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, plus the accrued liability contribution rate applied to the total compensation of all active participants in the plan. In the event a member on activated military service leave does not return to service for the necessary time or receives an undesirable, bad conduct or dishonorable discharge or does not elect to receive credit for activated military service under section 8302(b.1)(3), the contributions made by the employer on behalf of such member shall be returned with valuation interest upon application by the employer.

(b) Deduction from appropriations.--

(1) To facilitate the payment of amounts due from any employer to the fund and the trust through the State Treasurer and to permit the exchange of credits between the State Treasurer and any employer, the Secretary of Education and the State Treasurer shall cause to be deducted and paid into the fund and the trust from the amount of any moneys due to any employer on account of any appropriation for schools or other purposes amounts equal to the employer and pickup contributions which an employer is required to pay to the fund, as certified by the board, and as remains unpaid on the date such appropriations would otherwise be paid to the employer. Such amount shall be credited to the appropriate

1 accounts in the fund and the trust.

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

23 (c) Payments by employers after June 30, 1995.--After June
24 30, 1995, and before July 1, 2017, each employer, including the
25 Commonwealth as employer of employees of the Department of
26 Education, State-owned colleges and universities, Thaddeus
27 Stevens College of Technology, Western Pennsylvania School for
28 the Deaf, Scotland School for Veterans' Children and The
29 Pennsylvania State University, shall make payments to the fund
30 and the trust each quarter in an amount computed in the

1 following manner:

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

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

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

1 valuation interest.

2 (d) Payments by employers after June 30, 2017.--After June
3 30, 2017, each employer, including the Commonwealth as employer
4 of employees of the Department of Education, State-owned
5 colleges and universities, Thaddeus Stevens College of
6 Technology, Western Pennsylvania School for the Deaf, Scotland
7 School for Veterans' Children and The Pennsylvania State
8 University, shall make payments to the fund and trust each
9 quarter in an amount computed in the following manner:

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

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

27 (3) For any employer, whether or not a school entity, in
28 computing the amount of payment due each quarter, there shall
29 be excluded from the total compensation referred to in this
30 subsection and subsection (a) any amount of compensation of a

noneligible member on the basis of which member or
participant contributions have not been made by reason of the
limitation under IRC § 401(a)(17). Any amount of contribution
to the fund paid by the employer on behalf of a noneligible
member or participant on the basis of compensation which was
subject to exclusion from total compensation in accordance
with the provisions of this paragraph shall, upon the board's
determination or upon application by the employer, be
returned to the employer with valuation interest.

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

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

(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, 2017,
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

1 instead of performing USERRA leave.

2 § 8328. Actuarial cost method.

3 * * *

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

5 (1) For fiscal years ending on or before June 30, 2016,
6 the normal contribution rate shall be determined after each
7 actuarial valuation. Until all accrued liability
8 contributions have been completed, the normal contribution
9 rate shall be determined, on the basis of an annual interest
10 rate and such mortality and other tables as shall be adopted
11 by the board in accordance with generally accepted actuarial
12 principles, as a level percentage of the compensation of the
13 average new active member, which percentage, if contributed
14 on the basis of his prospective compensation through the
15 entire period of active school service, would be sufficient
16 to fund the liability for any prospective benefit payable to
17 him, in excess of that portion funded by his prospective
18 member contributions, excluding the shared-risk
19 contributions.

20 (2) For fiscal years beginning on or after July 1, 2016,
21 the normal contribution rate shall be determined after each
22 actuarial valuation. Until all accrued liability
23 contributions have been completed, the normal contribution
24 rate shall be determined, on the basis of an annual interest
25 rate and such mortality and other tables as shall be adopted
26 by the board in accordance with generally accepted actuarial
27 principles, as a level percentage of the compensation of all
28 active members, which percentage, if contributed on the basis
29 of the member's prospective compensation through the entire
30 period of active school service, would be sufficient to fund

1 the liability for any prospective benefit payable to the
2 member, in excess of that portion funded by his prospective
3 member contributions, excluding the shared-risk
4 contributions.

5 (c) Accrued liability contribution rate.--

6 (1) For the fiscal years beginning July 1, 2002, and
7 ending June 30, 2011, the accrued liability contribution rate
8 shall be computed as the rate of total compensation of all
9 active members which shall be certified by the actuary as
10 sufficient to fund over a period of ten years from July 1,
11 2002, the present value of the liabilities for all
12 prospective benefits of active members, except for the
13 supplemental benefits provided in sections 8348 (relating to
14 supplemental annuities), 8348.1 (relating to additional
15 supplemental annuities), 8348.2 (relating to further
16 additional supplemental annuities), 8348.3 (relating to
17 supplemental annuities commencing 1994), 8348.4 (relating to
18 special supplemental postretirement adjustment), 8348.5
19 (relating to supplemental annuities commencing 1998), 8348.6
20 (relating to supplemental annuities commencing 2002) and
21 8348.7 (relating to supplemental annuities commencing 2003),
22 in excess of the total assets in the fund (calculated by
23 recognizing the actuarially expected investment return
24 immediately and recognizing the difference between the actual
25 investment return and the actuarially expected investment
26 return over a five-year period), excluding the balance in the
27 annuity reserve account, and of the present value of normal
28 contributions and of member contributions payable with
29 respect to all active members on July 1, 2002, during the
30 remainder of their active service.

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

13 (3) Notwithstanding any other provision of law,
14 beginning July 1, 2004, and ending June 30, 2011, the
15 outstanding balance of the increase in accrued liability due
16 to the change in benefits enacted in 2001 and the outstanding
17 balance of the net actuarial loss incurred in fiscal year
18 2000-2001 shall be amortized in equal dollar annual
19 contributions over a period that ends 30 years after July 1,
20 2002, and the outstanding balance of the net actuarial loss
21 incurred in fiscal year 2001-2002 shall be amortized in equal
22 dollar annual contributions over a period that ends 30 years
23 after July 1, 2003. For fiscal years beginning on or after
24 July 1, 2004, if the accrued liability is increased by
25 legislation enacted subsequent to June 30, 2003, such
26 additional liability shall be funded in equal dollar annual
27 contributions over a period of ten years from the first day
28 of July coincident with or next following the effective date
29 of the increase.

30 (4) For the fiscal year beginning July 1, 2011, the

1 accrued liability contribution rate shall be computed as the
2 rate of total compensation of all active members which shall
3 be certified by the actuary as sufficient to fund as a level
4 percentage of compensation over a period of 24 years from
5 July 1, 2011, the present value of the liabilities for all
6 prospective benefits calculated as of June 30, 2010,
7 including the supplemental benefits as provided in sections
8 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
9 8348.7, in excess of the actuarially calculated assets in the
10 fund (calculated recognizing all realized and unrealized
11 investment gains and losses each year in level annual
12 installments over a ten-year period, provided that the
13 resulting actuarially calculated assets are constrained
14 within a range of 70% to 130% of market value). In the event
15 that the accrued liability is [increased] changed by
16 legislation enacted subsequent to June 30, 2010, such
17 [additional] change in liability shall be funded as a level
18 percentage of compensation over a period of ten years from
19 the July 1 second succeeding the date such legislation is
20 enacted.

21 (5) Notwithstanding any other provision of this
22 subsection, for fiscal years beginning on or after July 1,
23 2016, compensation shall be defined as the total compensation
24 of all active members and active participants.

25 (6) For purposes of determining the accrued liability
26 contribution rate in this subsection and the experience
27 adjustment factor in subsection (e) for The Pennsylvania
28 State University, the State System of Higher Education,
29 State-owned educational institutions and community colleges,
30 the term "compensation of all active members and active

1 participants" shall include an additional amount equal to the
2 difference between:

3 (i) the actual compensation of all active members
4 and active participants of The Pennsylvania State
5 University, the State System of Higher Education, State-
6 owned educational institutions and community colleges;
7 and

8 (ii) the compensation of all active members, active
9 participants, active members of the State Employees'
10 Retirement System, active participants of the State
11 Employees' Defined Contribution Plan and employees who
12 are members or participants of an independent retirement
13 program approved by the employer of The Pennsylvania
14 State University, the State System of Higher Education,
15 State-owned educational institutions and community
16 collective colleges multiplied by a fraction equal to the
17 amount determined under subparagraph (i) as part of the
18 June 30, 2016, actuarial valuation divided by the amount
19 of compensation of all active members, active
20 participants, active members of the State Employees'
21 Retirement System, active participants of the State
22 Employees' Defined Contribution Plan and employees who
23 are members or participants of an independent retirement
24 program approved by the employer determined as part of
25 the June 30, 2016, actuarial valuation.

26 (7) For the fiscal year beginning July 1, 2017, and all
27 subsequent fiscal years, The Pennsylvania State University,
28 the State System of Higher Education, each State-owned
29 educational institution and each community college shall make
30 such additional actuarial accrued liability contributions as

1 shall be certified by the board. The additional actuarial
2 accrued liability contributions shall be the product of:

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

6 (ii) and the difference between:

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

10 (B) the compensation of all active members,
11 active participants, active members of the State
12 Employees' Retirement System, active participants of
13 the State Employees' Defined Contribution Plan and
14 employees who are members or participants of an
15 independent retirement program approved by the
16 employer of each such educational institution
17 multiplied by a fraction equal to the amount
18 determined under clause (A) as part of the June 30,
19 2015, actuarial valuation divided by the amount of
20 compensation of all active members, active
21 participants, active members of the State Employees'
22 Retirement System, active participants of the State
23 Employees' Defined Contribution Plan and employees
24 who are members or participants of an independent
25 retirement program approved by the employer of each
26 such educational institution determined as part of
27 the June 30, 2015, actuarial valuation.

28 * * *

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

30 (1) The collared contribution rate for each year shall

1 be determined by comparing the actuarially required
2 contribution rate, calculated without regard for the costs
3 added by legislation, to the prior year's final contribution
4 rate.

5 (2) If, for any of the fiscal years beginning July 1,
6 2011, July 1, 2012, [and] or on or after July 1, 2013, the
7 actuarially required contribution rate, calculated without
8 regard for the costs added by legislation, is more than 3%,
9 3.5% and 4.5%, respectively, of the total compensation of all
10 active members greater than the prior year's final
11 contribution rate, then the collared contribution rate shall
12 be applied and be equal to the prior year's final
13 contribution rate increased by 3%, 3.5% and 4.5%,
14 respectively, of total compensation of all active members.
15 Otherwise, and for all other fiscal years, the collared
16 contribution rate shall not be applicable. In no case shall
17 the collared contribution rate be less than 4% of the total
18 compensation of all active members.

19 (h) Final contribution rate.--

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

27 (2) For all other fiscal years ending on or before June
28 30, 2017, the final contribution rate shall be the
29 actuarially required contribution rate, provided that the
30 final contribution rate shall not be less than the normal

1 contribution rate as provided in subsection (b).

2 * * *

3 § 8330. Appropriations by the Commonwealth.

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

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

18 Section 114. Section 8341 of Title 24, amended December 28,
19 2015 (P.L.529, No.93), is amended to read:

20 § 8341. Return of accumulated deductions.

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

25 Section 115. Sections 8342(a) and 8344(a) and (b) of Title
26 24 are amended to read:

27 § 8342. Maximum single life annuity.

28 (a) General rule.--Upon termination of service, any full
29 coverage member who is eligible to receive an annuity pursuant
30 to the provisions of section 8307(a) or (b) (relating to

1 eligibility for annuities) and has made an application in
2 accordance with the provisions of section 8507(f) (relating to
3 rights and duties of school employees [and members], members and
4 participants) shall be entitled to receive a maximum single life
5 annuity attributable to his credited service and equal to the
6 sum of the following single life annuities beginning at the
7 effective date of retirement and, in case the member on the
8 effective date of retirement is under superannuation age,
9 multiplied by a reduction factor calculated to provide benefits
10 actuarially equivalent to an annuity starting at superannuation
11 age: Provided however, That on or after July 1, 1976, in the
12 case of any member who has attained age 55 and has 25 or more
13 eligibility points such sum of single life annuities shall be
14 reduced by a percentage determined by multiplying the number of
15 months, including a fraction of a month as a full month, by
16 which the effective date of retirement precedes superannuation
17 age by 1/4%: Further provided, In no event shall a Class T-E or
18 Class T-F member receive an annual benefit, calculated as of the
19 effective date of retirement, greater than the member's final
20 average salary:

21 (1) A standard single life annuity multiplied by the
22 class of service multiplier and calculated on the basis of
23 the number of years of credited school service other than
24 concurrent service.

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

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

5 * * *

6 § 8344. Disability annuities.

7 (a) Amount of annuity.--A member who has made application
8 for a disability annuity as provided in section 8507(k)
9 (relating to rights and duties of school employees [and
10 members], members and participants) and has been found to be
11 eligible in accordance with the provisions of sections 8307(c)
12 (relating to eligibility for annuities) and 8505(c)(1) (relating
13 to duties of board regarding applications and elections of
14 members and participants) shall receive a disability annuity
15 payable from the effective date of disability and continued
16 until a subsequent determination by the board that the annuitant
17 is no longer entitled to a disability annuity. The disability
18 annuity shall be equal to a standard single life annuity if the
19 total number of years of credited service is greater than
20 16.667, otherwise the standard single life annuity shall be
21 multiplied by the lesser of the following ratios:

22
$$Y^*/Y \text{ or } 16.667/Y$$

23 where Y = number of years of credited service and Y* = total
24 years of credited service if the member were to continue as a
25 school employee until attaining superannuation age, or if the
26 member has attained superannuation age then the number of years
27 of credited service. In no event shall the disability annuity
28 plus any cost-of-living increases be less than \$100 for each
29 full year of credited service. The member shall be entitled to
30 the election of a joint and survivor annuity on that portion of

1 the disability annuity to which he is entitled under section
2 8342 (relating to maximum single life annuity).

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

13 * * *

14 Section 116. Sections 8346 and 8349 heading, (a) and (b) of
15 Title 24, amended December 28, 2015 (P.L.529, No.93), are
16 amended to read:

17 § 8346. Termination of annuities.

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

1 full coverage, shall be frozen as of the date such annuity
2 ceases. An annuitant who is credited with an additional 10% of
3 membership service as provided in section 8302(b.2) (relating to
4 credited school service) and who returns to school service,
5 except as provided in subsection (b), shall forfeit such
6 credited service and shall have his frozen present value
7 adjusted as if his 10% retirement incentive had not been applied
8 to his account. In the event that the cost-of-living increase
9 enacted December 18, 1979, occurred during the period of such
10 State or school employment, the frozen present value shall be
11 increased, on or after the member attains superannuation age, by
12 the percent applicable had he not returned to service.

13 (a.1) Return of benefits.--In the event an annuitant whose
14 annuity ceases pursuant to this section receives any annuity
15 payment, including a lump sum payment pursuant to section 8345
16 (relating to member's options) on or after the date of his
17 return to school service or entering State service, the
18 annuitant shall return to the board the amount so received plus
19 statutory interest. The amount payable shall be certified in
20 each case by the board in accordance with methods approved by
21 the actuary and shall be paid in a lump sum within 90 days or in
22 the case of an active member or a State employee who is an
23 active member of the State Employees' Retirement System may be
24 amortized with statutory interest through salary deductions to
25 the system in amounts agreed upon by the member and the board.
26 The salary deduction amortization plans agreed to by the member
27 and the board may include a deferral of payment amounts and
28 statutory interest until the termination of school service or
29 State service as the board in its sole discretion decides to
30 allow. The board may limit salary deduction amortization plans

1 to such terms as the board in its sole discretion determines. In
2 the case of a State employee who is an active member of the
3 State Employees' Retirement System, the agreed upon salary
4 deductions shall be remitted to the State Employees' Retirement
5 Board, which shall certify and transfer to the board the amounts
6 paid.

7 (a.2) Return of benefits paid during USERRA leave.--If a
8 former school employee is reemployed from USERRA leave who had
9 received any payments or annuity from the system during the
10 USERRA leave, the employee shall return to the board the amount
11 received plus statutory interest. The amount payable shall be
12 certified by the board in accordance with methods approved by
13 the actuary and:

14 (1) shall be paid in a lump sum within 30 days; or

15 (2) in the case of an active member, may be amortized
16 with statutory interest through salary deductions in amounts
17 agreed upon by the member and the board for not longer than a
18 period that starts with the date of reemployment and
19 continuing for up to three times the length of the member's
20 immediate past period of USERRA leave. A repayment period
21 under this paragraph may not exceed five years or a longer
22 time as agreed to between the board and the member.

23 (b) Return to school service during emergency.--When, in the
24 judgment of the employer, an emergency creates an increase in
25 the work load such that there is serious impairment of service
26 to the public or in the event of a shortage of appropriate
27 subject certified teachers or other personnel, an annuitant or
28 participant receiving distributions may be returned to school
29 service for a period not to extend beyond the school year during
30 which the emergency or shortage occurs, without loss of his

1 annuity or distributions, provided that the annuitant meets the
2 conditions set forth in subsection (b.2). The annuitant shall
3 not be entitled to earn any credited service, and no
4 contributions may be made by the annuitant, the employer or the
5 Commonwealth on account of such employment. Such service shall
6 not be subject to member contributions or be eligible for
7 qualification as creditable school service or for participation
8 in the plan, mandatory pickup participant contributions or
9 employer defined contributions.

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

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

30 (2) Nothing in this subsection shall be construed to

1 abridge or limit any rights provided under a collective
2 bargaining agreement or any rights provided under the act of
3 July 23, 1970 (P.L.563, No.195), known as the Public Employe
4 Relations Act.

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

10 (b.2) Limitation on return to school service by an annuitant
11 during emergency or in an extracurricular position.--

12 (1) An annuitant may return to school service under
13 subsection (b) or (b.1), provided the annuitant otherwise
14 meets the requirements of subsection (b) or (b.1) and has
15 attained the age set forth in IRC § 401(a)(36) or the
16 applicable "normal retirement age" in 26 C.F.R. § 1.401(a)-
17 1(b)(2) (relating to post-ERISA qualified plans and qualified
18 trusts; in general).

19 (2) An annuitant who has not reached the age as set
20 forth in IRC § 401(a)(36), or the applicable "normal
21 retirement age" under 26 C.F.R. § 1.401(a)-1(b)(2), may
22 return to service under subsection (b) or (b.1) provided the
23 annuitant otherwise meets the requirements of subsection (b)
24 or (b.1) and has had a break in service, as set forth in
25 paragraph (3).

26 (3) For purposes of this subsection, a break in service
27 occurs when a member has a bona fide termination of service.
28 The following factors will be considered in determining
29 whether there had been a bona fide termination of service:

30 (i) whether the change in the employment

relationship is more than a formal or technical change,
requiring the severing of the employment connection with
the employer;

(ii) whether there has been a reasonable
anticipation or prearranged agreement between the member
and the employer that a return to school service under
this section shall take place;

(iii) the amount of time that has elapsed from the
date the member becomes an annuitant and the return to
school service;

(iv) whether the services are a continuation of the
annuitant's previous service with the same employer; and

(v) such other factors as the board may deem
appropriate.

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

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

(1) An annuitant who returns to school service as an

1 active member of the system and earns three eligibility
2 points by performing credited school service or reemployment
3 from USERRA leave following the most recent period of receipt
4 of an annuity under this part, or an annuitant who enters
5 State service other than a participant in the State

6 Employees' Defined Contribution Plan and:

7 (i) is a multiple service member; or
8 (ii) who elects multiple service membership, and
9 earns three eligibility points by performing credited State
10 service, reemployment from USERRA leave or credited school
11 service following the most recent period of receipt of an
12 annuity under this part, and who had the present value of his
13 annuity frozen in accordance with subsection (a), shall
14 qualify to have the effect of the frozen present value
15 resulting from all previous periods of retirement eliminated,
16 provided that all payments under Option 4 and annuity
17 payments payable during previous periods of retirement plus
18 interest as set forth in paragraph (3) shall be returned to
19 the fund in the form of an actuarial adjustment to his
20 subsequent benefits or in such form as the board may
21 otherwise direct.

22 (2) Upon subsequent discontinuance of service and the
23 filing of an application for an annuity, a former annuitant
24 who qualifies to have the effect of a frozen present value
25 eliminated under this subsection shall be entitled to receive
26 the higher of either:

27 (i) an annuity (prior to optional modification)
28 calculated as if the freezing of the former annuitant's
29 account pursuant to subsection (a) had not occurred,
30 adjusted by crediting Class T-C school service as Class

1 T-D service as provided for in section 8305(c) (relating
2 to classes of service) and further adjusted according to
3 paragraph (3), provided that a former annuitant of the
4 system or a former annuitant of the State Employees'
5 Retirement System who retired under a provision of law
6 granting additional service credit if termination of
7 school or State service or retirement occurred during a
8 specific period of time shall not be permitted to retain
9 the additional service credit under the prior law when
10 the annuity is computed for his most recent retirement;
11 or

12 (ii) an annuity (prior to optional modification)
13 calculated as if the former annuitant did not qualify to
14 have the effect on the frozen present value eliminated,
15 unless the former annuitant notifies the board in writing by
16 the later of the date the application for annuity is filed or
17 the effective date of retirement that the former annuitant
18 wishes to receive the lower annuity.

19 (3) In addition to any other adjustment to the present
20 value of the maximum single life annuity that a member may be
21 entitled to receive that occurs as a result of any other
22 provision of law, the present value of the maximum single
23 life annuity shall be reduced by all amounts paid or payable
24 to him during all previous periods of retirement plus
25 interest on these amounts until the date of subsequent
26 retirement. The interest for each year shall be calculated
27 based upon the annual interest rate adopted for that school
28 year by the board for the calculation of the normal
29 contribution rate pursuant to section 8328(b) (relating to
30 actuarial cost method).

1 § 8349. Payment of benefits from the system.

2 (a) Annuities.--Any annuity granted under the provisions of
3 this part and paid from the fund shall be paid in equal monthly
4 installments commencing by the required beginning date.

5 (b) Death benefits.--If the amount of a death benefit
6 payable from the fund to a beneficiary of a member under section
7 8347 (relating to death benefits) or under the provisions of
8 Option 1 of section 8345(a)(1) (relating to member's options) is
9 \$10,000 or more, such beneficiary may elect to receive payment
10 according to one of the following options:

11 (1) A lump sum payment.

12 (2) An annuity actuarially equivalent to the amount
13 payable.

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

17 * * *

18 Section 117. Title 24 is amended by adding a chapter to
19 read:

20 CHAPTER 84

21 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

22 Sec.

23 8401. Establishment.

24 8402. Plan document.

25 8403. Individual investment accounts.

26 8404. Participant contributions.

27 8405. Mandatory participant pickup contributions.

28 8406. Employer defined contributions.

29 8407. Eligibility for benefits.

30 8408. Death benefits.

1 8409. Vesting.
2 8410. Termination of distributions.
3 8411. Agreements with financial institutions and other
4 organizations.
5 8411.1. Relation of administrators of School Employees' Defined
6 Contribution Plan to providers of 403(b) plans.
7 8412. Annuitization.
8 8413. Powers and duties of board.
9 8414. Responsibility for investment loss.
10 8415. Investments based on participants' investment allocation
11 choices.
12 8416. Expenses.
13 8417. Required distributions.
14 § 8401. Establishment.
15 (a) School Employees' Defined Contribution Plan.---The plan
16 is established in accordance with this part. The board shall
17 administer and manage the plan, which shall be a defined
18 contribution plan exclusively for the benefit of those school
19 employees who participate in the plan and their beneficiaries
20 within the meaning of and in conformity with IRC § 401(a). The
21 board shall determine the terms and provisions of the plan not
22 inconsistent with this part, the Internal Revenue Code of 1986
23 and other applicable law and shall provide for the plan's
24 administration.
25 (b) School Employees Defined Contribution Trust.--The trust
26 is established as part of the plan in accordance with this part.
27 The trust shall be comprised of the individual investment
28 accounts and all assets and moneys in those accounts. The
29 members of the board shall be the trustees of the trust, which
30 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.

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

§ 8402. Plan document.

The board shall set forth the terms and provisions of the

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

§ 8403. Individual investment accounts.

The board shall:

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

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

§ 8404. Participant contributions.

(a) Mandatory contributions.--Each participant shall make
mandatory pickup participant contributions through payroll

1 deductions to his individual investment account equal to 7% of
2 compensation for current school service. The employer shall
3 cause such contributions for current service to be made and
4 deducted from each payroll or on such schedule established by
5 the board.

6 (b) Voluntary contributions.--A participant may make
7 voluntary contributions through direct trustee-to-trustee
8 transfers or through transfers of money received in an eligible
9 rollover into the trust to the extent allowed by IRC § 402. Such
10 rollovers shall be made in a form and manner as determined by
11 the board, shall be credited to the participant's individual
12 investment account and shall be separately accounted for by the
13 board.

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

21 § 8405. Mandatory pickup participant contributions.

22 (a) Treatment for purposes of IRC § 414(h).--All
23 contributions to the trust required to be made under section
24 8404(a) (relating to participant contributions) with respect to
25 current school service rendered by an active participant shall
26 be picked up by the employer and shall be treated as the
27 employer's contribution for purposes of IRC § 414(h). After the
28 effective date of this section, an employer employing a
29 participant in the plan shall pick up the required mandatory
30 participant contributions by a reduction in the compensation of

1 the participant.

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

8 § 8406. Employer defined contributions.

9 (a) Contributions for current service.--The employer of a
10 participant shall make employer defined contributions for
11 current service of each active participant, which shall be
12 credited to the active participant's individual investment
13 account. Employer defined contributions must be recorded and
14 accounted for separately from participant contributions.

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

28 (c) Limitations on contributions.--No contributions shall be
29 allowed that would cause a violation of the limitations related
30 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) Prohibition.--Loans or other distributions from the plan
to school employees who have not terminated school service are
not permitted.

(e) Small individual investment accounts.--

1 (1) A participant who terminates school service and
2 whose vested accumulated total defined contributions are
3 below the threshold established by law as of the date of
4 termination of service may be paid the vested accumulated
5 total defined contributions in a lump sum as provided in IRC
6 § 401(a)(31).

7 (2) The board may also provide in the plan document
8 that, notwithstanding subsection (f), a participant whose
9 vested accumulated employer defined contributions are below
10 the thresholds established by the board may receive those
11 distributions without the obligation to purchase an annuity.
12 The threshold may be established as a dollar amount, an
13 annuity amount, in some other form individually or in
14 combination as the board determines.

15 (f) Requirement to purchase partial annuity.--Except as
16 prohibited by the IRC or as otherwise provided in this part, a
17 participant who is eligible and elects to receive a distribution
18 or vested accumulated employer defined contributions shall be
19 required to purchase at least a partial payout as a life annuity
20 with that distribution from an annuity provider contracted by
21 the board under section 8408(c) (relating to death benefits) and
22 under such conditions as provided in the plan document. The
23 conditions may include that the board is authorized to make the
24 distribution directly to the annuity provider.

25 § 8408. Death benefits.

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

1 document.

2 (b) Lump sum distribution.--In the event of the death of a
3 participant receiving distributions, the board shall pay to the
4 participant's beneficiary the vested balance in the
5 participant's individual investment account in a lump sum or in
6 such other manner as the board may establish in the plan
7 document or, if the board has established alternative methods of
8 distribution in the plan document under which the participant
9 was receiving distributions, to the participant's beneficiary or
10 successor payee as provided in the plan document.

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

16 § 8409. Vesting.

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

26 (b) Employer contributions.--Subject to the forfeiture and
27 attachment provisions of section 8533 or otherwise as provided
28 by law, a participant shall be vested with respect to employer
29 defined contributions paid on behalf of the participant to the
30 trust and earnings on the employer contributions, but minus

losses and a proportionate share of investment fees and administrative charges, according to the following schedule:

(1) During the first year of school service as a participant in the plan, 0%.

(2) At and after the first year of school service as a participant in the plan, 25%.

(3) At and after the second year of school service as a participant in the plan, 50%.

(4) At and after the third year of school service as a participant in the plan, 75%.

(5) At and after the fourth year of school service as a participant in the plan, 100%.

(c) Plan document.--The board shall establish, in the plan document created by the board under section 8402 (relating to plan document), the following:

(1) How the required time periods of school service in the plan are determined and calculated.

(2) The effect of periods that school employees spend on unpaid leave on the determination of a participant's vested status in the plan.

(3) The effect of termination of school service or distributions from the plan on a participant's vested status in the plan.

(4) Other terms and conditions for the implementation and administration of this section.

(d) Nonvested employer defined contributions.--Nonvested employer defined contributions, including earnings and losses on the employer contributions, that are forfeited by a participant who has not fully vested shall be applied to the participant's most recent employer's obligations assessed under this section

1 in future years.

2 (e) USERRA leave and vesting credit.--A participant in the
3 plan who is reemployed from USERRA leave or who dies while
4 performing USERRA leave shall receive vesting credit under this
5 section for the school service that would have been performed
6 had the member not performed USERRA leave.

7 § 8410. Termination of distributions.

8 (a) Return to school service.--A participant receiving
9 distributions or an inactive participant who returns to school
10 service shall cease receiving distributions and shall not be
11 eligible to receive distributions until the participant
12 subsequently terminates school service, without regard to
13 whether the participant is a mandatory, optional or prohibited
14 member of the system or participant in the plan. This subsection
15 shall not apply to a distribution of accumulated employer
16 defined contributions or other distributions that the
17 participant has received and used to purchase an annuity from a
18 provider contracted by the board.

19 (b) Return of benefits paid during USERRA leave.--In the
20 event that a former school employee is reemployed from USERRA
21 leave who had received any payments or annuity from the plan
22 during the USERRA leave, the employee shall return to the board
23 the amount so received plus interest as provided in the plan
24 document. The amount payable shall be certified in each case by
25 the board in accordance with methods approved by the actuary and
26 shall be paid in a lump sum within 30 days or in the case of an
27 active participant may be amortized with interest as provided in
28 the plan document through salary deductions to the trust in
29 amounts agreed upon by the active participant and the board, but
30 not longer than a period that starts with the date of

1 reemployment and continuing for up to three times the length of
2 the participant's immediate past period of USERRA leave, with
3 the repayment period not to exceed five years.

4 § 8411. Agreements with financial institutions and other
5 organizations.

6 (a) Authority to enter into agreements.--To establish and
7 administer the plan, the board may enter into written agreements
8 with one or more financial institutions or other organizations
9 relating to the plan's administration and investment of funds
10 held pursuant to the plan.

11 (b) Agreement terms and considerations.--Under the plan, the
12 board shall enter into an agreement to provide fully bundled
13 retirement plan investment, plan administration and services to
14 employees who participate in the plan. The agreement shall
15 provide for appropriate long-term retirement-oriented
16 investments and shall include either fixed or variable deferred
17 annuities, or a combination thereof. In determining the
18 financial institution or other organization with which the board
19 shall enter into an agreement, the board shall consider all of
20 the following:

21 (1) The financial stability of the financial institution
22 or other organization and the ability of the financial
23 institution or other organization to provide the contracted
24 rights and benefits to participants.

25 (2) The cost of the investments, plan administration and
26 services to the participants.

27 (3) The experience of the financial institution or other
28 organization in providing defined contribution retirement
29 plans in lieu of defined benefit plan participation to
30 employees or as part of employee hybrid retirement plans.

1 (4) The experience of the financial institution or other
2 organization in paying retirement income to employees.

3 (5) The experience of the financial institution or other
4 organization in providing plan education, counseling and
5 advice to participants in employee retirement plans that are
6 offered in lieu of defined benefit plan participation or as
7 part of employee hybrid retirement plans.

8 (c) Advice to participants.--The plan shall provide
9 education, counseling and objective, participant-specific plan
10 advice to participants.

11 § 8411.1. Relation of administrators of School Employees'
12 Defined Contribution Plan to providers of 403(b)
13 plans.

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

29 (b) Plan transparency and administration.--A financial
30 institution or pension management organization providing

services for any plan established or maintained by a school district under IRC § 403(b) or 457 shall:

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

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

(c) Provider selection.--A school district that establishes or maintains a plan under IRC § 403(b) or 457 shall select a minimum of two financial institutions or pension management organizations, in addition to the financial institution or pension management organization that entered into an agreement pursuant to section 8411, to provide services to the 403(b) plan or 457 plan. If fewer than two such additional financial institutions or pension management organizations are determined to be available or able to meet the requirements established in this section, then the school district shall select the number of available providers able to meet the school district's requirements. A financial institution or pension management organization shall be designated a 403(b) plan or 457 plan provider if the financial institution or pension management organization enters into an agreement in accordance with subsection (b).

1 § 8412. Annuitization.

2 The plan shall include the requirement that any disbursement
3 of the accumulated assets in an individual investment account
4 made after the participant reaches 55 years of age must include
5 at least partial payout as a life annuity. The board shall
6 determine the minimum annuity amount. The plan shall offer
7 participants a menu of lifetime annuity options, either fixed or
8 variable, or a combination of both.

9 § 8413. Powers and duties of board.

10 The board shall have the following powers and duties to
11 establish the plan and trust and to administer the provisions of
12 this part:

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

15 (2) The board shall pay all administrative fees, costs
16 and expenses of managing, investing, and administering the
17 plan, the trust and the individual investment accounts from
18 the balance of such individual investment accounts except as
19 may be provided otherwise by law.

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

23 (3.1) The board shall include default investment options
24 and strategies to include predetermined investment portfolio
25 options that shall be constructed to reflect different risk
26 profiles and shall be constructed to automatically reallocate
27 and rebalance contributions as a participant ages. The plan
28 may permit participants to construct their own investment
29 portfolios using some or all of the investment options
30 comprising the default solutions.

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

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

7 (6) The board may perform an annual review of any
8 qualified fund manager for the purpose of assuring it
9 continues to meet all standards and criteria established.

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

14 (8) The board may allow a former participant to maintain
15 the participant's individual investment account within the
16 plan.

17 (9) The board shall administer the plan in compliance
18 with the qualification and other rules of IRC.

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

21 (11) The board shall determine what constitutes a
22 termination of school service.

23 (12) The board may establish procedures for
24 distributions of small accounts as required or permitted by
25 IRC.

26 (13) The board shall have the power to establish
27 procedures in the plan document or to promulgate rules and
28 regulations as it deems necessary for the administration and
29 management of the plan, including, but not limited to,
30 establishing:

1 (i) Procedures whereby eligible participants may
2 change their investment choices on a periodic basis or
3 make other elections regarding their participation in the
4 plan.

5 (ii) Procedures for deducting mandatory pick up
6 participant contributions from a participant's
7 compensation.

8 (iii) Procedures for rollovers and trustee-to-
9 trustee transfers allowed under IRC and permitted by the
10 board as part of the plan.

11 (iv) Standards and criteria for disclosing and
12 providing options to eligible individuals regarding
13 investments of amounts deferred under the plan, provided
14 that one of the available options must serve as the
15 default option for participants who do not make a timely
16 election.

17 (v) Standards and criteria for disclosing to the
18 participants the anticipated and actual income
19 attributable to amounts invested, property rights and all
20 fees, costs and expenses to be made against amounts
21 deferred to cover the costs and expenses of administering
22 and managing the plan or trust.

23 (vi) Procedures, standards and criteria for the
24 making of distributions from the plan upon termination
25 from employment or death or in other circumstances
26 consistent with the purpose of the plan.

27 (14) The board may waive any reporting or information
28 requirement contained in this part if the board determines
29 that the information is not needed for the administration of
30 the plan.

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

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

9 (17) The provisions and restrictions of the act of July
10 2, 2010 (P.L.266, No.44), known as Protecting Pennsylvania's
11 Investments Act, shall not apply to the plan or trust or the
12 investments thereof, but the board is authorized to offer to
13 the plan participants investment vehicles that would be
14 allowed under the Protecting Pennsylvania's Investments Act.
15 The board shall also to the extent commercially available
16 provide that one option for participants will have an annuity
17 investment feature.

18 § 8414. Responsibility for investment loss.

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

26 § 8415. Investments based on participants' investment
27 allocation choices.

28 (a) Vesting.--All contributions, interest and investment
29 earnings shall be invested based on the participant's investment
30 allocation choices. Each participant shall be credited

1 individually with the amount of contributions, interest and
2 investment earnings. All investment allocation choices shall be
3 credited proportionately between participant contributions and
4 employer defined contributions.

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

18 § 8416. Expenses.

19 All expenses, fees and cost of administering the plan and
20 investing the assets of the trust shall be borne by the
21 participants and paid from assessments against the balances of
22 the individual investment accounts as established by the board
23 except as may be provided otherwise by law.

24 § 8417. Required distributions.

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

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

29 (1) (i) Except as provided under subparagraph (ii) and
30 notwithstanding any provision of this part, a

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

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

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

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

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

26 Section 118. Section 8501(a), (c) and (d) of Title 24 are
27 amended to read:

28 § 8501. Public School Employees' Retirement Board.

29 (a) Status and membership.--The board shall be an
30 independent administrative board and shall consist of 15

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

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

10 * * *

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

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

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

11 * * *

12 Section 119. Section 8502(b), (c), (e), (h), (i), (j), (k),
13 (n) and (o) of Title 24 are amended and the section is amended
14 by adding a subsection to read:

15 § 8502. Administrative duties of board.

16 * * *

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

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

1 fund. Such expenses of the plan as approved by the General
2 Assembly shall be paid from interest, pursuant to section
3 8415(b) (relating to investments based on participants'
4 investment allocation choices) or assessments on the balances of
5 the participants' individual investment accounts except as may
6 be provided otherwise by law. Concurrently with its
7 administrative budget, the board shall also submit to the
8 General Assembly annually a list of proposed expenditures which
9 the board intends to pay through the use of directed
10 commissions, together with a list of the actual expenditures
11 from the past year actually paid by the board through the use of
12 directed commissions. All such directed commission expenditures
13 shall be made by the board for the exclusive benefit of the
14 system and its members and for the exclusive benefit of the plan
15 and its participants, respectively.

16 * * *

17 (e) Records.--

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

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

30 (i) in the case of an alternative investment or

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

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

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

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

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

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

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

1 is liquidated;

2 whichever is later.

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

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

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

16 whichever is later.

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

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

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

29 (ii) The identity of the manager of the alternative
30 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 the system or plan on an annual fiscal year-end basis.

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

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

10 (ii) The investment option selections of any
11 participant.

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

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

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

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

26 * * *

27 (h) Regulations and procedures.--The board shall, with the
28 advice of the Attorney General and the actuary, adopt and
29 promulgate rules and regulations for the uniform administration
30 of the system. The actuary shall approve in writing all

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

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

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

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

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

1 premium assistance contributions as determined pursuant to
2 section 8328(f), the costs added by legislation as determined
3 pursuant to section 8328(i), the actuarial required contribution
4 rate as determined pursuant to section 8328(i), the collared
5 contribution rate as determined pursuant to section 8328(g), the
6 final contribution rate as determined pursuant to section
7 8328(h) and the shared-risk contribution rate as determined
8 under section 8321(b) (relating to regular member contributions
9 for current service), which shall be paid to the fund and
10 credited to the appropriate accounts. These certifications shall
11 be regarded as final and not subject to modification by the
12 Secretary of the Budget.

13 * * *

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

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

1 certified public accountant for the audits of both the system
2 and the plan.

3 * * *

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

16 Section 120. Section 8502.2(a) and (d) of Title 24 are
17 amended to read:

18 § 8502.2. Health insurance.

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

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

28 (2) Determination of the benefits structure.

29 (3) Determination of enrollment procedures.

30 (4) Establishment of premium rates sufficient to fully

1 fund the program, including administrative expenses.

2 (5) Contracting for goods, equipment, services,
3 consultants and other professional personnel as needed to
4 operate the program.

5 * * *

6 (d) Additional requirements.--The assets of the fund shall
7 not be liable or utilized for payment of any expenses or claims
8 incurred by the health insurance program. The program shall be
9 an approved health insurance program for purposes of section
10 8505(i) (relating to duties of board regarding applications and
11 elections of members and participants) and an approved insurance
12 carrier for purposes of section 8509 (relating to health
13 insurance premium assistance program). The program shall not be
14 subject to the provisions of section 8531 (relating to State
15 guarantee regarding the system).

16 Section 121. Section 8503 heading of Title 24, amended
17 December 28, 2015 (P.L.529, No.93), is amended and the section
18 is amended by adding a subsection to read:

19 § 8503. Duties of board to advise and report to employers [and
20 members], members and participants.

21 * * *

22 (b.1) Participant status statements.--The board shall have
23 furnished annually to each participant on or before December 31,
24 and more frequently as the board may agree or as required by
25 law, a statement showing the accumulated total defined
26 contributions credited to the participant's individual
27 investment account, the nature and type of investments and the
28 investment allocation of future contributions as of June 30 of
29 the current year and requesting the participant to make any
30 necessary corrections or revision regarding his designated

1 beneficiary.

2 * * *

3 Section 122. Section 8504(c) of Title 24 is amended to read:

4 § 8504. Duties of board to report to State Employees'

5 Retirement Board.

6 * * *

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

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

15 (i) The salary history as a member of the Public
16 School Employees' Retirement System and the final average
17 salary as calculated on the basis of the compensation
18 received as a State and school employee.

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

22 (2) Transfer to the State Employees' Retirement Fund the
23 accumulated deductions standing to such member's credit and
24 the actuarial reserve required on account of the member's
25 years of credited service in the school system and his final
26 average salary determined on the basis of his compensation as
27 a member in both systems.

28 Section 123. Section 8505 heading, (b), (h) and (i) of Title
29 24, amended December 28, 2015 (P.L.529, No.93), are amended and
30 the section is amended by adding subsections to read:

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

* * *

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

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

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

(ii) Transfer the balance of the present value of the total annuity, minus the amount to be returned to the board on account of return to service that the board has determined is to be credited in the State accumulation account, from the annuity reserve account to the State accumulation account.

(iii) Certify to the member the amount of lump sum and annuity payments with statutory interest the member

1 is to return to the board and, of those amounts, which
2 amount shall be credited to the members' savings account
3 and credited with statutory interest as such payments are
4 returned and which amount shall be credited to the State
5 accumulation account.

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

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

21 * * *

22 (e.1) Certification to participants terminating service.--
23 The board shall certify to a participant, within one year of
24 termination of service of such participant, in writing, of the
25 vested accumulated total defined contributions credited to the
26 participant's individual investment account as of the date
27 stated in the writing, any notices regarding rollover or other
28 matters required by IRC or other law, the obligation of the
29 participant to commence distributions from the plan by the
30 participant's required beginning date, and the ability to

1 receive all or part of the vested balance in the participant's
2 individual investment account in a lump sum or in such other
3 form as the board may authorize or as is required by law.

4 * * *

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

13 * * *

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

17 (h) Death benefits.--Upon receipt of notification of the
18 death of a member [or], a former member on USERRA leave, an
19 active participant, an inactive participant or a former
20 participant performing USERRA leave, the board shall notify the
21 designated beneficiary or survivor annuitant of the benefits to
22 which he is entitled and shall make the first payment to the
23 beneficiary under the plan elected by the beneficiary within 60
24 days of receipt of certification of death and other necessary
25 data. If no beneficiary designation is in effect at the date of
26 the member's or participant's death or no notice has been filed
27 with the board to pay the amount of such benefits to the
28 member's or participant's estate, the board is authorized to pay
29 such benefits to the executor, administrator, surviving spouse
30 or next-of-kin of the deceased member or participant, and

1 payment pursuant hereto shall fully discharge the fund or plan
2 from any further liability to make payment of such benefits to
3 any other person. If the surviving spouse or next-of-kin of the
4 deceased member or participant cannot be found for the purpose
5 of paying such benefits for a period of seven years from the
6 date of death of the member or participant, then such benefits
7 shall be escheated to the Commonwealth for the benefit of the
8 fund or plan.

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

22 * * *

23 Section 124. Section 8506(a), (d), (e) and (k) of Title 24
24 are amended and the section is amended by adding subsections to
25 read:

26 § 8506. Duties of employers.

27 (a) Status of members and participants.--The employer shall,
28 each month, notify the board in a manner prescribed by the board
29 of the salary changes effective during the past month, the date
30 of all removals from the payroll, and the type of leave of any

member or participant who has been removed from the payroll for any time during that month, and:

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

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

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

* * *

(c.1) Participant and employer defined contributions.--The employer shall cause the mandatory pickup participant contributions on behalf of a participant to be made. The employer shall also cause the employer defined contributions on behalf of a participant to be made. The employer shall notify the board at times and in a manner prescribed by the board of the compensation of any participant to whom the limitation under IRC § 401(a)(17) either applies or is expected to apply and shall cause such participant's contributions to be deducted from payroll to cease at the limitation under IRC § 401(a)(17) on the payroll date if and when such limit shall be reached. The employer shall certify to the board the amounts picked up and deducted and the employer defined contributions being made and shall send the total amount picked up, deducted and contributed

1 together with a duplicate of such voucher to the secretary of
2 the board every pay period or on such schedule as established by
3 the board.

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

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

30 * * *

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

4 (1) Any school employee who:

5 (i) ceases to be an active member or active
6 participant to perform USERRA service; or

7 (ii) is granted a leave of absence under 51 Pa.C.S.
8 § 4102 (relating to leaves of absence for certain
9 government employees) or a military leave of absence
10 under 51 Pa.C.S. § 7302 (relating to granting military
11 leaves of absence).

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

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

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

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

26 (m) Obligation of educational institutions to report
27 participation and compensation of employees in independent
28 retirement programs.--The Pennsylvania State University, the
29 State System of Higher Education, State-owned educational
30 institutions and community colleges shall report to the board

1 the compensation and other information as the board may request
2 for employees who are members in the State Employees' Retirement
3 System or independent retirement programs approved by the
4 employer.

5 Section 125. Section 8507 heading, (a), (d.1), (e), (f) and
6 (h) of Title 24, amended December 28, 2015 (P.L.529, No.93), are
7 amended and the section is amended by adding subsections to
8 read:

9 § 8507. Rights and duties of school employees [and members],
10 members and participants.

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

1 * * *

2 (b.1) Application for participation.--On or after July 1,
3 2017, in the case of a new employee who is not currently a
4 participant in the plan and whose participation is mandatory, or
5 in the case of a new employee whose participation is not
6 mandatory but is permitted and who desires to become a
7 participant in the plan, the new employee shall execute an
8 application for participation and a nomination of a beneficiary.

9 * * *

10 (d.1) [School service] Contributions for USERRA leave.--Any
11 active member [or], inactive member, active participant,
12 inactive participant or former participant who was reemployed
13 from USERRA leave and who desires to receive school service
14 credit or make mandatory pickup participant contributions for
15 his USERRA leave shall notify the board within the time period
16 required under 38 U.S.C. Ch. 43 (relating to employment and
17 reemployment rights of members of the uniformed services) and
18 IRC § 414(u) of his desire to make the [required member]
19 contributions. Upon making the required member contributions
20 within the allowed time period, the member shall receive credit
21 for the service as of the date the contributions are made. Upon
22 making the permitted mandatory pickup participant contributions
23 within the allowed time period, the employer shall make the
24 corresponding employer defined contributions at the same time.

25 (d.2) Voluntary contributions by a participant.--Any active
26 participant who desires to make voluntary contributions to be
27 credited to his individual investment account shall notify the
28 board and, upon compliance with the requirements, procedures and
29 limitations established by the board in the plan document, may
30 do so subject to the limitations under IRC §§ 401(a) and 415 and

1 other applicable law.

2 (e) Beneficiary for death benefits from system.--Every
3 member shall nominate a beneficiary by written designation filed
4 with the board to receive the death benefit or the benefit
5 payable under the provisions of Option 1. Such nomination may be
6 changed at any time by the member by written designation filed
7 with the board. A member may also nominate a contingent
8 beneficiary or beneficiaries to receive the death benefit or the
9 benefit payable under the provisions of Option 1.

10 (e.1) Beneficiary for death benefits from plan.--Every
11 participant shall nominate a beneficiary by written designation
12 filed with the board as provided in section 8506 (relating to
13 duties of employers) to receive the death benefit payable under
14 section 8408 (relating to death benefits). A participant may
15 also nominate a contingent beneficiary or beneficiaries to
16 receive the death benefit provided under section 8408. Such
17 nomination may be changed at any time by the participant by
18 written designation filed with the board.

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

25 (1) Withdraw his accumulated deductions.

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

30 (3) Receive an immediate annuity, if eligible, and may,

1 if he is a joint coverage member, elect to become a full
2 coverage member and agree to pay within 30 days of date of
3 termination of service the lump sum required.

4 * * *

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

13 (h) Vestees attaining superannuation age.--Upon attainment
14 of superannuation age a vestee shall execute and file within 90
15 days an application for an annuity. Any application filed after
16 such 90 day period shall be effective as of the date it is filed
17 with the board, subject to the provisions of section 8505(g)
18 (relating to duties of board regarding applications and
19 elections of members and participants). If a vestee does not
20 file an application within seven years after attaining
21 superannuation age, he shall be deemed to have elected to
22 receive his accumulated deductions upon attainment of
23 superannuation age.

24 * * *

25 Section 126. Sections 8521(b), 8522, 8524, 8525, 8531, 8533,
26 8533.1, 8533.3 and 8533.4(a) of Title 24 are amended to read:
27 § 8521. Management of fund and accounts.

28 * * *

29 (b) Crediting of interest.--The board annually shall allow
30 statutory interest, excluding the individual investment

1 accounts, to the credit of the members' savings account on the
2 mean amount of the accumulated deductions of all members for
3 whom interest is payable for the preceding year and valuation
4 interest on the mean amount of the annuity reserve account for
5 the preceding year to the credit of that account. The board
6 annually shall allow valuation interest calculated on the mean
7 amount for the preceding year of the balance in the State
8 accumulation account excluding any earnings of the fund credited
9 to the account during that year. In the event the total earnings
10 for the year do not exceed 5 1/2% of the mean amount for the
11 preceding year of the total assets of the fund less earnings
12 credited to the fund during that year plus the administrative
13 expenses of the board, the difference required to be
14 appropriated from the General Fund shall be credited to the
15 State accumulation account.

16 * * *

17 § 8522. Public School Employees' Retirement Fund.

18 The fund shall consist of all moneys in the several separate
19 funds in the State Treasury set apart to be used under the
20 direction of the board for the benefit of members of the system;
21 and the Treasury Department shall credit to the fund all moneys
22 received from the Department of Revenue arising from the
23 contributions relating to or on behalf of the members of the
24 system required under the provisions of Chapter 83 (relating to
25 membership, contributions and benefits) and all earnings from
26 investments or moneys of said fund. There shall be established
27 and maintained by the board the several ledger accounts
28 specified in sections 8523 (relating to members' savings
29 account), 8524 (relating to State accumulation account), 8525
30 (relating to annuity reserve account) and 8526 (relating to

1 health insurance account). The individual investment accounts
2 that are part of the trust are not part of the fund. Mandatory
3 pickup participant contributions, voluntary contributions and
4 employer defined contributions made under this part and any
5 income earned by the investment of such contributions shall not
6 be paid or credited to the fund but instead shall be paid to the
7 trust and credited to the individual investment accounts.

8 § 8524. State accumulation account.

9 The State accumulation account shall be the ledger account to
10 which shall be credited all contributions of the Commonwealth
11 and other employers as well as the earnings of the fund, except
12 the premium assistance contributions and earnings thereon in the
13 health insurance account. Valuation interest shall be allowed on
14 the total amount of such account less any earnings of the fund
15 credited during the year. The reserves necessary for the payment
16 of annuities and death benefits resulting from membership in the
17 system as approved by the board and as provided in Chapter 83
18 (relating to membership, contributions and benefits) shall be
19 transferred from the State accumulation account to the annuity
20 reserve account. At the end of each year the required interest
21 shall be transferred from the State accumulation account to the
22 credit of the members' savings account and the annuity reserve
23 account. The administrative expenses of the board shall be
24 charged to the State accumulation account.

25 § 8525. Annuity reserve account.

26 (a) Credits and charges to account.--The annuity reserve
27 account shall be the ledger account to which shall be credited
28 the reserves held for the payment of annuities and death
29 benefits resulting from membership in the system on account of
30 all annuitants and the contributions from the Commonwealth and

1 other employers as determined in accordance with section 8328
2 (relating to actuarial cost method) for the payment of the
3 supplemental annuities provided in sections 8348 (relating to
4 supplemental annuities), 8348.1 (relating to additional
5 supplemental annuities), 8348.2 (relating to further additional
6 supplemental annuities), 8348.3 (relating to supplemental
7 annuities commencing 1994), 8348.4 (relating to special
8 supplemental postretirement adjustment), 8348.5 (relating to
9 supplemental annuities commencing 1998), 8348.6 (relating to
10 supplemental annuities commencing 2002) and 8348.7 (relating to
11 supplemental annuities commencing 2003). The annuity reserve
12 account shall be credited with valuation interest. After the
13 transfers provided in sections 8523 (relating to members'
14 savings account) and 8524 (relating to State accumulation
15 account), all annuity and death benefit payments shall be
16 charged to the annuity reserve account and paid from the fund.

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

27 § 8531. State guarantee regarding the system.

28 Statutory interest charges payable, the maintenance of
29 reserves in the fund, and the payment of all annuities and other
30 benefits granted by the board from the system under the

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

8 § 8533. Taxation, attachment and assignment of funds.

9 (a) General rule.--Except as provided in subsections (b),
10 (c) and (d), the right of a person to a member's annuity, a
11 State annuity, or retirement allowance, to the return of
12 contributions, any benefit or right accrued or accruing to any
13 person under the provisions of this part, and the moneys in the
14 fund and the trust are hereby exempt from any State or municipal
15 tax, and exempt from levy and sale, garnishment, attachment, the
16 provisions of Article XIII.1 of the the act of April 9, 1929
17 (P.L.343, No.176), known as The Fiscal Code, or any other
18 process whatsoever, and shall be unassignable. No participant or
19 beneficiary, successor payee, spouse or alternate payee of a
20 participant shall have the ability to commute, sell, assign,
21 alienate, anticipate, mortgage, pledge, hypothecate, commutate
22 or otherwise transfer or convey any benefit or interest in an
23 individual investment account or rights to receive or direct
24 distributions under this part or under agreements entered into
25 under this part except as otherwise provided in this part and in
26 the case of either a member or a participant.

27 (b) Forfeiture.--Rights under this part shall be subject to
28 forfeiture as provided by the act of July 8, 1978 (P.L.752,
29 No.140), known as the Public Employee Pension Forfeiture Act.
30 Forfeitures under this subsection or under any other provision

1 of law may not be applied to increase the benefits that any
2 member would otherwise receive under this part. Notwithstanding
3 this paragraph, the act of July 8, 1978 (P.L.752, No.140), known
4 as the Public Employee Pension Forfeiture Act, section 16(b) of
5 Article V of the Constitution of Pennsylvania or 42 Pa.C.S. §
6 3352 (relating to pension rights), the accumulated mandatory
7 participant contributions and accumulated voluntary
8 contributions standing to the credit of a participant shall not
9 be forfeited but shall be available for payment of fines and
10 restitution as provided by law. Furthermore, amounts in the
11 trust that have been ordered to be distributed to an alternate
12 payee as the result of an equitable distribution of marital
13 property as part of an approved domestic relations order entered
14 before the date of the order or action in a court or other
15 tribunal resulting in a forfeiture of a participant's interest
16 in the trust shall not be subject to the Public Employee Pension
17 Forfeiture Act, section 16(b) of the Article V of the
18 Constitution of Pennsylvania or 42 Pa.C.S. § 3352. Any
19 accumulated employer defined contributions forfeited as a result
20 of this subsection or other law shall be retained by the board
21 and used for the payment of expenses of the plan.

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

25 (d) Direct rollover.--Effective with distributions made on
26 or after January 1, 1993, and notwithstanding any other
27 provision of this part to the contrary, a distributee may elect,
28 at the time and in the manner prescribed by the board, to have
29 any portion of an eligible rollover distribution paid directly
30 to an eligible retirement plan by way of a direct rollover. For

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

20 § 8533.1. Approval of domestic relations orders.

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

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

29 (2) Requires the system to provide no more than the
30 total amount of benefits than the member would otherwise

1 receive (determined on the basis of actuarial value) unless
2 increased benefits are paid to the member or alternate payee
3 based upon cost-of-living increases or increases based on
4 other than actuarial value.

5 (3) Specifies the amount or percentage of the member's
6 benefits to be paid by the system to each such alternate
7 payee or the manner in which the amount or percentage is to
8 be determined.

9 (4) Specifies the retirement option to be selected by
10 the member upon retirement or states that the member may
11 select any retirement option offered by this part upon
12 retirement.

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

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

20 (7) Requires the member to execute an authorization
21 allowing each alternate payee to monitor the member's
22 compliance with the terms of the domestic relations order
23 through access to information concerning the member
24 maintained by the system.

25 (a.1) Certification regarding participants.--A domestic
26 relations order pertaining to a participant shall be certified
27 as an approved domestic relations order by the secretary of the
28 board, or his designated representative, only if that order
29 meets all of the following:

30 (1) Does not require the plan to provide any type or

1 form of benefit or any option applicable to members of the
2 system or participants in the plan.

3 (2) Does not require the segregation of the alternate
4 payee's share of the participant's individual investment
5 account into a subaccount or newly established individual
6 account titled in the name of the alternate payee.

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

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

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

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

28 (7) Specifies the name and last known mailing address,
29 if any, of the participant and the name and last known
30 mailing address of each alternate payee covered by the order

1 and states that it is the responsibility of each alternate
2 payee to keep a current mailing address on file with the
3 system.

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

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

20 (10) In the case of participants who have not yet begun
21 to receive distributions as of the date the domestic
22 relations order is approved by the secretary of the board or
23 his designated representative, requires the immediate
24 distribution of the alternate payee's share of the
25 participant's individual investment account, which may be
26 made by direct payment, eligible rollover or trustee-to-
27 trustee transfer to another eligible plan or qualified
28 account owned by the alternate payee, notwithstanding any
29 other provision of this part or the plan that would require a
30 distribution of accumulated employer defined contributions in

1 the form of an annuity or to require the purchase of an
2 annuity.

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

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

28 (c) Other orders.--The requirements for approval identified
29 in [subsection (a)] subsections (a) and (a.1) shall not apply to
30 any domestic relations order which is an order for support as

1 that term is defined in 23 Pa.C.S. § 4302 (relating to
2 definitions) or an order for the enforcement of arrearages as
3 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
4 arrearages). These orders shall be approved to the extent that
5 they do not attach moneys in excess of the limits on attachments
6 as established by the laws of this Commonwealth and the United
7 States, require distributions of benefits in a manner that would
8 violate the laws of the United States, any state or this
9 Commonwealth or require the distribution of funds for support or
10 enforcement of arrearages against any participant who is not
11 receiving distributions from the plan at the time such order is
12 entered.

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

22 § 8533.3. Irrevocable survivor annuitant.

23 Notwithstanding any other provisions of this part, a domestic
24 relations order pertaining to a member may provide for an
25 irrevocable survivor annuitant. A domestic relations order
26 requiring the designation of an irrevocable survivor annuitant
27 shall be deemed to be one that requires a member to designate an
28 alternate payee as a survivor annuitant and that prohibits the
29 removal or change of that survivor annuitant without approval of
30 a court of competent jurisdiction, except by operation of law.

1 Such a domestic relations order may be certified as an approved
2 domestic relations order by the secretary of the board, or his
3 designated representative, in which case the irrevocable
4 survivor annuitant so ordered by the court cannot be changed by
5 the member without approval by the court. A person ineligible to
6 be designated as a survivor annuitant may not be designated an
7 irrevocable survivor annuitant.

8 § 8533.4. Amendment of approved domestic relations orders.

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

15 * * *

16 Section 127. Title 24 is amended by adding a section to
17 read:

18 § 8533.5. Irrevocable successor payee.

19 Notwithstanding any other provisions of this part, a domestic
20 relations order pertaining to a participant may provide for an
21 irrevocable successor payee, only if the participant is
22 receiving a payment pursuant to a payment option provided by the
23 board that allows for a successor payee. A domestic relations
24 order requiring the designation of an irrevocable successor
25 payee shall be deemed to be one that requires a participant who
26 is receiving payments from an annuity or other distribution
27 option to designate an alternate payee as a successor payee and
28 that prohibits the removal or change of that successor payee
29 without approval of a court of competent jurisdiction, except by
30 operation of law. Such a domestic relations order may be

1 certified as an approved domestic relations order by the
2 secretary of the board, or his designated representative, in
3 which case the irrevocable successor payee so ordered by the
4 court cannot be changed by the participant except by approval by
5 the court. A person ineligible to be designated as a successor
6 payee may not be designated as an irrevocable successor payee. A
7 court may not name an irrevocable successor payee if the
8 alternate payee is eligible to receive a lump sum distribution
9 of the alternate payee's portion of the marital portion of the
10 pension benefit.

11 Section 128. Sections 8534 and 8535 of Title 24 are amended
12 to read:

13 § 8534. Fraud and adjustment of errors.

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

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

1 from the plan, the board shall take such action as shall be
2 provided for in the plan document.

3 § 8535. Payments to school entities by Commonwealth.

4 For each school year beginning with the 1995-1996 school year
5 and ending with the 2016-2017 school year, each school entity
6 shall be paid by the Commonwealth for contributions based upon
7 school service of active members of the system after June 30,
8 1995, as follows:

9 (1) 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, whose
13 effective dates of employment with their school entities are
14 after June 30, 1994, and who also had not previously been
15 employed by any school entity within this Commonwealth an
16 amount equal to the amount certified by the Public School
17 Employees' Retirement Board as necessary to provide, together
18 with the members' contributions, reserves on account of
19 prospective annuities, supplemental annuities and the premium
20 assistance program as provided in this part in accordance
21 with section 8328 (relating to actuarial cost method),
22 multiplied by the market value/income aid ratio of the school
23 entity. For no school year shall any school entity receive
24 less than the amount that would result if the market
25 value/income aid ratio as defined in section 2501(14.1) of
26 the Public School Code [of 1949] was 0.50.

27 (2) The Commonwealth shall pay each school entity for
28 contributions made to the Public School Employees' Retirement
29 Fund based upon school service of all active members,
30 including members on activated military service leave, who

1 are not described in paragraph (1), one-half of the amount
2 certified by the Public School Employees' Retirement Board as
3 necessary to provide, together with the members'
4 contributions, reserves on account of prospective annuities,
5 supplemental annuities and the premium assistance program as
6 provided in this part in accordance with section 8328.

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

17 Section 129. Title 24 is amended by adding a section to
18 read:

19 § 8535.1. Payments to school entities by Commonwealth
20 commencing with the 2017-2018 school year.

21 For each school year, beginning with the 2017-2018 school
22 year, each school entity shall be paid by the Commonwealth for
23 contributions based upon school service of active members of the
24 system and active participants of the plan after June 30, 2017,
25 as follows:

26 (1) The Commonwealth shall pay each school entity for
27 contributions made to the fund based upon school service of
28 all active members, including members on activated military
29 service leave, and active participants of the plan whose
30 effective dates of employment with their school entities are

1 after June 30, 1994, and who also had not previously been
2 employed by any school entity within this Commonwealth an
3 amount equal to the amount certified by the board as
4 necessary to provide, together with the members' and
5 participants' contributions, reserves on account of
6 prospective annuities, supplemental annuities and the premium
7 assistance program as provided in this part in accordance
8 with section 8328 (relating to actuarial cost method),
9 multiplied by the market value/income aid ratio of the school
10 entity. For no school year shall any school entity receive
11 less than the amount that would result if the market
12 value/income aid ratio as defined in section 2501(14.1) of
13 the Public School Code was 0.50.

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

24 (3) School entities shall have up to five days after
25 receipt of the Commonwealth's portion of the employer's
26 liability to make payment to the fund. School entities are
27 expected to make the full payment to the fund in accordance
28 with section 8327 (relating to payments by employers) in the
29 event the receipt of the Commonwealth's portion of the
30 employer's liability is delayed because of delinquent salary

1 reporting or other conduct by the school entities.

2 Section 130. The definition of "eligible person" in section
3 8702(a) of Title 24 is amended to read:

4 § 8702. Definitions.

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

11 "Eligible person." An individual who is an annuitant or
12 survivor annuitant or the spouse or dependent of an annuitant or
13 survivor annuitant, or an individual who is a participant
14 receiving distributions or a successor payee, or the spouse or
15 dependent of a participant receiving distributions or successor
16 payee.

17 * * *

18 Section 131. Section 9109(a) and (b) of Title 24 are amended
19 to read:

20 § 9101. Status of program relative to Public School Employees'
21 Retirement Code.

22 (a) General rule.--The program shall be an approved health
23 insurance program for purposes of section 8505(i) (relating to
24 duties of board regarding applications and elections of members
25 and participants) and shall be an approved insurance carrier for
26 purposes of section 8509 (relating to health insurance premium
27 assistance program).

28 (b) State guarantee.--The program shall not be subject to
29 the provisions of section 8531 (relating to State guarantee
30 regarding the system).

1 * * *

2 ARTICLE II

3 AMENDMENTS TO TITLE 51

4 Section 201. Section 7306(a) of Title 51 is amended and the
5 section is amended by adding subsections to read:

6 § 7306. Retirement rights.

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

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

1 service," "irrevocable beneficiary," "previous State service,"
2 "reemployed from USERRA leave," "retirement counselor," "salary
3 deductions," "special vestee," "State employee," "superannuation
4 age" and "valuation interest" in section 5102 of Title 71,
5 amended December 28, 2015 (P.L.529, No.93), are amended and the
6 section is amended by adding definitions to read:

7 § 5102. Definitions.

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

11 * * *

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

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

22 "Accumulated total defined contributions." The total of the
23 accumulated mandatory participant contributions, accumulated
24 employer defined contributions and accumulated voluntary
25 contributions, reduced by any distributions, standing to the
26 credit of a participant in an individual investment account in
27 the trust.

28 "Accumulated voluntary contributions." The total of any
29 amounts rolled over by a participant or transferred by a direct
30 trustee-to-trustee transfer into the trust together with any

1 investment earnings and losses and adjustment for fees, costs
2 and expenses credited or charged thereon.

3 * * *

4 "Active participant." A State employee for whom mandatory
5 pickup participant contributions are being made to the trust or
6 for whom such contributions otherwise required for current State
7 service are not being made solely by reason of any provision of
8 this part relating to the limitations under section 401(a)(17)
9 or 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
10 26 U.S.C. § 401(a)(17) or 415).

11 * * *

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

17 * * *

18 "Average noncovered salary." The average of the amounts of
19 compensation received by an active member each calendar year
20 since January 1, 1956, exclusive of the amount which was or
21 could have been covered by the Federal Social Security Act[,]
22 (42 U.S.C. § 301 et seq.), during that portion of the member's
23 service since January 1, 1956, for which he has received social
24 security integration credit.

25 * * *

26 "Beneficiary." The person or persons last designated in
27 writing to the board by a member to receive his accumulated
28 deductions or a lump sum benefit upon the death of [such] the
29 member[.] or by a participant to receive the participant's
30 vested accumulated total defined contributions or a lump sum

1 benefit upon the death of the participant.

2 * * *

3 "Combined service employee." A current or former State
4 employee who is both a member of the system and a participant in
5 the plan.

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

1 of the provisions of section 5506.1(a) (relating to annual
2 compensation limit under IRC § 401(a)(17)) and shall apply to
3 each participant.

4 * * *

5 "Creditable nonstate service." Service other than:

6 (1) service as a State employee;

7 (2) service converted to State service pursuant to
8 section 5303.1 (relating to election to convert county
9 service to State service); or

10 (3) school service converted to State service pursuant
11 to section 5303.2 (relating to election to convert school
12 service to State service)

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

14 "Credited service." State or creditable nonstate service for
15 which the required contributions have been made to the fund or
16 for which the contributions otherwise required for such service
17 were not made solely by reason of section 5502.1 (relating to
18 waiver of regular member contributions and Social Security
19 integration member contributions) or any provision of this part
20 relating to the limitations under section 401(a)(17) or 415 of
21 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
22 § 401(a)(17) or 415), except as otherwise provided in this part,
23 or for which salary deductions to the system or lump sum
24 payments have been agreed upon in writing.

25 "Date of termination of service." The last day of service
26 for which:

27 (1) pickup contributions are made for an active member
28 [or] ;

29 (2) in the case of an inactive member on leave without
30 pay, the date of his resignation or the date his employment

1 is formally discontinued by his employer[.];

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

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

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

9 * * *

10 "Distribution." Payment of all or any portion of a person's
11 interest in either the State Employees' Retirement Fund or the
12 State Employees' Defined Contribution Trust or both which is
13 payable under this part.

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

27 * * *

28 "Employer defined contributions."

29 (1) Unless paragraph (2) applies, contributions equal to
30 4% of an active participant's compensation which are made by

1 the Commonwealth or other employer for current service to the
2 trust to be credited in the participant's individual
3 investment account.

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

11 (3) For Pennsylvania State Police, contributions equal
12 to 12.2% of an active participant's compensation which are
13 made by the Commonwealth for current service to the trust to
14 be credited in the participant's individual investment
15 account.

16 * * *

17 "Final average salary." The highest average compensation
18 received as a member during any three nonoverlapping periods of
19 four consecutive calendar quarters during which the member was a
20 State employee, with the compensation for part-time service
21 being annualized on the basis of the fractional portion of the
22 year for which credit is received; except if the employee was
23 not a member for three nonoverlapping periods of four
24 consecutive calendar quarters, the total compensation received
25 as a member, annualized in the case of part-time service,
26 divided by the number of nonoverlapping periods of four
27 consecutive calendar quarters of membership; in the case of a
28 member with multiple service, the final average salary shall be
29 determined on the basis of the compensation received by him as a
30 [State employee] member of the system or as a school employee

1 other than as a participant in the School Employees' Defined
2 Contribution Plan, or both; in the case of a member with Class
3 A-3 or Class A-4 service and service in one or more other
4 classes of service, the final average salary shall be determined
5 on the basis of the compensation received by him in all classes
6 of State service credited in the system; and, in the case of a
7 member who first became a member on or after January 1, 1996,
8 the final average salary shall be determined as hereinabove
9 provided but subject to the application of the provisions of
10 section 5506.1(a) (relating to annual compensation limit under
11 IRC § 401(a)(17)). Final average salary shall be determined by
12 including in compensation payments deemed to have been made to a
13 member reemployed from USERRA leave to the extent member
14 contributions have been made as provided in section 5302(f)(2)
15 (relating to credited State service) and payments made to a
16 member on leave of absence under 51 Pa.C.S. § 4102 (relating to
17 leaves of absence for certain government employees) as provided
18 in section 5302(f)(6).

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 State service are not being made solely by reason of
24 section 5502.1 (relating to waiver of regular member
25 contributions and Social Security integration member
26 contributions) or any provision of this part relating to the
27 limitations under section 401(a)(17) or 415 of the Internal
28 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
29 or 415), but who has accumulated deductions standing to his
30 credit in the fund and who is not eligible to become or has not

1 elected to become a vestee or has not filed an application for
2 an annuity.

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

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

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

26 * * *

27 "Irrevocable beneficiary." The person or persons permanently
28 designated by a member or a participant in writing to the State
29 Employees' Retirement Board pursuant to an approved domestic
30 relations order to receive all or a portion of the accumulated

1 deductions, vested accumulated total defined contributions or
2 lump sum benefit payable upon the death of such member or
3 participant.

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

9 * * *

10 "Mandatory pickup participant contributions." Contributions
11 equal to 7% of compensation that are made by the Commonwealth or
12 other employer for active participants for current service which
13 are picked up by the employer.

14 * * *

15 "Participant." An active participant, inactive participant
16 or participant receiving distributions.

17 "Participant receiving distributions." A participant in the
18 plan who has commenced receiving distributions from his
19 individual investment account but who has not received a total
20 distribution of his vested interest in the account.

21 * * *

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

24 "Plan document." The documents created by the board under
25 section 5402 (relating to plan document) that contain the terms
26 and provisions of the plan and trust as established by the board
27 regarding the establishment, administration and investment of
28 the plan and trust.

29 "Previous State service." Service rendered as a State
30 employee prior to his most recent entrance in the system[.]

1 provided that the State employee was not a participant in the
2 plan, was not eligible to be an optional participant in the plan
3 under section 5301(b.1) (relating to mandatory and optional
4 membership in system and participation in plan) or was not
5 prohibited from being a participant under section 5301(c.1)
6 during such service.

7 * * *

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

16 * * *

17 "Retirement counselor." The State Employees' Retirement
18 System or State Employees' Defined Contribution Plan employee
19 whose duty it shall be to advise each employee of his rights and
20 duties as a member of the system or as a participant of the
21 plan.

22 "Salary deductions." The amounts certified by the board,
23 deducted from the compensation of an active member or active
24 participant, or the school service compensation of a multiple
25 service member who is an active member of the Public School
26 Employees' Retirement System, and paid into the fund or trust.

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

30 * * *

1 "Special vestee." An employee of The Pennsylvania State
2 University who is a member of the State Employees' Retirement
3 System with five or more but less than ten eligibility points
4 and who has a date of termination of service from The
5 Pennsylvania State University of June 30, 1997, because of the
6 transfer of his job position or duties to a controlled
7 organization of the Penn State Geisinger Health System or
8 because of the elimination of his job position or duties due to
9 the transfer of other job positions or duties to a controlled
10 organization of the Penn State Geisinger Health System, provided
11 that:

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

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

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

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

26 * * *

27 "State employee." Any person holding a State office or
28 position under the Commonwealth, employed by the State
29 Government of the Commonwealth, in any capacity whatsoever,
30 except an independent contractor or any person compensated on a

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

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

6 (ii) State-owned educational institutions.

7 (iii) Community colleges.

8 (iv) The Pennsylvania State University, except an
9 employee in the College of Agriculture who is paid wholly
10 from Federal funds or an employee who is participating in
11 the Federal Civil Service Retirement System. The
12 university shall be totally responsible for all employer
13 contributions under [section] sections 5507 (relating to
14 contributions to system by the Commonwealth and other
15 [employers).] employers before July 1, 2017) and 5507.1
16 (relating to contributions to system by the Commonwealth
17 and other employers starting July 1, 2017).

18 (2) The Pennsylvania Turnpike Commission, the Delaware
19 River Port Authority, the Port Authority Transit Corporation,
20 the Philadelphia Regional Port Authority, the Delaware River
21 Joint Toll Bridge Commission, the State Public School
22 Building Authority, The General State Authority, the State
23 Highway and Bridge Authority, the Delaware Valley Regional
24 Planning Commission, the Interstate Commission of the
25 Delaware River Basin, and the Susquehanna River Basin
26 Commission any time subsequent to its creation, provided the
27 commission or authority agrees to contribute and does
28 contribute to the fund or to the trust, from time to time,
29 the moneys required to build up the reserves necessary for
30 the payment of the annuities or other benefits of such

1 officers and employees without any liability on the part of
2 the Commonwealth to make appropriations for such purposes,
3 and provided in the case of employees of the Interstate
4 Commission of the Delaware River Basin, that the employee
5 shall have been a member of the system for at least ten years
6 prior to January 1, 1963.

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

20 * * *

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

25 "Superannuation age." For classes of service in the system
26 other than Class A-3 and Class A-4, any age upon accrual of 35
27 eligibility points or age 60, except for a member of the General
28 Assembly, an enforcement officer, a correction officer, a
29 psychiatric security aide, a Delaware River Port Authority
30 policeman or an officer of the Pennsylvania State Police, age

1 50, and, except for a member with Class G, Class H, Class I,
2 Class J, Class K, Class L, Class M or Class N service, age 55
3 upon accrual of 20 eligibility points. For Class A-3 and Class
4 A-4 service, any age upon attainment of a superannuation score
5 of 92, provided the member has accrued 35 eligibility points, or
6 age 65, or for park rangers or capitol police officers, age 55
7 with 20 years of service as a park ranger or capitol police
8 officer, except for a member of the General Assembly, an
9 enforcement officer, a correction officer, a psychiatric
10 security aide, a Delaware River Port Authority policeman or an
11 officer of the Pennsylvania State Police, age 55. A vestee with
12 Class A-3 or Class A-4 service credit attains superannuation age
13 on the birthday the vestee attains the age resulting in a
14 superannuation score of 92, provided that the vestee has at
15 least 35 eligibility points, or attains another applicable
16 superannuation age, whichever occurs first.

17 * * *

18 "Trust." The State Employees' Defined Contribution Trust
19 established under Chapter 54 (relating to State Employees'
20 Defined Contribution Plan).

21 * * *

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

25 * * *

26 "Voluntary contributions." Contributions made by a
27 participant to the trust in excess of his mandatory pickup
28 participant contributions either by salary deduction paid
29 through the employer or by an eligible rollover or direct
30 trustee-to-trustee transfer and credited to his individual

1 investment account.

2 Section 302. Section 5103 of Title 71 is amended to read:

3 § 5103. Notice to members and participants.

4 Notice by publication, including, without being limited to,
5 newsletters, newspapers, forms, first class mail, letters,
6 manuals and, to the extent authorized by a policy adopted by the
7 board, electronically, including, without being limited to, e-
8 mail or [World Wide Web] Internet sites, distributed or made
9 available to members and participants in a manner reasonably
10 calculated to give actual notice of those sections of the State
11 Employees' Retirement Code that require notice to members or
12 participants shall be deemed sufficient notice for all purposes.

13 Section 303. Title 71 is amended by adding a section to
14 read:

15 § 5104. Reference to State Employees' Retirement System.

16 (a) Construction.--As of the effective date of this section,
17 unless the context clearly indicates otherwise, any reference to
18 the State Employees' Retirement System in a statutory provision
19 other than this part and 24 Pa.C.S. Pt. IV (relating to
20 retirement for school employees) shall include a reference to
21 the State Employees' Defined Contribution Plan and any reference
22 to the State Employees' Retirement Fund shall include a
23 reference to the State Employees' Defined Contribution Trust.

24 (b) Agreement.--The agreement of an employer listed in the
25 definition of "State employee" under section 5102 (relating to
26 definitions) or any other law to make contributions to the State
27 Employees' Retirement Fund or to enroll its employees as members
28 in the State Employees' Retirement System shall be deemed to be
29 an agreement to make contributions to the State Employees'
30 Defined Contribution Trust or to enroll its employees in the

1 State Employees' Defined Contribution Plan.

2 Section 304. Section 5301 heading, (a), (b), (c) and (d) of
3 Title 71 are amended and the section is amended by adding
4 subsections to read:

5 § 5301. Mandatory and optional membership in system and
6 participation in plan.

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

- 10 (1) Governor.
- 11 (2) Lieutenant Governor.
- 12 (3) Members of the General Assembly.
- 13 (4) Heads or deputy heads of administrative departments.
- 14 (5) Members of any independent administrative board or
15 commission.
- 16 (6) Members of any departmental board or commission.
- 17 (7) Members of any advisory board or commission.
- 18 (8) Secretary to the Governor.
- 19 (9) Budget Secretary.
- 20 (10) Legislative employees.
- 21 (11) School employees who have elected membership in the
22 Public School Employees' Retirement System.
- 23 (12) School employees who have elected membership in an
24 independent retirement program approved by the employer,
25 provided that in no case, except as hereinafter provided,
26 shall the employer contribute on account of such elected
27 membership at a rate greater than the employer normal
28 contribution rate as determined in section 5508(b) (relating
29 to actuarial cost method for fiscal years ending before July
30 1, 2017). For the fiscal year 1986-1987 an employer may

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

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

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

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

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

27 (17) State employees whose first period of State service
28 starts on or after January 1, 2017.

29 (a.1) Mandatory participation in the plan.--State employees
30 listed in subsection (a) (17) who are not listed in subsection

(a)(1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11) and (13) shall be mandatory participants as of the first date of State service.

(b) Optional membership in the system.--The State employees listed in subsection (a)(1) through (11) shall have the right to elect membership in the system on or before December 31, 2016; once such election is exercised, membership shall continue until the termination of State service.

(b.1) (1) Optional participation in the plan.--The State employees listed in subsection (a)(17) who also are listed in subsection (a)(1) through (10) shall have the right to elect participation in the plan; once such election is exercised, participation will be effective as of the date of election and shall continue until the termination of State service. The State employees described in this paragraph shall not have the right to elect membership in the system.

(2) The State employees not listed in subsection (a)(17), who are listed in subsection (a)(1) through (10) and who are not members of the system because membership is optional, shall have the right to elect participation in the plan. Once such election is exercised, participation shall be effective as of the date of election and shall continue until termination of State service. The State employees described in this paragraph shall not have the right to elect membership in the system.

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

(c.1) Prohibited participation in the plan.--The State

employees listed in subsection (a)(17) who also are listed in subsection (a)(13) and (15) or who are employees of The Pennsylvania State University, the State System of Higher Education, State-owned educational institutions or community colleges shall not be eligible to participate in the plan.

(d) Return to service.--An annuitant who returns to service as a State employee shall resume active membership in the system as of the effective date of employment, except as otherwise provided in section 5706(a) (relating to termination of annuities), regardless of the optional membership category of the position. An inactive participant or a participant receiving distributions who returns to service as a State employee shall be an active participant of the plan as of the effective date of employment unless the position is eligible for optional participation or is not eligible for participation in the plan, or except as otherwise provided in section 5706(a).

* * *

Section 305. Section 5302(a), (b), (e) and (f) of Title 71 are amended to read:

§ 5302. Credited State service.

(a) Computation of credited service.--In computing credited State service of a member for the determination of benefits, a full-time salaried State employee, including any member of the General Assembly, shall receive credit for service in each period for which contributions as required are made to the fund, or for which contributions otherwise required for such service were not made to the fund solely by reason of section 5502.1 (relating to waiver of regular member contributions and Social Security integration member contributions) or any provision of this part relating to the limitations under IRC § 401(a)(17) or

1 415(b), but in no case shall he receive more than one year's
2 credit for any 12 consecutive months or 26 consecutive biweekly
3 pay periods. A per diem or hourly State employee shall receive
4 one year of credited service for each nonoverlapping period of
5 12 consecutive months or 26 consecutive biweekly pay periods in
6 which he is employed and for which contributions are made to the
7 fund or would have been made to the fund but for such waiver
8 under section 5502.1 or limitations under the IRC for at least
9 220 days or 1,650 hours of employment. If the member was
10 employed and contributions were made to the fund for less than
11 220 days or 1,650 hours, he shall be credited with a fractional
12 portion of a year determined by the ratio of the number of days
13 or hours of service actually rendered to 220 days or 1,650
14 hours, as the case may be. A part-time salaried employee shall
15 be credited with the fractional portion of the year which
16 corresponds to the number of hours or days of service actually
17 rendered and for which contributions are made to the fund in
18 relation to 1,650 hours or 220 days, as the case may be. In no
19 case shall a member who has elected multiple service receive an
20 aggregate in the two systems of more than one year of credited
21 service for any 12 consecutive months.

22 (b) Creditable leaves of absence.--

23 (1) A member on leave without pay who is studying under
24 a Federal grant approved by the head of his department or who
25 is engaged up to a maximum of two years of temporary service
26 with the United States Government, another state or a local
27 government under the Intergovernmental Personnel Act of 1970
28 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
29 be eligible for credit for such service: Provided, That
30 contributions are made in accordance with sections 5501

1 (relating to regular member contributions for current
2 service), 5501.1 (relating to shared-risk member
3 contributions for Class A-3 and Class A-4 service), 5505.1
4 (relating to additional member contributions) [and], 5507
5 (relating to contributions to system by the Commonwealth and
6 other employers before July 1, 2017) and 5507.1 (relating to
7 contributions to system by the Commonwealth and other
8 employers starting July 1, 2017), the member returns from
9 leave without pay to active State service as a member of the
10 system for a period of at least one year, and he is not
11 entitled to retirement benefits for such service under a
12 retirement system administered by any other governmental
13 agency.

14 (2) An active member or active participant on paid leave
15 granted by an employer for purposes of serving as an elected
16 full-time officer for a Statewide employee organization which
17 is a collective bargaining representative under the act of
18 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
19 and Firemen Collective Bargaining Act, or the act of July 23,
20 1970 (P.L.563, No.195), known as the Public Employe Relations
21 Act, and up to 14 full-time business agents appointed by an
22 employee organization that represents correction officers
23 employed at State correctional institutions: Provided, That
24 for elected full-time officers such leave shall not be for
25 more than three consecutive terms of the same office and for
26 up to 14 full-time business agents appointed by an employee
27 organization that represents correction officers employed at
28 State correctional institutions no more than three
29 consecutive terms of the same office; that the employer shall
30 fully compensate the member or the participant, including,

1 but not limited to, salary, wages, pension and retirement
2 contributions and benefits, other benefits and seniority, as
3 if he were in full-time active service; and that the
4 Statewide employee organization shall fully reimburse the
5 employer for all expenses and costs of such paid leave,
6 including, but not limited to, contributions and payment in
7 accordance with [sections] section 5404 (relating to
8 participant contributions), 5405 (relating to mandatory
9 pickup participant contributions), 5406 (relating to employer
10 defined contributions), 5501, 5501.1, 5505.1 [and], 5507 or
11 5507.1, if the employee organization either directly pays, or
12 reimburses the Commonwealth or other employer for,
13 contributions made in accordance with [section] sections
14 5404, 5405, 5406, 5507 and 5507.1.

15 * * *

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

29 (f) Credit for military service.--A State employee who has
30 performed USERRA leave may receive credit in the system or

1 participate in the plan as follows:

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

13 (1.1) State employees may not receive service credit in
14 the system or exercise the options under 51 Pa.C.S. § 7306
15 (relating to retirement rights) for military leaves that
16 begin on or after the effective date of this subsection,
17 except as otherwise provided by this subsection.

18 (1.2) State employees may not participate in the plan or
19 exercise the options under 51 Pa.C.S. § 7306 (relating to
20 retirement rights) for military leaves that begin on or after
21 the effective date of this paragraph, except as otherwise
22 provided by this subsection.

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

26 (i) A State employee who is reemployed from USERRA
27 leave as an active member of the system shall be treated
28 as not having incurred a break in State service by reason
29 of the USERRA leave and shall be granted eligibility
30 points as if the State employee had not been on the

1 USERRA leave. If a State employee who is reemployed from
2 USERRA leave as an active member of the system
3 subsequently makes regular member contributions,
4 additional member contributions, Social Security
5 integration member contributions, shared-risk member
6 contributions and any other member contributions in the
7 amounts and in the time periods required by 38 U.S.C. Ch.
8 43 (relating to employment and reemployment rights of
9 members of the uniformed services) and IRC § 414(u) as if
10 the State employee had continued in State office or
11 employment and performed State service and was
12 compensated during the period of USERRA leave, then the
13 State employee shall be granted State service credit for
14 the period of USERRA leave. The State employee shall have
15 the State employee's benefits, rights and obligations
16 determined under this part as if the State employee was
17 an active member who performed creditable State service
18 during the USERRA leave in the job position that the
19 State employee would have held had the State employee not
20 been on USERRA leave and received the compensation on
21 which the member contributions to receive State service
22 credit for the USERRA leave were determined.

23 (ii) For purposes of determining whether a State
24 employee has made the required employee contributions for
25 State service credit for USERRA leave, if an employee who
26 is reemployed from USERRA leave as an active member of
27 the system terminates State service or dies in State
28 service before the expiration of the allowed payment
29 period, then State service credit for the USERRA leave
30 will be granted as if the required member contributions

1 were paid the day before termination or death. The amount
2 of the required member contributions will be treated as
3 an incomplete payment subject to the provisions of
4 section 5506 (relating to incomplete payments). Upon a
5 subsequent return to State service or to school service
6 as a multiple service member, the required member
7 contributions treated as incomplete payments shall be
8 treated as member contributions that were either
9 withdrawn in a lump sum at termination or paid as a lump
10 sum pursuant to section 5705(a)(4) (relating to member's
11 options), as the case may be.

12 (iii) A State employee who is reemployed from USERRA
13 leave as an active member of the system who does not make
14 the required member contributions or makes only part of
15 the required member contributions within the allowed
16 payment period shall not be granted credited service for
17 the period of USERRA leave for which the required member
18 contributions were not timely made, shall not be eligible
19 to subsequently make contributions and shall not be
20 granted either State service credit or nonstate service
21 credit for the period of USERRA leave for which the
22 required member contributions were not timely made.

23 (2.1) The following shall apply:

24 (i) A participant who is reemployed from USERRA
25 leave shall be treated as not having incurred a break in
26 State service by reason of the USERRA leave and shall be
27 granted vesting credit as if the participant had not been
28 on USERRA leave. If a participant who is reemployed from
29 USERRA leave subsequently makes mandatory pickup
30 participant contributions in the amounts and in the time

1 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
2 if the participant had continued in his State office or
3 employment and performed State service and been
4 compensated during the period of USERRA leave, the
5 participant's employer shall make the corresponding
6 employer defined contributions. Such an employee shall
7 have his contributions, benefits, rights and obligations
8 determined under this part as if he were an active
9 participant who performed State service during the USERRA
10 leave in the job position that he would have held had he
11 not been on USERRA leave and received the compensation on
12 which the mandatory pickup participant contributions to
13 receive State service credit for the USERRA leave were
14 determined, including the right to make voluntary
15 contributions on such compensation as permitted by law.

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

25 (3) A State employee who is a member of the system and
26 performs USERRA leave from which the employee could have been
27 reemployed from USERRA leave had the State employee returned
28 to State service in the time frames required by 38 U.S.C. Ch.
29 43 for reemployment rights, but did not do so, shall be able
30 to receive creditable nonstate service as nonintervening

1 military service for the period of USERRA leave should the
2 employee later return to State service as an active member of
3 the system and is otherwise eligible to purchase the service
4 as nonintervening military service.

5 (3.1) A State employee who is a participant in the plan
6 and performs USERRA leave from which the employee could have
7 been reemployed from USERRA leave had the employee returned
8 to State service in the time frames required by 38 U.S.C. Ch.
9 43 for reemployment rights, but was not reemployed, shall not
10 be eligible to make mandatory pickup participant
11 contributions or voluntary contributions for the period of
12 USERRA leave should the employee later return to State
13 service and be a participant in the plan.

14 (4) [A State employee] An active member or inactive
15 member on leave without pay who on or after the effective
16 date of this subsection is granted a leave of absence under
17 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
18 government employees) or a military leave under 51 Pa.C.S.
19 Ch. 73, that is not USERRA leave shall be able to receive
20 creditable nonstate service as nonintervening military
21 service should the employee return to State service as an
22 active member of the system and is otherwise eligible to
23 purchase the service as nonintervening military service.

24 (4.1) An active participant or inactive participant on
25 leave without pay who, on or after the effective date of this
26 paragraph, is granted a leave of absence under 51 Pa.C.S. §
27 4102 or a military leave under 51 Pa.C.S. Ch.73 that is not
28 USERRA leave shall not be able to make mandatory pickup
29 participant contributions or voluntary contributions during
30 or for the leave of absence or military leave and shall not

1 have employer defined contributions made during such leave,
2 without regard to whether or not the State employee received
3 salary, wages, stipends, differential wage payments or other
4 payments from his employer during the leave, notwithstanding
5 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
6 Pa.C.S. Ch. 73.

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

14 (5.1) If a participant dies while performing USERRA
15 leave, the beneficiaries or successor payees of the deceased
16 participant are entitled to any additional benefits, other
17 than benefit accruals relating to the period of qualified
18 military service, provided under this part had the
19 participant resumed and terminated employment on account of
20 death.

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

under this part.

Section 306. Sections 5303(b)(2), (d)(1), (e)(1) and (4), 5303.2(a) and (e) and 5304(a) and (b) of Title 71 are amended to read:

§ 5303. Retention and reinstatement of service credits.

* * *

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

* * *

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

* * *

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

(1) Any person who was an employee of any county in this Commonwealth on the personal staff of an appellate court judge prior to September 9, 1985, and who had that employment transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703 (relating to local chamber facilities) shall be a member of the system for all service rendered as an employee of the Commonwealth on the personal staff of an appellate court judge subsequent to the date of the transfer unless specifically prohibited pursuant to section 5301(c) (relating

1 to mandatory and optional membership in system and
2 participation in plan). The employee shall be entitled to
3 have any prior service credit in that county or other
4 municipal pension plan or retirement system transferred to
5 the system and deemed to be State service for all purposes
6 under this part. However, for those employees who were in
7 continuous county employment which commenced prior to July
8 22, 1983, section 5505.1 shall not apply. The transfer of
9 prior service credit to the system shall occur upon the
10 transfer, by the member, county or other municipal pension
11 plan or retirement system, to the system of the amount of
12 accumulated member contributions, pick-up contributions and
13 credited interest standing in the employee's county or
14 municipal pension plan or retirement system account as of the
15 date that these funds are transferred to the system. In the
16 event that these funds have been refunded to the member, the
17 transfer of service credit shall occur when the member
18 transfers an amount equal to either the refund which the
19 member received from the county or municipal pension plan or
20 retirement system or the amount due under section 5504, if
21 less. In the case of a transfer by the member, the transfer
22 shall occur by December 31, 1987, in order for the member to
23 receive credit for the prior service. In the case of a
24 transfer by the county or other municipal pension plan or
25 retirement system, the transfer shall also occur by December
26 31, 1987. If the amount transferred to the system by the
27 member of a county or municipal pension plan or retirement
28 system is greater than the amount that would have accumulated
29 in the member's account if the employee had been a member of
30 the system, all excess funds shall be returned to the

employee within 90 days of the date on which such funds are credited to the member's account in the system. Within 60 days of receipt of written notice that an employee has elected to transfer credits under the provisions of this subsection, the county or other municipal pension plans or retirement systems shall be required to transfer to the system an amount, excluding contributions due under section 5504(a), equal to the liability of the prior service in accordance with county or other municipal pension plan or retirement system benefit provisions, multiplied by the ratio of system actuarial value of assets for active members to the system actuarial accrued liability for active members. The Public Employee Retirement Study Commission shall determine the appropriate amount of employer contributions to be transferred to the system by the county or other municipal pension plans or retirement systems.

* * *

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

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

1 * * *

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

10 * * *

11 § 5303.2. Election to convert school service to State service.

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

Public School Employees' Retirement System from July 1, 1999, to the date of transfer to the system.

* * *

(e) Transfer.--Within 180 days after the effective date of this subsection, the Public School Employees' Retirement System shall transfer to the board for each member electing to convert under this section the accumulated member contributions and statutory interest credited in the Public School Employees' Retirement System, plus an amount equal to the value of all annual employer contributions made to the Public School Employees' Retirement System with interest at the annual rate adopted by the board for the calculation of the normal contribution rate under section 5508(b) (relating to actuarial cost method for fiscal years ending before July 1, 2017), from the date of each contribution to the date of the transfer of the funds to the board. Any debt owed by a member to the Public School Employees' Retirement System for whatever reason shall be transferred to the system and shall be paid in a manner and in accordance with conditions prescribed by the board.

* * *

§ 5304. Creditable nonstate service.

(a) Eligibility.--

(1) An active member who first becomes an active member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly, or a multiple service member who first becomes an active member before January 1, 2011, or before December 1, 2010, as a member of the General Assembly, and who is a school employee and an active member of the Public School Employees' Retirement System shall be eligible for Class A service credit for creditable nonstate service as

1 set forth in subsections (b) and (c) except that intervening
2 military service shall be credited in the class of service
3 for which the member was eligible at the time of entering
4 into military service and for which he makes the required
5 contributions to the fund and except that a multiple service
6 member who is a school employee and an active member of the
7 Public School Employees' Retirement System shall not be
8 eligible to purchase service credit for creditable nonstate
9 service set forth in subsection (c) (5).

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

27 * * *

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

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

15 * * *

16 Section 307. Section 5305(b) introductory paragraph and (3)
17 of Title 71, amended December 28, 2015 (P.L.529, No.93), are
18 amended to read:

19 § 5305. Social security integration credits.

20 * * *

21 (b) Accrual of subsequent credits.--Any active member who
22 has social security integration accumulated deductions to his
23 credit or is receiving a benefit on account of social security
24 integration credits may accrue one social security integration
25 credit for each year of service as a State employee on or
26 subsequent to March 1, 1974 and a fractional credit for a
27 corresponding fractional year of service provided that
28 contributions are made to the fund, or would have been made to
29 the fund but for section 5502.1 (relating to waiver of regular
30 member contributions and Social Security integration member

1 contributions) or the limitations under IRC § 401(a)(17) or 415,
2 except as otherwise provided in this part, in accordance with
3 section 5502 (relating to Social Security integration member
4 contributions), and he:

5 * * *

6 (3) terminates his status as a vestee or an annuitant
7 and returns to State service as an active member of the
8 system.

9 * * *

10 Section 308. Section 5305.1 of Title 71 is amended to read:
11 § 5305.1. Eligibility for actuarial increase factor.

12 A person who is:

13 (1) an active member;

14 (2) an inactive member on leave without pay; [or]

15 (3) a multiple service member who is a school employee
16 and an active member of the Public School Employees'
17 Retirement System; or

18 (4) a combined service employee who is an active
19 participant or inactive participant on leave without pay;

20 who terminates State service or school service, as the case may
21 be, after attaining age 70 and who applies for a superannuation
22 annuity with an effective date of retirement the day after the
23 date of termination of State service or school service shall
24 have that person's maximum single life annuity calculated
25 pursuant to section 5702(a.1) (relating to maximum single life
26 annuity).

27 Section 309. Section 5306(a), (a.1)(2) and (6), (a.2)(1) and
28 (2) and (b) of Title 71 are amended and the section is amended
29 by adding a subsection to read:

30 § 5306. Classes of service.

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

2 (1) A State employee who is a member of Class A on the
3 effective date of this part or who first becomes a member of
4 the system subsequent to the effective date of this part and
5 before January 1, 2011, or before December 1, 2010, as a
6 member of the General Assembly, shall be classified as a
7 Class A member and receive credit for Class A service upon
8 payment of regular and additional member contributions for
9 Class A service, provided that the State employee does not
10 become a member of Class AA pursuant to subsection (a.1)
11 [or], a member of Class D-4 pursuant to subsection (a.2) or a
12 participant in the plan.

13 (2) A State employee who first becomes a member of the
14 system on or after January 1, 2011, or on or after December
15 1, 2010, as a member of the General Assembly, shall be
16 classified as a Class A-3 member and receive credit for Class
17 A-3 service upon payment of regular member contributions and
18 shared-risk member contributions for Class A-3 service
19 provided that the State employee does not become a member of
20 Class A-4 pursuant to subsection (a.3), except that a member
21 of the judiciary shall be classified as a member of such
22 other class of service for which the member of the judiciary
23 is eligible, shall elect and make regular member
24 contributions[.], and further provided that the State
25 employee does not become a participant in the plan or is not
26 eligible to be an optional participant of the plan under
27 section 5301 (relating to mandatory and optional membership
28 in system and participation in plan).

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

30 * * *

1 (2) A person who is a State employee on June 30, 2001,
2 and July 1, 2001, but is not an active member of the system
3 because membership in the system is optional or prohibited
4 pursuant to section 5301 [(relating to mandatory and optional
5 membership)] and who first becomes an active member after
6 June 30, 2001, and before January 1, 2011, or before December
7 1, 2010, as a member of the General Assembly, and who is not
8 a State police officer and not employed in a position for
9 which a class of service other than Class A is credited or
10 could be elected shall be classified as a Class AA member and
11 receive credit for Class AA State service upon payment of
12 regular member contributions for Class AA service and,
13 subject to the limitations contained in paragraph (7), if
14 previously a member of Class A or previously employed in a
15 position for which Class A service could have been earned,
16 shall have all Class A State service (other than State
17 service performed as a State [Police] police officer or for
18 which a class of service other than Class A was earned or
19 could have been elected) classified as Class AA service.

20 * * *

21 (6) A State employee who after June 30, 2001, becomes a
22 State police officer or who is employed in a position in
23 which the member could elect membership in the system in a
24 class of service other than Class AA or Class D-4 shall
25 retain any Class AA service credited prior to becoming a
26 State police officer or being so employed but shall be
27 ineligible to receive Class AA credit thereafter and instead
28 shall receive Class A credit for service as a member of the
29 judiciary if such judicial service begins before January 1,
30 2017, or if he first became a member before January 1, 2011,

1 or December 1, 2010, as a member of the General Assembly, or
2 Class A-3 credit for service other than as a member of the
3 judiciary if such nonjudicial service begins before January
4 1, 2017, and he first became a member on or after January 1,
5 2011, or December 1, 2010, as a member of the General
6 Assembly, unless a class of membership other than Class A is
7 elected.

8 * * *

9 (a.2) Class of membership for members of the General
10 Assembly.--

11 (1) A person who:

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

15 (ii) is a member of the General Assembly on July 1,
16 2001, but is not an active member of the system because
17 membership in the system is optional pursuant to section
18 5301 and who becomes an active member after June 30,
19 2001, and before December 1, 2010;

20 and who was not a State police officer on or after July 1,
21 1989, shall be classified as a Class D-4 member and receive
22 credit as a Class D-4 member for all State service as a
23 member of the system performed as a member of the General
24 Assembly upon payment of regular member contributions for
25 Class D-4 service and, subject to the limitations contained
26 in subsection (a.1)(7), if previously a member of Class A or
27 employed in a position for which Class A service could have
28 been earned, shall receive Class AA service credit for all
29 Class A State service, other than State service performed as
30 a State police officer or for which a class of service other

1 than Class A or Class D-4 was or could have been elected or
2 credited.

3 (2) Provided an election to become a Class D-4 member is
4 made pursuant to section 5306.2 (relating to elections by
5 members of the General Assembly), a State employee who was
6 not a State police officer on or after July 1, 1989, who on
7 July 1, 2001, is a member of the General Assembly and an
8 active member of the system and not a member of Class D-3
9 shall be classified as a Class D-4 member and receive credit
10 as a Class D-4 member for all State service as a member of
11 the system performed as a member of the General Assembly not
12 credited as another class other than Class A upon payment of
13 regular member contributions for Class D-4 service and,
14 subject to the limitations contained in paragraph (a.1)(7),
15 shall receive Class AA service credit for all Class A State
16 service, other than State service performed as a State police
17 officer or as a State employee in a position in which the
18 member could have elected a class of service other than Class
19 A, performed before July 1, 2001.

20 * * *

21 (b) Other class membership.--

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

28 (2) Notwithstanding any other provision of this section,
29 a State employee who is appointed bail commissioner of the
30 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)

(relating to jurisdiction and venue) and is eligible to be a member of the system as a bail commissioner may, within 30 days of the effective date of this sentence or within 30 days of his initial appointment as a bail commissioner, whichever is later, elect Class E-2 service credit for service performed as a bail commissioner. This class of service multiplier for E-2 service as a bail commissioner shall be 1.5.

* * *

(e) Ineligibility for active membership and classes of service.--An individual who is a State employee on January 1, 2017, but is not a member of the system or who first becomes a State employee on or after January 1, 2017, shall be ineligible for active membership in the system or the several classes of State service as otherwise provided for under this section. Any such State employee, if eligible, may be a participant in the plan as a result of such State service.

Section 310. Sections 5306.3(c) and 5307 of Title 71 are amended to read:

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

* * *

(c) Effect of election.--An election to become a Class A-4 member shall be irrevocable and shall become effective on the effective date of membership in the system and shall remain in effect for all future [creditable] State service creditable in the system, other than service performed as a member of the judiciary. Payment of regular member contributions for Class A-4 State service performed prior to the election of Class A-4 membership shall be made in a form, manner and time determined by the board. Upon termination and a subsequent reemployment, a

1 member who elected Class A-4 membership shall be credited as a
2 Class A-4 member for creditable State service performed after
3 reemployment, except as a member of the judiciary, regardless of
4 termination of employment, termination of membership by
5 withdrawal of accumulated deductions or status as an annuitant,
6 vestee or inactive member after the termination of service.

7 * * *

8 § 5307. Eligibility points.

9 (a) General rule.--An active member of the system shall
10 accrue one eligibility point for each year of credited service
11 as a member of the State or the Public School Employees'
12 Retirement System. A member shall accrue an additional two-
13 thirds of an eligibility point for each year of Class D-3
14 credited service. In the case of a fractional part of a year of
15 credited service, a member shall accrue the corresponding
16 fractional portion of eligibility points to which the class of
17 service entitles him.

18 (a.1) USERRA leave.--A member of the system who is
19 reemployed from USERRA leave or who dies while performing USERRA
20 leave shall be granted the eligibility points that he would have
21 accrued had he continued in his State office or employment
22 instead of performing USERRA leave. In the event that a State
23 employee who is reemployed from USERRA leave makes the member
24 contributions to be granted State service credit for the USERRA
25 leave, no additional eligibility points will be granted.

26 (b) Transitional rule.--

27 (1) In determining whether a member who is not a State
28 employee or school employee on June 30, 2001, and July 1,
29 2001, and who has previous State service (except a disability
30 annuitant who returns to State service after June 30, 2001,

1 upon termination of the disability annuity) has the five
2 eligibility points required by sections 5102 (relating to
3 definitions), 5308(b) (relating to eligibility for
4 annuities), 5309 (relating to eligibility for vesting),
5 5704(b) (relating to disability annuities) and 5705(a)
6 (relating to member's options), only eligibility points
7 earned by performing credited State service as an active
8 member of the system, USERRA leave or credited school service
9 as an active member of the Public School Employees'
10 Retirement System after June 30, 2001, shall be counted until
11 such member earns one eligibility point by performing
12 credited State service or credited school service after June
13 30, 2001, at which time all eligibility points as determined
14 pursuant to subsection (a) shall be counted.

15 (2) Any member to whom paragraph (1) applies shall be
16 considered to have satisfied any requirement for five
17 eligibility points contained in this part if the member:

18 (i) has ten or more eligibility points as determined
19 pursuant to subsection (a); or

20 (ii) has Class G, Class H, Class I, Class J, Class
21 L, Class M or Class N service and has eight or more
22 eligibility points as determined pursuant to subsection
23 (a).

24 (c) Transitional rule for combined service employees.--In
25 determining whether a combined service employee has the five
26 eligibility points required by sections 5102, 5308(b)(1),
27 5309(1) and 5705(a) or the ten eligibility points required by
28 sections 5102, 5308(b)(2), 5309(2) and 5705(a), any such
29 combined service employee shall be considered to have satisfied
30 any requirement for five or ten eligibility points, as the case

1 may be, if the combined service employee does not terminate
2 State service for three or more years after the effective date
3 of participation in the plan.

4 Section 311. Section 5308 of Title 71, amended December 28,
5 2015 (P.L.529, No.93), is amended to read:

6 § 5308. Eligibility for annuities.

7 (a) Superannuation annuity.--Attainment of superannuation
8 age by an active member [or], an inactive member on leave
9 without pay or a combined service employee who is an active
10 participant or inactive participant on leave without pay with
11 three or more eligibility points other than eligibility points
12 resulting from nonstate service or nonschool service shall
13 entitle him to receive a superannuation annuity upon termination
14 of State service and compliance with section 5907(f) (relating
15 to rights and duties of State employees [and], members and
16 participants).

17 (b) Withdrawal annuity.--

18 (1) Any vestee or any active member [or], inactive
19 member on leave without pay or a combined service employee
20 who is an active participant or inactive participant on leave
21 without pay who terminates State service having five or more
22 eligibility points and who does not have Class A-3 or Class
23 A-4 service credit or Class T-E or Class T-F service credit
24 in the Public School Employees' Retirement System, or who has
25 Class G, Class H, Class I, Class J, Class K, Class L, Class M
26 or Class N service and terminates State service having five
27 or more eligibility points, upon compliance with section
28 5907(f), (g) or (h) shall be entitled to receive an annuity.

29 (2) Any vestee, active member [or], inactive member on
30 leave without pay or a combined service employee who is an

1 active participant or inactive participant on leave without
2 pay who has Class A-3 or Class A-4 service credit or Class T-
3 E or Class T-F service credit in the Public School Employees'
4 Retirement System who terminates State service having ten or
5 more eligibility points, upon compliance with section
6 5907(f), (g) or (h), shall be entitled to receive an annuity.

7 (3) Any vestee, active member [or], inactive member on
8 leave without pay or a combined service employee who is an
9 active participant or inactive participant on leave without
10 pay who has either Class A-3 or Class A-4 service credit or
11 Class T-E or Class T-F service credit in the Public School
12 Employees' Retirement System and also has service credited in
13 the system in one or more other classes of service who has
14 five or more, but fewer than ten, eligibility points, upon
15 compliance with section 5907(f), (g) or (h), shall be
16 eligible to receive an annuity calculated on his service
17 credited in classes of service other than Class A-3 or Class
18 A-4, provided that the member has five or more eligibility
19 points resulting from service in classes other than Class A-3
20 or Class A-4 or Class T-E or Class T-F service in the Public
21 School Employees' Retirement System.

22 (c) Disability annuity.--An active member or inactive member
23 on leave without pay who has five or more eligibility points
24 other than eligibility points resulting from membership in the
25 Public School Employees' Retirement System or any active member
26 or inactive member on leave without pay who is an officer of the
27 Pennsylvania State Police or an enforcement officer shall, upon
28 compliance with section 5907(k), be entitled to a disability
29 annuity if he becomes mentally or physically incapable of
30 continuing to perform the duties for which he is employed and

qualifies in accordance with the provisions of section 5905(c)
(1) (relating to duties of the board regarding applications and
elections of members and participants).

(d) Required beginning date.--Members eligible for an
annuity must commence receiving the annuity by the member's
required beginning date.

(e) Eligibility of combined service employees for
superannuation annuity.--A combined service employee is deemed
to have satisfied the requirement of three or more years of
credited State or school service under subsection (a) if the
combined service employee does not terminate State service
before three years after the effective date of participation in
the plan. Nothing in this subsection amends or waives any other
requirement to be eligible for a superannuation annuity.

Section 312. Section 5308.1 of Title 71 is amended to read:
§ 5308.1. Eligibility for special early retirement.

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

(1) During the period of July 1, 1985, to September 30,
1991, an active member who has attained the age of at least
53 years and has accrued at least 30 eligibility points shall
be entitled, upon termination of State service and compliance
with section 5907(f) (relating to rights and duties of State
employees [and], members and participants), to receive a
maximum single life annuity calculated under section 5702
(relating to maximum single life annuity) without a reduction
by virtue of an effective date of retirement which is under
the superannuation age.

* * *

Section 313. Section 5311(a) of Title 71, amended December 28, 2015 (P.L.529, No.93). is amended to read:

§ 5311. Eligibility for refunds.

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

* * *

Section 314. Title 71 is amended by adding a chapter to read:

CHAPTER 54

STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

Sec.

5401. Establishment.

5402. Plan document.

5403. Individual investment accounts.

5404. Participant contributions.

5405. Mandatory pickup participant contributions.

5406. Employer defined contributions.

5407. Eligibility for benefits.

5408. Death benefits.

5409. Vesting.

5410. Termination of distributions.

5411. Agreements with financial institutions and other organizations.

5411.1 Annuitization.

5412. Powers and duties of board.

5413. Responsibility for investment loss.

5414. Investments based on participants' investment allocation choices.

1 5415. Expenses.

2 5416. (Reserved).

3 5417. Required distributions.

4 § 5401. Establishment.

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

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

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

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

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

19 § 5402. Plan document.

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

1 indicates otherwise.

2 § 5403. Individual investment accounts.

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

15 § 5404. Participant contributions.

16 (a) Mandatory contributions.--Each participant shall make
17 mandatory pickup participant contributions through payroll
18 deductions to the participant's individual investment account
19 equal to 7% of compensation for current State service. The
20 employer shall cause such contributions for current service to
21 be made and deducted from each payroll or on such schedule as
22 established by the board.

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

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

8 § 5405. Mandatory pickup participant contributions.

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

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

24 § 5406. Employer defined contributions.

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

30 (b) Contributions resulting from participants reemployed

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

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

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

1 or other form of payment from a provider retained by the board
2 for such purposes.

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

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

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

16 (e) Small individual investment accounts.--

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

22 (2) The board may also provide in the plan document
23 that, notwithstanding subsection (f), a participant whose
24 vested accumulated employer defined contributions are below
25 the thresholds established by the board may receive those
26 distributions without the obligation to purchase an annuity.
27 The threshold may be established as a dollar amount, an
28 annuity amount, in some other form individually or in
29 combination as the board determines.

30 (f) Requirement to purchase partial annuity.--Except as

prohibited by the IRC or as otherwise provided in this part, a participant who is eligible and elects to receive a distribution or vested accumulated employer defined contributions shall be required to purchase at least a partial payout as a life annuity with that distribution from an annuity provider contracted by the board under section 5408(c) (relating to death benefits) and under such conditions as provided in the plan document. The conditions may include that the board is authorized to make the distribution directly to the annuity provider.

(g) 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.

§ 5408. Death benefits.

(a) General rule.--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) Death of participant receiving distributions.--In the event of the death of a participant receiving distributions, 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 or, if the board has established alternative methods of distribution in the plan document under which the participant was receiving distributions, to the participant's beneficiary or successor payee, as the case may be, as provided in the plan document.

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

6 § 5409. Vesting.

7 (a) Participant and voluntary contributions.--Subject to the
8 forfeiture and attachment provisions of section 5953 (relating
9 to taxation, attachment and assignment of funds) or otherwise as
10 provided by law, a participant shall be vested with respect to
11 all mandatory pickup participant contributions and voluntary
12 contributions paid by or on behalf of the participant to the
13 trust in addition to interest and investment gains or losses on
14 the participant contributions, but not including investment fees
15 and administrative charges.

16 (b) Employer contributions.--Subject to the forfeiture and
17 attachment provisions of section 5953 or otherwise as provided
18 by law, a participant shall be vested with respect to employer-
19 defined contributions paid to the participant's individual
20 investment account in the trust and earnings on the employer
21 contributions, but minus losses and a proportionate share of
22 investment fees and administrative charges, according to the
23 following schedule:

24 (1) During the first year of State service as a
25 participant in the plan, 0%.

26 (2) At the first year until the second year of State
27 service as a participant in the plan, 25%.

28 (3) At the second year until the third year of State
29 service as a participant in the plan, 50%.

30 (4) At the third year until the fourth year of State

1 service as a participant in the plan, 75%.

2 (5) At and after the fourth year of State service as a
3 participant in the plan, 100%.

4 (c) Plan document.--The board shall establish, in the plan
5 document created by the board under section 5402 (relating to
6 plan document), the following:

7 (1) How the required time periods of State service in
8 the plan are determined and calculated.

9 (2) The effect of periods that State employees spend on
10 unpaid leave on the determination of a participant's vested
11 status in the plan.

12 (3) The effect of termination of State service or
13 distributions from the plan on a participant's vested status
14 in the plan.

15 (4) Other terms and conditions for the implementation
16 and administration of this section.

17 (d) Nonvested employer-defined contributions.--Nonvested
18 employer-defined contributions, including earnings and losses on
19 the employer contributions, that are not distributable to a
20 participant who has not fully vested are credited to the
21 participant's most recent employer's future obligations assessed
22 under section 5509 (relating to appropriations and assessments
23 by the Commonwealth).

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

29 § 5410. Termination of distributions.

30 (a) Return to State service.--A participant receiving

distributions or an inactive participant who returns to State service shall cease receiving distributions and shall not be eligible to receive distributions until the participant subsequently terminates State service, without regard to whether the participant is a mandatory, optional or prohibited member of the system or participant in the plan. This subsection shall not apply to a distribution of accumulated employer defined contributions or other distributions that the participant has received and used to purchase an annuity from a provider contracted by the board.

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

§ 5411. Agreements with financial institutions and other organizations.

(a) Authority to enter into agreements.--To establish and administer the State Employees' Defined Contribution Plan, the board shall have the power to enter into written agreements with

one or more financial institutions or other organizations
relating to the plan's administration and investment of funds
held pursuant to the plan.

(b) Agreement terms and considerations.--Under the plan, the
board shall enter into an agreement to provide fully bundled
retirement plan investment, plan administration and services to
employees who participate in the plan. The agreement shall
provide for appropriate long-term retirement-oriented
investments and shall include either fixed or variable deferred
annuities, or a combination thereof. In determining the
financial institution or other organization with which the board
shall enter into an agreement, the board shall consider all of
the following:

(1) The financial stability of the financial institution
or other organization and the ability of the financial
institution or other organization to provide the contracted
rights and benefits to participants.

(2) The cost of the investments, plan administration and
services to the participants.

(3) The experience of the financial institution or other
organization in providing defined contribution retirement
plans in lieu of defined benefit plan participation to
employees or as part of employee hybrid retirement plans.

(4) The experience of the financial institution or other
organization in paying retirement income to employees.

(5) The experience of the financial institution or other
organization in providing plan education, counseling and
advice to participants in employee retirement plans that are
offered in lieu of defined benefit plan participation or as
part of employee hybrid retirement plans.

1 (c) Advice to participants.--The plan shall provide
2 education, counseling, and objective participant-specific plan
3 advice to participants.

4 § 5411.1. Annuitization.

5 The plan shall include the requirement that any disbursement
6 of the accumulated assets in an individual investment account
7 made after the participant reaches 55 years of age must include
8 at least partial payout as a life annuity. The board shall
9 determine the minimum annuity amount. The plan shall offer
10 participants a menu of lifetime annuity options, either fixed or
11 variable, or a combination of both.

12 § 5412. Powers and duties of board.

13 The board shall have the following powers and duties to
14 establish the plan and trust and administer the provisions of
15 this chapter and part:

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

18 (2) The board shall pay all administrative fees, costs
19 and expenses of managing, investing and administering the
20 plan, the trust and the individual investment accounts from
21 the balance of such individual investment accounts except as
22 may be provided otherwise by law.

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

26 (3.1) The board shall include default investment options
27 and strategies to include predetermined investment portfolio
28 options that shall be constructed to reflect different risk
29 profiles and shall be constructed to automatically reallocate
30 and rebalance contributions as a participant ages. The plan

1 may permit participants to construct their own investment
2 portfolios using some or all of the investment options
3 comprising the default solutions.

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

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

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

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

18 (8) The board may allow a former participant to maintain
19 his individual investment account within the plan.

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

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

24 (11) The board shall determine what constitutes a
25 termination of State service.

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

29 (13) The board shall have the power to establish
30 procedures in the plan document or to promulgate rules and

1 regulations as it deems necessary for the administration and
2 management of the plan, including, but not limited to,
3 establishing:

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

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

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

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

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

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

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

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

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

13 (17) The provisions and restrictions of the act of July
14 2, 2010 (P.L.266, No.44), known as the Protecting
15 Pennsylvania's Investments Act, shall not apply to the plan
16 or trust or the investments thereof, but the board is
17 authorized to offer to the plan participants investment
18 vehicles that would be permitted under the Protecting
19 Pennsylvania's Investments Act.

20 § 5413. Responsibility for investment loss.

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

27 § 5414. Investments based on participants' investment
28 allocation choices.

29 (a) General rule.--All contributions, interest and
30 investment earnings shall be invested based on the participant's

investment allocation choices. All investment allocation choices shall be credited proportionally between participant contributions and employer defined contributions. Each participant shall be credited individually with the amount of contributions, interest and investment earnings.

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

§ 5415. Expenses.

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

§ 5416. (Reserved).

§ 5417. Required distributions.

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

Section 315. Section 5501.1(b) (7) and (8) of Title 71 are amended and the subsection is amended by adding a paragraph to read:

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

* * *

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

* * *

(7) For any fiscal year in which the actual contributions by the Commonwealth or an employer are lower than those required to be made under section 5507(d) [(relating to contributions by the Commonwealth and other employers)] (relating to contributions to system by the Commonwealth and other employers before July 1, 2017) or 5507.1 (relating to contributions to system by the Commonwealth and other employers starting July 1, 2017), the prospective shared-risk contribution rate for those employees whose employers are not making the contributions required by section 5507(d) shall be zero and shall not subsequently be increased, except as otherwise provided in this section.

(8) If the actuary certifies that the accrued liability contributions calculated in accordance with the actuarial cost method provided in [section 5508(b)] section 5508 (relating to actuarial cost method for fiscal years ending before July 1, 2017) or 5508.1 (relating to actuarial cost method for fiscal years beginning July 1, 2017, or later), as adjusted by the experience adjustment factor, are zero or less, then the shared-risk contribution rate for the next fiscal year shall be zero and shall not subsequently be increased, except as otherwise provided in this section.

1 (9) For periods commencing on or after July 1, 2017, the
2 determination of shared-risk member contribution rate shall
3 be based on the annual interest rate adopted by the board for
4 the calculation of the accrued liability contribution rate
5 under section 5508.1(c).

6 Section 316. The definition of "actuarially required
7 contribution rate" in section 5501.2 of Title 71 is amended to
8 read:

9 § 5501.2. Definitions.

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

13 "Actuarially required contribution rate." The employer
14 contribution rate as calculated pursuant to section 5508(a),
15 (b), (c), (e) and (f) (relating to actuarial cost method for
16 fiscal years ending before July 1, 2017) or 5508.1(a), (b), (c),
17 (e) and (f) (relating to actuarial cost method for fiscal years
18 beginning July 1, 2017, or later).

19 * * *

20 Section 317. Section 5502 of Title 71, amended December 28,
21 2015 (P.L.529, No.93), is amended to read:

22 § 5502. Social Security integration member contributions.

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

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

13 Section 318. Section 5503.1(a) of Title 71 is amended to
14 read:

15 § 5503.1. Pickup contributions.

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

28 * * *

29 Section 319. Section 5504(a)(1), (a.1) and (b) of Title 71,
30 amended December 28, 2015 (P.L.529, No.93), are amended to read:

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

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

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

* * *

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

(b) Certification and method of payment.--The amount payable

1 shall be certified in each case by the board in accordance with
2 methods approved by the actuary and shall be paid in a lump sum
3 within 30 days or in the case of an active member or eligible
4 school employee who is an active member of the Public School
5 Employees' Retirement System may be amortized with statutory
6 interest through salary deductions to the system in amounts
7 agreed upon by the member and the board. The salary deduction
8 amortization plans agreed to by members and the board may
9 include a deferral of payment amounts and statutory interest
10 until the termination of school service or State service or
11 beginning service as a participant as the board in its sole
12 discretion decides to allow. The board may limit the salary
13 deduction amortization plans to such terms as the board in its
14 sole discretion determines. In the case of an eligible school
15 employee who is an active member of the Public School Employees'
16 Retirement System, the agreed upon salary deductions shall be
17 remitted to the Public School Employees' Retirement Board, which
18 shall certify and transfer to the board the amounts paid.

19 Section 320. Sections 5505(b)(1), (c), (d) and (i)(4) and
20 5505.1 of Title 71 are amended to read:

21 § 5505. Contributions for the purchase of credit for creditable
22 nonstate service.

23 * * *

24 (b) Nonintervening military service.--

25 (1) The amount due for the purchase of credit for
26 military service other than intervening military service
27 shall be determined by applying the member's basic
28 contribution rate, the additional contribution rate plus the
29 Commonwealth normal contribution rate for active members at
30 the time of entry, subsequent to such military service, of

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

1 and shall be credited as Class A service.

2 * * *

3 (c) Intervening military service.--Contributions on account
4 of credit for intervening military service shall be determined
5 by the member's regular contribution rate, shared-risk
6 contribution rate, Social Security integration contribution
7 rate, the additional contribution rate which shall be applied
8 only to those members who began service on or after the
9 effective date of this amendatory act and compensation at the
10 time of entry of the member into active military service,
11 together with statutory interest during all periods of
12 subsequent State service as an active member or inactive member
13 on leave without pay and school service as an active member or
14 inactive member on leave without pay of the Public School
15 Employees' Retirement System to date of purchase. Upon
16 application for such credit the amount due shall be certified in
17 the case of each member by the board in accordance with methods
18 approved by the actuary, and contributions may be made by:

19 (1) regular monthly payments during active military
20 service; or

21 (2) a lump sum payment within 30 days of certification;
22 or

23 (3) salary deductions to the system in amounts agreed
24 upon by the member or eligible school employee who is an
25 active member of the Public School Employees' Retirement
26 System and the board.

27 The salary deduction amortization plans agreed to by members and
28 the board may include a deferral of payment amounts and
29 statutory interest until the termination of school service or
30 State service or beginning service as a participant as the board

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

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

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

14 * * *

15 (i) Purchases of nonstate service credit by State employees
16 who first became members of the system on or after December 1,
17 2010.--

18 * * *

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

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

§ 5505.1. Additional member contributions.

In addition to regular or joint coverage member contributions and social security integration contributions, contributions shall be made on behalf of each active member, regardless of class of service, at the rate of 1 1/4% of compensation until such time as the actuary certifies that all accrued liability contributions have been completed in accordance with the actuarial cost method provided in section 5508(b) (relating to actuarial cost method for fiscal years ending before July 1, 2017).

Section 321. Section 5506 of Title 71, amended December 28, 2015 (P.L.529, No.93), is amended to read:

§ 5506. Incomplete payments.

In the event that a member terminates State service or becomes a participant or a multiple service member who is an active member of the Public School Employees' Retirement System terminates school service before the agreed upon payments for credit for previous State service, USERRA leave, creditable nonstate service, social security integration, full coverage membership or return of benefits on account of returning to State service or entering school service and electing multiple service have been completed, the member or multiple service

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

21 Section 322. Sections 5506.1(a) and 5507 heading, (a), (b),
22 (e) and (f) of Title 71 are amended to read:

23 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

24 (a) General rule.--In addition to other applicable
25 limitations set forth in this part, and notwithstanding any
26 provision of this part to the contrary, the annual compensation
27 of each noneligible member and each participant taken into
28 account for benefit purposes under this part shall not exceed
29 the limitation under IRC § 401(a)(17). On and after January 1,
30 1996, any reference in this part to the limitation under IRC §

1 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
2 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
3 compensation limit set forth in this subsection. The OBRA '93
4 annual compensation limit is \$150,000, as adjusted by the
5 commissioner for increases in the cost of living in accordance
6 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
7 effect for a calendar year applies to any determination period
8 which is a period, not exceeding 12 months, over which
9 compensation is determined, beginning in such calendar year. If
10 a determination period consists of fewer than 12 months, the
11 OBRA '93 compensation limit will be multiplied by a fraction,
12 the numerator of which is the number of months in the
13 determination period and the denominator of which is 12.

14 * * *

15 § 5507. Contributions to system by the Commonwealth and other
16 employers before July 1, 2017.

17 (a) Contributions on behalf of active members.--[The] Until
18 June 30, 2017, the Commonwealth and other employers whose
19 employees are members of the system, and from January 1, 2017,
20 to June 30, 2017, the Commonwealth and other employers whose
21 employees are participants in the plan, shall make contributions
22 to the fund on behalf of all active members in such amounts as
23 shall be certified by the board as necessary to provide,
24 together with the members' total accumulated deductions, annuity
25 reserves on account of prospective annuities other than those
26 provided in sections 5708 (relating to supplemental annuities),
27 5708.1 (relating to additional supplemental annuities), 5708.2
28 (relating to further additional supplemental annuities), 5708.3
29 (relating to supplemental annuities commencing 1994), 5708.4
30 (relating to special supplemental postretirement adjustment),

1 5708.5 (relating to supplemental annuities commencing 1998),
2 5708.6 (relating to supplemental annuities commencing 2002),
3 5708.7 (relating to supplemental annuities commencing 2003) and
4 5708.8 (relating to special supplemental postretirement
5 adjustment of 2002), in accordance with the actuarial cost
6 method provided in section 5508(a), (b), (c), (d) and (f)
7 (relating to actuarial cost method for fiscal years ending
8 before July 1, 2017).

9 (b) Contributions on behalf of annuitants.--[The] Until June
10 30, 2017, the Commonwealth and other employers whose employees
11 are members of the system shall make contributions on behalf of
12 annuitants in such amounts as shall be certified by the board as
13 necessary to fund the liabilities for supplemental annuities in
14 accordance with the actuarial cost method provided in section
15 5508(e) [(relating to actuarial cost method)].

16 * * *

17 (d) Payment of final contribution rate.--Notwithstanding the
18 calculation of the actuarially required contribution rate and
19 the provisions of subsections (a) and (b), until June 30, 2017,
20 the Commonwealth and other employers whose employees are members
21 of the system shall make contributions to the fund on behalf of
22 all active members and annuitants in such amounts as shall be
23 certified by the board in accordance with section 5508(i).

24 (e) Benefits completion plan contributions.--In addition to
25 all other contributions required under this section and section
26 5508, until June 30, 2017, the Commonwealth and other employers
27 whose employees are members of the system shall make
28 contributions as certified by the board pursuant to section 5941
29 (relating to benefits completion plan).

30 (f) Contributions resulting from members reemployed from

1 USERRA leave.--When a State employee reemployed from USERRA
2 leave makes the member contributions required to be granted
3 State service credit for the USERRA leave before July 1, 2017,
4 either by actual payment or by actuarial debt under section 5506
5 (relating to incomplete payments), then the Commonwealth
6 employer or other employer by whom the State employee is
7 employed at the time the member contributions are made, or the
8 last employer before termination in the case of payment under
9 section 5506, shall make whatever employer contributions would
10 have been made under this section had the employee making the
11 member contributions after being reemployed from USERRA leave
12 continued to be employed in his State office or position instead
13 of performing USERRA leave.

14 Section 323. Title 71 is amended by adding a section to
15 read:

16 § 5507.1. Contributions to system by the Commonwealth and other
17 employers starting July 1, 2017.

18 (a) Contributions on behalf of members.--For fiscal years
19 beginning on or after July 1, 2017, the Commonwealth and other
20 employers whose employees are or were members of the system
21 shall make contributions to the fund on behalf of all members in
22 such amounts as shall be certified by the board as necessary to
23 provide, together with the members' total accumulated
24 deductions, annuity reserves on account of annuities including
25 those provided in sections 5708 (relating to supplemental
26 annuities), 5708.1 (relating to additional supplemental
27 annuities), 5708.2 (relating to further additional supplemental
28 annuities), 5708.3 (relating to supplemental annuities
29 commencing 1994), 5708.4 (relating to special supplemental
30 postretirement adjustment), 5708.5 (relating to supplemental

1 annuities commencing 1998), 5708.6 (relating to supplemental
2 annuities commencing 2002), 5708.7 (relating to supplemental
3 annuities commencing 2003) and 5708.8 (relating to special
4 supplemental postretirement adjustment of 2002), in accordance
5 with the actuarial cost method provided in section 5508.1
6 (relating to actuarial cost method for fiscal years beginning
7 July 1, 2017, or later).

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

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

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

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

20 (c) Payment of final contribution rate.--Notwithstanding the
21 calculation of the actuarially required contribution rate and
22 the provisions of subsections (a) and (b)(1) and (2), after June
23 30, 2017, the Commonwealth and other employers whose employees
24 are members of the system shall make contributions to the fund
25 on behalf of all active members and annuitants in such amounts
26 as shall be certified by the board in accordance with section
27 5508.1(h).

28 (d) Benefits completion plan contributions.--In addition to
29 all other contributions required under this section and section
30 5508.1, after June 30, 2017, the Commonwealth and other

1 employers whose employees are active members of the system shall
2 make contributions as certified by the board pursuant to section
3 5941 (relating to benefits completion plan).

4 (e) Contributions resulting from members reemployed from
5 USERRA leave.--When a State employee reemployed from USERRA
6 leave makes the member contributions required to be granted
7 State service credit for the USERRA leave after June 30, 2017,
8 either by actual payment or by actuarial debt under section 5506
9 (relating to incomplete payments), the Commonwealth employer or
10 other employer that employed the State employee when the member
11 contributions are made or the last employer before termination
12 in the case of payment under section 5506 shall make the
13 employer contributions that would have been made under this
14 section if the employee making the member contributions after
15 the employee is reemployed from USERRA leave continued to be
16 employed in the employee's State office or position instead of
17 performing USERRA leave.

18 Section 324. Section 5508 heading, (a), (b), (c) (1) and (3),
19 (e) (2), (f) (1), (h) and (i) of Title 71 are amended and
20 subsection (c) is amended by adding a paragraph to read:

21 § 5508. Actuarial cost method for fiscal years ending before
22 July 1, 2017.

23 (a) Employer contribution rate on behalf of active
24 members.--[The] For the fiscal years ending before July 1, 2017,
25 the amount of the Commonwealth and other employer contributions
26 on behalf of all active members shall be computed by the actuary
27 as a percentage of the total compensation of all active members
28 during the period for which the amount is determined and shall
29 be so certified by the board. The actuarially required
30 contribution rate on behalf of all active members shall consist

1 of the employer normal contribution rate, as defined in
2 subsection (b), and the accrued liability contribution rate as
3 defined in subsection (c). The actuarially required contribution
4 rate on behalf of all active members shall be modified by the
5 experience adjustment factor as calculated in subsection (f).

6 (b) Employer normal contribution rate.--[The] For the fiscal
7 years ending before July 1, 2017, the employer normal
8 contribution rate shall be determined after each actuarial
9 valuation on the basis of an annual interest rate and such
10 mortality and other tables as shall be adopted by the board in
11 accordance with generally accepted actuarial principles. The
12 employer normal contribution rate shall be determined as a level
13 percentage of the compensation of the average new active member,
14 which percentage, if contributed on the basis of his prospective
15 compensation through his entire period of active State service,
16 would be sufficient to fund the liability for any prospective
17 benefit payable to him in excess of that portion funded by his
18 prospective member contributions, excluding shared-risk member
19 contributions.

20 (c) Accrued liability contribution rate.--

21 (1) For the fiscal years beginning July 1, 2002, and
22 July 1, 2003, the accrued liability contribution rate shall
23 be computed as the rate of total compensation of all active
24 members which shall be certified by the actuary as sufficient
25 to fund over a period of ten years from July 1, 2002, the
26 present value of the liabilities for all prospective
27 benefits, except for the supplemental benefits as provided in
28 sections 5708 (relating to supplemental annuities), 5708.1
29 (relating to additional supplemental annuities), 5708.2
30 (relating to further additional supplemental annuities),

1 5708.3 (relating to supplemental annuities commencing 1994),
2 5708.4 (relating to special supplemental postretirement
3 adjustment), 5708.5 (relating to supplemental annuities
4 commencing 1998), 5708.6 (relating to supplemental annuities
5 commencing 2002), 5708.7 (relating to supplemental annuities
6 commencing 2003) and 5708.8 (relating to special supplemental
7 postretirement adjustment of 2002), in excess of the total
8 assets in the fund (calculated recognizing all investment
9 gains and losses over a five-year period), excluding the
10 balance in the supplemental annuity account, and the present
11 value of employer normal contributions and of member
12 contributions payable with respect to all active members on
13 December 31, 2001, and excluding contributions to be
14 transferred by county retirement systems or pension plans
15 pursuant to section 5507(c) (relating to contributions to
16 system by the Commonwealth and other employers before July 1,
17 2017). The amount of each annual accrued liability
18 contribution shall be equal to the amount of such
19 contribution for the fiscal year beginning July 1, 2002,
20 except that, if the accrued liability is increased by
21 legislation enacted subsequent to June 30, 2002, but before
22 July 1, 2003, such additional liability shall be funded over
23 a period of ten years from the first day of July, coincident
24 with or next following the effective date of the increase.
25 The amount of each annual accrued liability contribution for
26 such additional legislative liabilities shall be equal to the
27 amount of such contribution for the first annual payment.

28 * * *

29 (3) For the fiscal year beginning July 1, 2010, the
30 accrued liability contribution rate shall be computed as the

1 rate of total compensation of all active members which shall
2 be certified by the actuary as sufficient to fund in equal
3 dollar installments over a period of 30 years from July 1,
4 2010, the present value of the liabilities for all
5 prospective benefits calculated as of the immediately prior
6 valuation date, including the supplemental benefits as
7 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
8 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
9 payable from the retirement benefit plan established pursuant
10 to section 5941 (relating to benefits completion plan), in
11 excess of the actuarially calculated assets in the fund
12 (calculated recognizing all realized and unrealized
13 investment gains and losses each year in level annual
14 installments over five years), including the balance in the
15 supplemental annuity account, and the present value of
16 employer normal contributions and of member contributions
17 payable with respect to all active members, inactive members
18 on leave without pay, vestees and special vestees on December
19 31, 2009. If the accrued liability is changed by legislation
20 enacted subsequent to December 31, 2009, and before January
21 1, 2015, such change in liability shall be funded in equal
22 dollar installments over a period of ten years from the first
23 day of July following the valuation date coincident with or
24 next following the date such legislation is enacted.

25 (4) For the fiscal year beginning July 1, 2016, the
26 accrued liability contribution rate shall be computed as
27 provided for under this section, except that the rate shall
28 be computed as a rate of total compensation of all active
29 members and active participants for the fiscal year. In
30 addition to any employer defined contributions made to the

1 trust, the Commonwealth and other employers of participants
2 shall make the accrued liability contributions to the fund
3 certified by the board.

4 * * *

5 (e) Supplemental annuity contribution rate.--

6 * * *

7 (2) For fiscal years beginning on or after July 1, 2010,
8 and ending on or before June 30, 2017, contributions from the
9 Commonwealth and other employers whose employees are members
10 of the system required to provide for the payment of
11 supplemental annuities as provided in sections 5708, 5708.1,
12 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8
13 shall be paid as part of the accrued liability contribution
14 rate as provided for in subsection (c)(3), and there shall
15 not be a separate supplemental annuity contribution rate
16 attributable to those supplemental annuities. In the event
17 that supplemental annuities are increased by legislation
18 enacted subsequent to December 31, 2009, and before January
19 1, 2016, the additional liability for the increase in
20 benefits shall be funded in equal dollar installments over a
21 period of ten years from the first day of July following the
22 valuation date coincident with or next following the date
23 such legislation is enacted.

24 (f) Experience adjustment factor.--

25 (1) For each [year] fiscal year ending before July 1,
26 2017, after the establishment of the accrued liability
27 contribution rate and the supplemental annuity contribution
28 rate for the fiscal year beginning July 1, 2010, any increase
29 or decrease in the unfunded accrued liability and any
30 increase or decrease in the liabilities and funding for

1 supplemental annuities, due to actual experience differing
2 from assumed experience (recognizing all realized and
3 unrealized investment gains and losses over a five-year
4 period), changes in contributions caused by the final
5 contribution rate being different from the actuarially
6 required contribution rate, State employees making shared-
7 risk member contributions, changes in actuarial assumptions
8 or changes in the terms and conditions of the benefits
9 provided by the system by judicial, administrative or other
10 processes other than legislation, including, but not limited
11 to, reinterpretation of the provisions of this part
12 recognized by the actuarial valuations on December 31, 2010,
13 and through December 31, 2015, shall be amortized in equal
14 dollar annual contributions over a period of 30 years
15 beginning with the July 1 succeeding the actuarial valuation
16 determining said increases or decreases.

17 * * *

18 (h) Temporary application of collared contribution rate.--
19 The collared contribution rate for each [year] fiscal year
20 ending on or before June 30, 2017, shall be determined by
21 comparing the actuarially required contribution rate calculated
22 without regard for costs added by legislation to the prior
23 year's final contribution rate. If, for any of the fiscal years
24 beginning July 1, 2011, July 1, 2012, [and on or after] July 1,
25 2013, July 1, 2014, July 1, 2015, and July 1, 2016, the
26 actuarially required contribution rate calculated without regard
27 for costs added by legislation is more than 3%, 3.5%, 4.5%,
28 4.5%, 4.5% and 4.5%, respectively, of the total compensation of
29 all active members greater than the prior year's final
30 contribution rate, then the collared contribution rate shall be

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

8 (i) Final contribution rate.--For the fiscal year beginning
9 July 1, 2010, the final contribution rate shall be 5% of total
10 compensation of all active members. For each subsequent fiscal
11 year for which the collared contribution rate is applicable, the
12 final contribution rate shall be the collared contribution rate
13 plus the costs added by legislation. For all other fiscal years
14 ending before July 1, 2017, the final contribution rate shall be
15 the actuarially required contribution rate, provided that the
16 final contribution rate shall not be less than the employer
17 normal contribution rate, as defined in subsection (b).

18 Section 325. Title 71 is amended by adding a section to
19 read:

20 § 5508.1. Actuarial cost method for fiscal years beginning July
21 1, 2017, or later.

22 (a) Employer contributions on behalf of members.--For fiscal
23 years beginning on or after July 1, 2017, the amount of the
24 Commonwealth and other employer contributions on behalf of all
25 members shall be computed by the actuary and certified by the
26 board as an employer normal contribution rate as defined in
27 subsection (b) and the accrued liability contribution amount as
28 defined in subsection (c). The accrued liability contribution
29 amount shall be modified by the experience adjustment factor as
30 calculated in subsection (f).

1 (b) Employer normal contribution rate.--For fiscal years
2 beginning on or after July 1, 2017, the employer normal
3 contribution rate for all active members of the system shall be
4 the employer normal contribution rate that would have been
5 applicable if the employer normal contribution rate was
6 determined as part of the December 31, 2016, actuarial valuation
7 under section 5508(b) (relating to actuarial cost method for
8 fiscal years ending before July 1, 2017) without regard to the
9 provisions of this section and the inapplicability of that rate
10 to periods on or after July 1, 2017.

11 (c) Accrued liability contribution amount.--

12 (1) For fiscal years beginning July 1, 2017, the accrued
13 liability contribution rate shall be computed as the rate of
14 total compensation of all active members and active
15 participants which shall be determined by the actuary as
16 sufficient to fund the equal dollar installments determined
17 under section 5508(c). If the accrued liability is changed by
18 legislation enacted subsequent to December 31, 2015, such
19 change in liability shall be funded in equal dollar
20 installments as a percentage of compensation of all active
21 members and active participants over a period of 10 years
22 from the first day of July following the valuation date
23 coincident with or next following the date such legislation
24 is enacted. The accrued liability contribution rate shall be
25 determined after each actuarial valuation on the basis of an
26 annual interest rate and such mortality and other tables as
27 shall be adopted by the board in accordance with generally
28 accepted actuarial principles.

29 (2) For purposes of determining the accrued liability
30 contribution rate in paragraph (1) and subsection (e) and the

1 experience adjustment factor in subsection (f), the term
2 "compensation of all active members and active participants"
3 shall include an additional amount equal to the difference
4 between:

5 (i) The actual compensation of all active members
6 and active participants of The Pennsylvania State
7 University, the State System of Higher Education, State-
8 owned educational institutions and community colleges.

9 (ii) The compensation of all employees of The
10 Pennsylvania State University, the State System of Higher
11 Education, State-owned educational institutions and
12 community colleges who are active members, active
13 participants, active members of the Public School
14 Employees' Retirement System, active participants of the
15 School Employees' Defined Contribution Plan and employees
16 who are members or participants of an independent
17 retirement program approved by the employer multiplied by
18 a fraction equal to the amount determined under
19 subparagraph (i) as part of the December 31, 2016,
20 actuarial valuation divided by the amount determined
21 under this subparagraph as of December 31, 2016.

22 (d) Allocation of accrued liability contribution amount.--
23 For the fiscal year beginning July 1, 2017, and all subsequent
24 fiscal years, The Pennsylvania State University, the State
25 System of Higher Education, each State-owned educational
26 institution and each community college shall make such
27 additional actuarial accrued liability contributions as shall be
28 certified by the board. The additional actuarial accrued
29 liability contributions shall be the product of:

30 (1) the amount by which the final contribution rate

1 exceeds the employer normal contribution rate determined
2 under subsection (b)(1); multiplied by

3 (2) the difference between:

4 (i) the actual compensation of all active members
5 and active participants of each such educational
6 institution; and

7 (ii) the compensation of all active members, active
8 participants, active members of the Public School
9 Employees' Retirement System, active participants of the
10 School Employees' Defined Contribution Plan and employees
11 who are members or participants of an independent
12 retirement program approved by the employer of each such
13 educational institution multiplied by a fraction equal to
14 the amount determined under subparagraph (i) as part of
15 the December 31, 2016, actuarial valuation divided by the
16 amount of compensation of all active members, active
17 participants, active members of the Public School
18 Employees' Retirement System, active participants of the
19 School Employees' Defined Contribution Plan and employees
20 who are members or participants of an independent
21 retirement program approved by the employer of each such
22 educational institution determined as of December 31,
23 2016.

24 (e) Supplemental annuity contribution amounts.--For fiscal
25 years beginning on or after July 1, 2017, contributions from the
26 Commonwealth and other employers whose employees are members of
27 the system required to provide for the payment of supplemental
28 annuities as provided in sections 5708 (relating to supplemental
29 annuities), 5708.1 (relating to additional supplemental
30 annuities), 5708.2 (relating to further additional supplemental

annuities), 5708.3 (relating to supplemental annuities
commencing 1994), 5708.4 (relating to special supplemental
postretirement adjustment), 5708.5 (relating to supplemental
annuities commencing 1998), 5708.6 (relating to supplemental
annuities commencing 2002), 5708.7 (relating to supplemental
annuities commencing 2003) and 5708.8 (relating to special
supplemental postretirement adjustment of 2002) shall be paid as
part of the accrued liability contribution rate as provided for
in subsection (c) and there shall not be a separate supplemental
annuity contribution amount attributable to those supplemental
annuities. In the event that supplemental annuities are
increased by legislation enacted subsequent to December 31,
2015, the additional liability for the increase in benefits
shall be funded in equal dollar installments as a percentage of
compensation of all active members and active participants over
a period of ten years from the first day of July following the
valuation date coincident with or next following the date such
legislation is enacted as part of the accrued liability amount
and not as a separate supplemental annuity contribution amount.

(f) Experience adjustment factor.--

(1) For each year beginning on or after July 1, 2017:

(i) the accrued liability contribution rate computed
under subsection (c) shall be modified each year by any
amounts calculated for each year under section 5508(f)
for each of the respective amortization periods remaining
as of July 1, 2017; and

(ii) any increase or decrease in the unfunded
accrued liability and any increase or decrease in the
liabilities and funding for supplemental annuities, due
to actual experience differing from assumed experience,

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

17 (2) The actuarially required contribution rate shall be
18 the sum of the normal contribution rate determined under
19 subsection (b) (2), the accrued liability contribution rate
20 and the supplemental annuity contribution rate modified by
21 the experience adjustment factor as calculated in paragraph
22 (1).

23 (g) Temporary application of collared contribution rate.--
24 The collared contribution rate for each fiscal year beginning on
25 or after July 1, 2017, shall be determined by comparing the
26 actuarially required contribution rate calculated without regard
27 for costs added by legislation to the prior year's final
28 contribution rate. If the actuarially required contribution rate
29 calculated without regard for costs added by legislation is more
30 than 4.5% of the total compensation of all active members

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

9 (h) Final contribution rate.--For the fiscal year beginning
10 July 1, 2017, if the collared contribution rate is applicable,
11 the final contribution rate shall be the collared contribution
12 rate plus the costs added by legislation. For each subsequent
13 fiscal year for which the collared contribution rate is
14 applicable, the final contribution rate shall be the collared
15 contribution rate plus the costs added by legislation. For all
16 other fiscal years beginning on or after July 1, 2017, the final
17 contribution rate shall be the actuarially required contribution
18 rate, provided that the final contribution rate shall not be
19 less than the employer normal contribution rate, as provided
20 under subsection (b).

21 Section 326. Section 5509 of Title 71 is amended to read:

22 § 5509. Appropriations and assessments by the Commonwealth.

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

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

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

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

10 Section 327. Section 5701 of Title 71, amended December 28,
11 2015 (P.L.529, No.93), is amended to read:

12 § 5701. Return of total accumulated deductions.

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

17 Section 328. Section 5701.1 of Title 71 is amended to read:

18 § 5701.1. Transfer of accumulated deductions.

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

27 Section 329. Sections 5702(a)(1) and 5704(a) and (c) of
28 Title 71 are amended and the sections are amended by adding
29 subsections to read:

30 § 5702. Maximum single life annuity.

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

11 (1) A standard single life annuity multiplied by the sum
12 of the products, determined separately for each class of
13 service, obtained by multiplying the appropriate class of
14 service multiplier by the ratio of years of service credited
15 in that class to the total credited service. In case the
16 member on the effective date of retirement is under
17 superannuation age for any service, a reduction factor
18 calculated to provide benefits actuarially equivalent to an
19 annuity starting at superannuation age shall be applied to
20 the product determined for that service. The class of service
21 multiplier for any period of concurrent service shall be
22 multiplied by the proportion of total State and school
23 compensation during such period attributable to State service
24 as a member of the system. In the event a member has two
25 multipliers for one class of service the class of service
26 multiplier to be used for calculating benefits for that class
27 shall be the average of the two multipliers weighted by the
28 proportion of compensation attributable to each multiplier
29 during the three years of highest annual compensation in that
30 class of service: Provided, That in the case of a member of

1 Class E-1, a portion but not all of whose three years of
2 highest annual judicial compensation is prior to January 1,
3 1973, two class of service multipliers shall be calculated on
4 the basis of his entire judicial service, the one applying
5 the judicial class of service multipliers effective prior to
6 January 1, 1973 and the second applying the class of service
7 multipliers effective subsequent to January 1, 1973. The
8 average class of service multiplier to be used for
9 calculating benefits for his judicial service shall be the
10 average of the two calculated multipliers weighted by the
11 proportion of compensation attributable to each of the
12 calculated multipliers during the three years of highest
13 annual compensation in that class of service.

14 * * *

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

20 § 5704. Disability annuities.

21 (a) Amount of annuity.--A member who has made application
22 for a disability annuity and has been found to be eligible in
23 accordance with the provisions of section 5905(c)(1) (relating
24 to duties of the board regarding applications and elections of
25 members and participants) shall receive a disability annuity
26 payable from the effective date of disability as determined by
27 the board and continued until a subsequent determination by the
28 board that the annuitant is no longer entitled to a disability
29 annuity. The disability annuity shall be equal to a standard
30 single life annuity multiplied by the class of service

1 multiplier applicable to the class of service at the time of
2 disability if the product of such class of service multiplier
3 and the total number of years of credited service is greater
4 than 16.667, otherwise the standard single life annuity shall be
5 multiplied by the lesser of the following ratios:

6
$$MY^*/Y \text{ or } 16.667/Y$$

7 where Y = number of years of credited service, Y* = total years
8 of credited service if the member were to continue as a State
9 employee until attaining superannuation age as applicable at the
10 time of disability, or if the member has attained superannuation
11 age, as applicable at the time of disability, then the number of
12 years of credited service and M = the class of service
13 multiplier as applicable at the effective date of disability. A
14 member of Class C shall receive, in addition, any annuity to
15 which he may be eligible under section 5702(a)(3) (relating to
16 maximum single life annuity). The member shall be entitled to
17 the election of a joint and survivor annuity on that portion of
18 the disability annuity to which he is entitled under section
19 5702.

20 * * *

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

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

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

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

7 * * *

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

13 Section 330. Sections 5706(a), (a.1), (a.2), (b) and (c) (1)
14 and (3) of Title 71, amended December 28, 2015 (P.L.529, No.93),
15 are amended to read:

16 § 5706. Termination of annuities.

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

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

27 (a.1) Return to State service during emergency.--When, in
28 the judgment of the employer, an emergency creates an increase
29 in the work load such that there is serious impairment of
30 service to the public, an annuitant may be returned to State

1 service for a period not to exceed 95 days in any calendar year
2 without loss of his annuity. In computing the number of days an
3 annuitant has returned to State service, any amount of time less
4 than one-half of a day shall be counted as one-half of a day.
5 For agencies, boards and commissions under the Governor's
6 jurisdiction, the approval of the Governor that an emergency
7 exists shall be required before an annuitant may be returned to
8 State service. Such service shall not be subject to member
9 contributions or be eligible for qualification as creditable
10 State service or for participation in the plan, mandatory pickup
11 participant contributions or employer defined contributions.

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

1 in its sole discretion determines. In the case of a school
2 employee who is an active member of the Public School Employees'
3 Retirement System, the agreed upon salary deductions shall be
4 remitted to the Public School Employees' Retirement Board, which
5 shall certify and transfer to the board the amounts paid.

6 * * *

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

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

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

29 (i) is a multiple service member; or

30 (ii) who elects multiple service membership, and

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

13 * * *

14 (3) In addition to any other adjustment to the present
15 value of the maximum single life annuity that a member may be
16 entitled to receive that occurs as a result of any other
17 provision of law, the present value of the maximum single
18 life annuity shall be reduced by all amounts paid or payable
19 to him during all previous periods of retirement plus
20 interest on these amounts until the date of subsequent
21 retirement. The interest for each year shall be calculated
22 based upon the annual interest rate adopted for that fiscal
23 year by the board for the calculation of the normal
24 contribution rate pursuant to section 5508(b) (relating to
25 actuarial cost method[).] for fiscal years ending before July
26 1, 2017) or for the calculation of the accrued liability
27 contribution rate under section 5508.1(c) (relating to
28 actuarial cost method for fiscal years beginning July 1,
29 2017, or later) for fiscal years starting on or after July 1,
30 2017.

1 Section 331. Sections 5707(a), (b) and (f), 5708.1(f),
2 5708.2(f), 5708.3(f), 5708.5(f), 5708.6(f), 5708.7(f),
3 5708.8(g), 5709 heading, (a) and (b) and 5901(a), (c) and (d) of
4 Title 71 are amended to read:

5 § 5707. Death benefits.

6 (a) Members eligible for annuities.--Any active member,
7 inactive member on leave without pay, combined service employee
8 who is an active participant or inactive participant on leave
9 without pay, vestee or current or former State employee
10 performing USERRA leave who dies and was eligible for an annuity
11 in accordance with section 5308(a) or (b) (relating to
12 eligibility for annuities) or special vestee who has attained
13 superannuation age and dies before applying for a superannuation
14 annuity shall be considered as having applied for an annuity to
15 become effective the day before his death and in the event he
16 has not elected an option or such election has not been approved
17 prior to his death, it shall be assumed that he elected Option
18 1.

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

27 * * *

28 (f) Members subject to limitations under section 5702(c).--
29 Subject to the limitations contained in section 401(a)(9) of the
30 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §

1 401(a)(9)), the present value of any annuity in excess of that
2 payable under section 5702 (relating to maximum single life
3 annuity) that is not subject to the limitations under section
4 415(b) of the Internal Revenue Code of 1986 shall be paid in a
5 lump sum to the beneficiary designated by the member after the
6 death of the member. A beneficiary receiving a benefit under
7 this subsection shall not be able to elect a payment method
8 otherwise allowed under section 5709(b)(2) and (3) (relating to
9 payment of benefits from the system).

10 § 5708.1. Additional supplemental annuities.

11 * * *

12 (f) Funding.--The actuary shall annually certify the amount
13 of appropriations for the next fiscal year needed to fund, over
14 a period of ten years from July 1, 2002, the additional monthly
15 supplemental annuity provided for in this section, which amounts
16 shall be paid during the period beginning July 1, 2002, and
17 ending June 30, 2010. For fiscal years beginning on or after
18 July 1, 2010, the additional liability provided in this section
19 shall be funded as part of the actuarial accrued liability as
20 provided in [section 5508 (relating to actuarial cost method).]
21 sections 5508 (relating to actuarial cost method for fiscal
22 years ending before July 1, 2017) and 5508.1 (relating to
23 actuarial cost method for fiscal years beginning July 1, 2017,
24 or later).

25 * * *

26 § 5708.2. Further additional supplemental annuities.

27 * * *

28 (f) Funding.--The actuary shall annually estimate the amount
29 of Commonwealth appropriations for the next fiscal year needed
30 to fund, over a period of ten years from July 1, 2002, the

1 additional monthly supplemental annuity provided for in this
2 section, which amounts shall be paid during the period beginning
3 July 1, 2002, and ending June 30, 2010. For fiscal years
4 beginning on or after July 1, 2010, the additional liability
5 provided in this section shall be funded as part of the
6 actuarial accrued liability as provided in [section 5508
7 (relating to actuarial cost method).] sections 5508 (relating to
8 actuarial cost method for fiscal years ending before July 1,
9 2017) and 5508.1 (relating to actuarial cost method for fiscal
10 years beginning July 1, 2017, or later).

11 * * *

12 § 5708.3. Supplemental annuities commencing 1994.

13 * * *

14 (f) Funding.--For the period beginning July 1, 2002, and
15 ending June 30, 2010, the additional liability for the increase
16 in benefits provided in this section shall be funded in equal
17 dollar annual installments over a period of ten years beginning
18 July 1, 2002. For fiscal years beginning on or after July 1,
19 2010, the additional liability for the increase in benefits
20 provided in this section shall be funded as part of the
21 actuarial accrued liability as provided in [section 5508
22 (relating to actuarial cost method).] sections 5508 (relating to
23 actuarial cost method for fiscal years ending before July 1,
24 2017) and 5508.1 (relating to actuarial cost method for fiscal
25 years beginning July 1, 2017, or later).

26 * * *

27 § 5708.5. Supplemental annuities commencing 1998.

28 * * *

29 (f) Funding.--For the period beginning July 1, 2002, and
30 ending June 30, 2010, the additional liability for the increase

1 in benefits provided in this section shall be funded in equal
2 dollar annual installments over a period of ten years beginning
3 July 1, 2002. For fiscal years beginning on or after July 1,
4 2010, the additional liability for the increase in benefits
5 provided in this section shall be funded as part of the
6 actuarial accrued liability as provided in [section 5508
7 (relating to actuarial cost method).] sections 5508 (relating to
8 actuarial cost method for fiscal years ending before July 1,
9 2017) and 5508.1 (relating to actuarial cost method for fiscal
10 years beginning July 1, 2017, or later).

11 * * *

12 § 5708.6. Supplemental annuities commencing 2002.

13 * * *

14 (f) Funding.--For the period beginning July 1, 2003, and
15 ending June 30, 2010, the additional liability for the increase
16 in benefits provided in this section shall be funded in equal
17 dollar annual installments over a period of ten years beginning
18 July 1, 2003. For fiscal years beginning on or after July 1,
19 2010, the additional liability for the increase in benefits
20 provided in this section shall be funded as part of the
21 actuarial accrued liability as provided in [section 5508
22 (relating to actuarial cost method).] sections 5508 (relating to
23 actuarial cost method for fiscal years ending before July 1,
24 2017) and 5508.1 (relating to actuarial cost method for fiscal
25 years beginning July 1, 2017, or later).

26 * * *

27 § 5708.7. Supplemental annuities commencing 2003.

28 * * *

29 (f) Funding.--For the period beginning July 1, 2004, and
30 ending June 30, 2010, the additional liability for the increase

1 in benefits provided in this section shall be funded in equal
2 dollar annual installments over a period of ten years beginning
3 July 1, 2004. For fiscal years beginning on or after July 1,
4 2010, the additional liability for the increase in benefits
5 provided in this section shall be funded as part of the
6 actuarial accrued liability as provided in [section 5508
7 (relating to actuarial cost method).] sections 5508 (relating to
8 actuarial cost method for fiscal years ending before July 1,
9 2017) and 5508.1 (relating to actuarial cost method for fiscal
10 years beginning July 1, 2017, or later).

11 * * *

12 § 5708.8. Special supplemental postretirement adjustment of
13 2002.

14 * * *

15 (g) Funding.--For the period beginning July 1, 2003, and
16 ending June 30, 2010, the additional liability for the increase
17 in benefits provided in this section shall be funded in equal
18 dollar annual installments over a period of ten years beginning
19 July 1, 2003. For fiscal years beginning on or after July 1,
20 2010, the additional liability for the increase in benefits
21 provided in this section shall be funded as part of the
22 actuarial accrued liability as provided in [section 5508
23 (relating to actuarial cost method).] sections 5508 (relating to
24 actuarial cost method for fiscal years ending before July 1,
25 2017) and 5508.1 (relating to actuarial cost method for fiscal
26 years beginning July 1, 2017, or later).

27 * * *

28 § 5709. Payment of benefits from the system.

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

1 installments.

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

8 (1) a lump sum payment;

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

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

14 * * *

15 § 5901. The State Employees' Retirement Board.

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

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

7 * * *

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

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

28 * * *

29 Section 332. Section 5902(a.1) introductory paragraph, (3),
30 (5) and (6), (b), (c), (e), (h), (i), (j), (k), (m) and (n) of

1 Title 71 are amended and the section is amended by adding a
2 subsection to read:

3 § 5902. Administrative duties of the board.

4 * * *

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

10 * * *

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

15 * * *

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

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

1 expenses incurred under this subsection between the system
2 and the plan as appropriate.

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

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

1 * * *

2 (e) Records.--

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

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

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

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

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

29 (3) (i) The sensitive investment or financial
30 information excluded from [inspection] access under

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

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

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

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

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

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

29 (B) the entity in which the investment was made
30 is liquidated;

1 whichever is later.

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

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

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

18 (ii) The investment options selections of any
19 participant.

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

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

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

26 (6) Nothing in this subsection shall be construed to
27 designate any record, material or data received, prepared,
28 used or retained by the board or its employees, or agents
29 relating to the contributions, account value or benefits
30 payable to or on account of a participant as a public record

1 subject to public access under the Right-to-Know Law.

2 * * *

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

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

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

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

19 (k) Certification of employer contributions to the fund.--
20 The board shall, each year in addition to the itemized budget
21 required under section 5509 (relating to appropriations and
22 assessments by the Commonwealth), certify, as a percentage of
23 the members' payroll, the shared-risk contribution rate, the
24 employers' contributions as determined pursuant to [section 5508
25 (relating to actuarial cost method)] sections 5508 (relating to
26 actuarial cost method for fiscal years ending before July 1,
27 2017) and 5508.1 (relating to actuarial cost method for fiscal
28 years beginning July 1, 2017, or later) necessary for the
29 funding of prospective annuities for active members and the
30 annuities of annuitants and certify the rates and amounts of the

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

26 * * *

27 (m) Annual financial statement.--The board shall prepare and
28 have published, on or before July 1 of each year, [a financial
29 statement] financial statements as of the calendar year ending
30 December 31 of the previous year showing the condition of the

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

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

17 * * *

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

1 Section 333. Section 5903 heading and (a) of Title 71,
2 amended December 28, 2015 (P.L.529, No.93), are amended and the
3 section is amended by adding a subsection to read:

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

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

26 * * *

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

accumulated total defined contributions credited to the
participant's individual investment account, the nature and type
of investments and the investment allocation of future
contributions as of December 31 of the previous year and
requesting the participant to make any necessary correction or
revision regarding his designated beneficiary.

* * *

Section 334. Section 5904(c)(2) of Title 71 is amended to
read:

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

* * *

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

* * *

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

* * *

1 Section 335. Section 5905 heading, (b)(3), (c.1) and (g) of
2 Title 71, amended December 28, 2015 (P.L.529, No.93), are
3 amended and the section is amended by adding subsections to
4 read:

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

7 * * *

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

14 * * *

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

26 * * *

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

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

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

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

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

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

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

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

individual investment account in a lump sum or in such other
form as the board may authorize or is required by law.

* * *

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

* * *

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

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

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

14 * * *

15 Section 336. Sections 5906(a) introductory paragraph and
16 (3), (b), (d), (e), (g), (h), (i) and (l) of Title 71 are
17 amended and the section is amended by adding subsections to
18 read:

19 § 5906. Duties of heads of departments.

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

28 * * *

29 (3) if the removal is due to termination of State
30 service, he shall furnish the board with a complete State

1 service record, including service in other departments or
2 agencies, or creditable nonstate service and;

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

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

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

30 (b) Records and information.--At any time at the request of

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

6 * * *

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

9 (1) Cause the mandatory pickup participant contributions
10 on behalf of a participant to be made.

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

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

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

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

1 such employee and filed with the board and shall make pickup
2 contributions or mandatory pickup participant contributions from
3 the effective date of State employment.

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

15 * * *

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

28 (h) Former school employee annuitants.--The head of
29 department shall, upon the employment of an annuitant of the
30 Public School Employees' Retirement System who applies for

1 membership in the system, advise such employee that he may elect
2 multiple service membership within 365 days of entry into the
3 system and if he so elects his public school employee's annuity
4 will be discontinued effective upon the date of his return to
5 State service and, upon termination of State service and
6 application for an annuity, the annuity will be adjusted in
7 accordance with section 5706 (relating to termination of
8 annuities). The head of department shall advise the board of
9 such election. This subsection shall not apply to a State
10 employee who is employed in a position where he is or may be a
11 participant in the plan.

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

17 * * *

18 (1) State employees performing USERRA or military-related
19 leave of absence.--The head of department shall report to the
20 board any State employee who ceases to be an active member or
21 active participant to perform USERRA service, or who is granted
22 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
23 of absence for certain government employees) or a military leave
24 of absence under 51 Pa.C.S. § 7302 (relating to granting
25 military leaves of absence), the date on which the USERRA
26 service, leave of absence or military leave of absence began,
27 the date on which the State employee is reemployed from USERRA
28 leave or returns after the leave of absence or military leave of
29 absence, if the event occurs, and any other information the
30 board may require or direct.

1 * * *

2 (n) Obligation of educational institutions to report
3 participation and compensation of employees in independent
4 retirement programs.--The Pennsylvania State University, the
5 State System of Higher Education, State-owned educational
6 institutions and community colleges shall report to the board
7 the compensation and other information as the board may request
8 for the application and administration of sections 5507.1
9 (relating to contributions to system by the Commonwealth and
10 other employers starting July 1, 2017) and 5508.1(c) and (d)
11 (relating to actuarial cost method for fiscal years beginning
12 July 1, 2017, or later) of employees who are participants or
13 members in the Public School Employees' Retirement System,
14 School Employees' Defined Contribution Plan or independent
15 retirement programs approved by the employer.

16 Section 337. Section 5907 heading, (a), (e), (f) and (h) of
17 Title 71, amended December 28, 2015 (P.L.529, No.93), are
18 amended and the section is amended by adding subsections to
19 read:

20 § 5907. Rights and duties of State employees [and], members and
21 participants.

22 (a) Information on new employees.--Upon his assumption of
23 duties each new State employee shall furnish the head of
24 department with a complete record of his previous State service,
25 his school service or creditable nonstate service, and proof of
26 his date of birth and current status in the system and the plan
27 and in the Public School Employees' Retirement System and the
28 School Employees' Defined Contribution Plan. Willful failure to
29 provide the information required by this subsection to the
30 extent available upon entrance into the system shall result in

1 the forfeiture of the right of the member to subsequently assert
2 any right to benefits based on any of the required information
3 which he failed to provide. In any case in which the board finds
4 that a member is receiving an annuity based on false
5 information, the total amount received predicated on such false
6 information together with statutory interest doubled and
7 compounded shall be deducted from the present value of any
8 remaining benefits to which the member is legally entitled.

9 * * *

10 (b.1) Application for participation.--On or after January 1,
11 2017, in the case of a new employee who is not currently a
12 participant in the plan and whose participation is mandatory or
13 in the case of a new employee whose participation is not
14 mandatory but is permitted and who desires to become a
15 participant in the plan, the new employee shall execute an
16 application for participation and a nomination of a beneficiary.

17 * * *

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

30 (d.3) Voluntary contributions by participant.--Any active

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

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

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

28 (e.2) Beneficiary for combined service employee.--A combined
29 service employee may designate or nominate different persons to
30 be beneficiaries, survivor annuitants and successor payees for

1 the employee's benefits from the system and the plan.

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

7 (1) withdraw his total accumulated deductions; or

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

12 (3) receive an immediate annuity and may,

13 (i) if eligible, elect to convert his medical, major
14 medical, and hospitalization coverage to the plan for
15 State annuitants; and

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

20 * * *

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

28 (h) Vestees and special vestees attaining superannuation
29 age.--Upon attainment of superannuation age a vestee or special
30 vestee shall execute and file an application for an annuity. Any

1 such application filed within 90 days after attaining
2 superannuation age shall be effective as of the date of
3 attainment of superannuation age. Any application filed after
4 such period shall be effective as of the date it is filed with
5 the board, subject to the provisions of section 5905(f)
6 (relating to duties of the board regarding applications and
7 elections of members and participants). If a vestee or special
8 vestee does not file an application within seven years after
9 attaining superannuation age, he shall be deemed to have elected
10 to receive his total accumulated deductions upon attainment of
11 superannuation age.

12 * * *

13 Section 338. Sections 5931(b), 5932, 5934, 5935, 5936, 5937,
14 5938, 5939 and 5951 of Title 71 are amended to read:

15 § 5931. Management of fund and accounts.

16 * * *

17 (b) Crediting of interest.--The board, annually, shall allow
18 the required interest on the mean amount for the preceding year
19 to the credit of each of the accounts other than the individual
20 investment accounts. The amount so allowed shall be credited
21 thereto by the board and transferred from the interest reserve
22 account.

23 * * *

24 § 5932. State Employees' Retirement Fund.

25 The fund shall consist of all balances in the several
26 separate accounts set apart to be used under the direction of
27 the board for the benefit of members of the system; and the
28 Treasury Department shall credit to the fund all moneys received
29 from the Department of Revenue arising from the contributions
30 relating to or on behalf of members of the system required under

1 the provisions of Chapter 55 (relating to contributions), and
2 any income earned by the investments or moneys of said fund.
3 There shall be established and maintained by the board the
4 several ledger accounts specified in sections 5933 (relating to
5 members' savings account), 5934 (relating to State accumulation
6 account), 5935 (relating to annuity reserve account), 5936
7 (relating to State Police benefit account), 5937 (relating to
8 enforcement officers' benefit account), 5938 (relating to
9 supplemental annuity account) and 5939 (relating to interest
10 reserve account). The individual investment accounts that are
11 part of the trust shall not be part of the fund. Mandatory
12 pickup participant contributions, voluntary contributions and
13 employer defined contributions made under this part and any
14 income earned by the investment of such contributions shall not
15 be paid or credited to the fund but shall be paid to the trust
16 and credited to the individual investment accounts.

17 § 5934. State accumulation account.

18 The State accumulation account shall be the ledger account to
19 which shall be credited all contributions of the Commonwealth or
20 other employers whose employees are members of the system and
21 made in accordance with the provisions of [section 5507(a) or
22 (d) (relating to contributions by the Commonwealth and other
23 employers)] sections 5507(a) or (d) (relating to contributions
24 to system by the Commonwealth and other employers before July 1,
25 2017) and 5507.1 (relating to contributions to system by the
26 Commonwealth and other employers starting July 1, 2017) except
27 that the amounts received under the provisions of the act of May
28 12, 1943 (P.L.259, No.120), and the amounts received under the
29 provisions of the Liquor Code, act of April 12, 1951 (P.L.90,
30 No.21), shall be credited to the State Police benefit account or

1 the enforcement officers' benefit account as the case may be.
2 All amounts transferred to the fund by county retirement systems
3 or pension plans in accordance with the provisions of section
4 5507(c) also shall be credited to the State accumulation
5 account. All amounts transferred to the fund by the Public
6 School Employees' Retirement System in accordance with section
7 5303.2(e) (relating to election to convert school service to
8 State service), except amounts credited to the members' savings
9 account, and all amounts paid by the Department of Corrections
10 in accordance with section 5303.2(f) also shall be credited to
11 the State accumulation account. The State accumulation account
12 shall be credited with valuation interest. The reserves
13 necessary for the payment of annuities and death benefits
14 resulting from membership in the system as approved by the board
15 and as provided in Chapter 57 (relating to benefits) shall be
16 transferred from the State accumulation account to the annuity
17 reserve account provided for in section 5935 (relating to
18 annuity reserve account), except that the reserves necessary on
19 account of a member who is an officer of the Pennsylvania State
20 Police or an enforcement officer shall be transferred from the
21 State accumulation account to the State Police benefit account
22 provided for in section 5936 (relating to State Police benefit
23 account) or to the enforcement officers' benefit account as
24 provided for in section 5937 (relating to enforcement officers'
25 benefit account) as the case may be. The reserves necessary for
26 the payment of supplemental annuities in excess of those
27 reserves credited to the supplemental annuity account on June
28 30, 2010, shall be transferred from the State accumulation
29 account to the supplemental annuity account. In the event that
30 supplemental annuities are increased by legislation enacted

1 after December 31, 2009, the necessary reserves shall be
2 transferred from the State accumulation account to the
3 supplemental annuity account.

4 § 5935. Annuity reserve account.

5 (a) Credits and charges to account.--The annuity reserve
6 account shall be the ledger account to which shall be credited
7 the reserves held for payment of annuities and death benefits on
8 account of all annuitants except in the case of members who are
9 officers of the Pennsylvania State Police or enforcement
10 officers. The annuity reserve account shall be credited with
11 valuation interest. After the transfers provided in sections
12 5933 (relating to members' savings account), 5934 (relating to
13 State accumulation account) and 5938 (relating to supplemental
14 annuity account), all annuity and death benefit payments
15 resulting from membership in the system except those payable to
16 any member who retires as an officer of the Pennsylvania State
17 Police or an enforcement officer shall be charged to the annuity
18 reserve account and paid from the fund.

19 (b) Transfers from account.--Should an annuitant other than
20 a member who was retired as an officer of the Pennsylvania State
21 Police or an enforcement officer be subsequently restored to
22 active service as a member of the system or as a participant in
23 the plan, the present value of his member's annuity at the time
24 of reentry into State service shall be transferred from the
25 annuity reserve account and placed to his individual credit in
26 the members' savings account. In addition, the actuarial reserve
27 for his annuity less the amount transferred to the members'
28 savings account shall be transferred from the annuity reserve
29 account to the State accumulation account.

30 § 5936. State Police benefit account.

(a) Credits and charges to account.--The State Police benefit account shall be the ledger account to which shall be credited all contributions received under the provisions of the act of May 12, 1943 (P.L.259, No.120), and any additional Commonwealth or other employer contributions provided for in [section 5507 (relating to contributions by the Commonwealth and other employers)] sections 5507 (relating to contributions to system by the Commonwealth and other employers before July 1, 2017) and 5507.1 (relating to contributions to system by the Commonwealth and other employers starting July 1, 2017) which are creditable to the State Police benefit account. The State Police benefit account shall be credited with the required interest. In addition, upon the filing of an application for an annuity by a member who is an officer of the Pennsylvania State Police, the total accumulated deductions standing to the credit of the member in the members' savings account and the necessary reserves from the State accumulation account shall be transferred to the State Police benefit account. Thereafter, the total annuity of such annuitant shall be charged to the State Police benefit account and paid from the fund.

(b) Transfers from account.--Should the said annuitant be subsequently restored to active service as a member of the system or as a participant in the plan, the present value of the member's annuity at the time of reentry into State service shall be transferred from the State Police benefit account and placed to his individual credit in the members' savings account. In addition, the actuarial reserve for his annuity calculated as if he had been a member of Class A if he has Class A or Class C service credited; as if he had been a member of Class A-3 if the annuitant has Class A-3 State service credited; or as if he had

1 been a member of Class A-4 if the annuitant has Class A-4
2 service credited, less the amount transferred to the members'
3 savings account shall be transferred from the State Police
4 benefit account to the State accumulation account. Upon
5 subsequent retirement other than as an officer of the
6 Pennsylvania State Police the actuarial reserve remaining in the
7 State Police benefit account shall be transferred to the
8 appropriate reserve account.

9 § 5937. Enforcement officers' benefit account.

10 (a) Credits and charges to account.--The enforcement
11 officers' benefit account shall be the ledger account to which
12 shall be credited moneys transferred from the enforcement
13 officers' retirement account in the State Stores Fund according
14 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
15 known as the Liquor Code, and any additional Commonwealth or
16 other employer contributions provided for in [section 5507
17 (relating to contributions by the Commonwealth and other
18 employers)] sections 5507 (relating to contributions to system
19 by the Commonwealth and other employers before July 1, 2017) and
20 5507.1 (relating to contributions to system by the Commonwealth
21 and other employers starting July 1, 2017) which are creditable
22 to the enforcement officers' benefit account. The enforcement
23 officers' benefit account shall be credited with the required
24 interest. In addition, upon the filing of an application for an
25 annuity by a member who is an enforcement officer of the
26 Pennsylvania Liquor Control Board, the total accumulated
27 deductions standing to the credit of the member in the members'
28 savings account and the necessary reserves from the State
29 accumulation account shall be transferred to the enforcement
30 officers' benefit account. Thereafter, the total annuity of such

1 annuitant shall be charged to the enforcement officers' benefit
2 account and paid from the fund.

3 (b) Transfers from account.--Should the said annuitant be
4 subsequently restored to active service as a member of the
5 system or as a participant in the plan, the present value of the
6 member's annuity at the time of reentry into State service shall
7 be transferred from the enforcement officers' benefit account
8 and placed to his individual credit in the members' savings
9 account. In addition, the actuarial reserve for his annuity
10 calculated as if he had been a member of Class A if the
11 annuitant does not have any Class AA, Class A-3 or Class A-4
12 service credited; as if he had been a member of Class AA if the
13 annuitant does have Class AA service credited; as if he had been
14 a member of Class A-3 if the annuitant has Class A-3 State
15 service credited; or as if he had been a member of Class A-4 if
16 the annuitant has Class A-4 service credited, less the amount
17 transferred to the members' savings account shall be transferred
18 from the enforcement officers' benefit account to the State
19 accumulation account. Upon subsequent retirement other than as
20 an enforcement officer the actuarial reserve remaining in the
21 enforcement officers' benefit account shall be transferred to
22 the appropriate reserve account.

23 § 5938. Supplemental annuity account.

24 The supplemental annuity account shall be the ledger account
25 to which shall be credited all contributions from the
26 Commonwealth and other employers in accordance with section
27 5507(b) [(relating to contributions by the Commonwealth and
28 other employers)] (relating to contributions to system by the
29 Commonwealth and other employers before July 1, 2017) for the
30 payment of the supplemental annuities provided in sections 5708

1 (relating to supplemental annuities), 5708.1 (relating to
2 additional supplemental annuities), 5708.2 (relating to further
3 additional supplemental annuities), 5708.3 (relating to
4 supplemental annuities commencing 1994), 5708.4 (relating to
5 special supplemental postretirement adjustment), 5708.5
6 (relating to supplemental annuities commencing 1998), 5708.6
7 (relating to supplemental annuities commencing 2002), 5708.7
8 (relating to supplemental annuities commencing 2003) and 5708.8
9 (relating to special supplemental postretirement adjustment of
10 2002) made before July 1, 2010, the amount transferred from the
11 State accumulation account to provide all additional reserves
12 necessary as of June 30, 2010, to pay such supplemental
13 annuities and adjustments, and the amounts transferred from the
14 State accumulation account to provide all additional reserves
15 necessary as a result of supplemental annuities enacted after
16 December 31, 2009. The supplemental annuity account shall be
17 credited with valuation interest. The reserves necessary for the
18 payment of such supplemental annuities shall be transferred from
19 the supplemental annuity account to the annuity reserve account
20 as provided in section 5935 (relating to annuity reserve
21 account).

22 § 5939. Interest reserve account.

23 The interest reserve account shall be the ledger account to
24 which shall be credited all income earned by the fund and to
25 which shall be charged all administrative and investment
26 expenses incurred by the fund. At the end of each year the
27 required interest shall be transferred from the interest reserve
28 account to the credit of each of the accounts of the fund in
29 accordance with the provisions of this subchapter. In addition,
30 at the end of each accounting period, the interest reserve

1 account shall be credited or charged with all recognized changes
2 in the market valuation of the investments of the fund. The
3 administrative and investment expenses of the board relating to
4 the administration of the system and investments of the fund
5 shall be paid from the fund out of earnings. Any surplus or
6 deficit in the interest reserve account at the end of each year
7 shall be transferred to the State accumulation account.

8 § 5951. State guarantee regarding the State Employees'
9 Retirement System.

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

20 Section 339. Section 5953 of Title 71, amended December 28,
21 2015 (P.L.529, No.93), is amended to read:

22 § 5953. Taxation, attachment and assignment of funds.

23 (a) General rule.--

24 (1) Except as provided in paragraphs (2), (3) [and], (4)
25 and (5), the right of a person to any benefit or right
26 accrued or accruing under the provisions of this part and the
27 moneys in the fund and the trust are hereby exempt from any
28 State or municipal tax, levy and sale, garnishment,
29 attachment, spouse's election, the provisions of Article
30 XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known

1 as The Fiscal Code, or any other process whatsoever, and no
2 participant or beneficiary, successor payee or alternate
3 payee of a participant shall have the ability to commute,
4 sell, assign, alienate, anticipate, mortgage, pledge,
5 hypothecate, commutate or otherwise transfer or convey any
6 benefit or interest in an individual investment account or
7 rights to receive or direct distributions under this part or
8 under agreements entered into under this part except as
9 otherwise provided in this part and in the case of either a
10 member or a participant except for a set-off by the
11 Commonwealth in the case provided in subparagraph (i), and
12 shall be unassignable except:

13 (i) To the Commonwealth in the case of a member or
14 participant who is terminating State service and has been
15 determined to be obligated to the Commonwealth for the
16 repayment of money owed on account of his employment or
17 to the fund on account of a loan from a credit union to a
18 member which has been satisfied by the board from the
19 fund.

20 (ii) To a credit union as security for a loan to a
21 member not to exceed \$750 and interest not to exceed 6%
22 per annum discounted and/or fines thereon if the credit
23 union is now or hereafter organized and incorporated
24 under the laws of this Commonwealth and the membership of
25 such credit union is limited solely to officials and
26 employees of the Commonwealth and if such credit union
27 has paid to the fund \$3 for each such assignment.

28 (2) Rights under this part shall be subject to
29 forfeiture as provided by the act of July 8, 1978 (P.L.752,
30 No.140), known as the Public Employee Pension Forfeiture Act,

1 and by or pursuant to section 16(b) of Article V of the
2 Constitution of Pennsylvania. Forfeitures under this
3 subsection or under any other provision of law may not be
4 applied to increase the benefits that any member would
5 otherwise receive under this part. Notwithstanding this
6 paragraph, 42 Pa.C.S. § 3352 (relating to pension rights),
7 the Public Employee Pension Forfeiture Act or section 16(b)
8 of Article V of the Constitution of Pennsylvania, the
9 accumulated mandatory participant contributions and
10 accumulated voluntary contributions standing to the credit of
11 a participant shall not be forfeited but shall be available
12 for payment of fines and restitution as provided by law.
13 Furthermore, amounts in the trust that have been ordered to
14 be distributed to an alternate payee as the result of an
15 equitable distribution of marital property as part of an
16 approved domestic relations order entered before the date of
17 the order or action in a court or other tribunal resulting in
18 a forfeiture of a participant's interest in the trust shall
19 not be subject to 42 Pa.C.S. § 3352, the Public Employee
20 Pension Forfeiture Act or section 16(b) of Article V of the
21 Constitution of Pennsylvania. Any accumulated employer
22 defined contributions forfeited as a result of this paragraph
23 or other law shall be retained by the board and used for the
24 payment of expenses of the plan.

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

28 (4) Effective with distributions made on or after
29 January 1, 1993, and notwithstanding any other provision of
30 this part to the contrary, a distributee may elect, at the

1 time and in the manner prescribed by the board, to have any
2 portion of an eligible rollover distribution paid directly to
3 an eligible retirement plan by way of a direct rollover. For
4 purposes of this paragraph, a "distributee" includes a member
5 [and], a participant, a member's surviving spouse [and], a
6 participant's surviving spouse, a member's former spouse who
7 is an alternate payee under an approved domestic relations
8 order, a participant's former spouse who is an alternate
9 payee under an approved domestic relations order and anyone
10 else authorized under the IRC and the plan terms approved by
11 the board to have an eligible rollover distribution paid
12 directly to an eligible retirement plan by way of a direct
13 rollover. For purposes of this paragraph, the term "eligible
14 rollover distribution" has the meaning given such term by IRC
15 § 402(f)(2)(A), and "eligible retirement plan" has the
16 meaning given such term by IRC § 402(c)(8)(B), except that a
17 qualified trust shall be considered an eligible retirement
18 plan only if it accepts the distributee's eligible rollover
19 distribution; however, in the case of an eligible rollover
20 distribution to a surviving spouse, an eligible retirement
21 plan is an "individual retirement account" or an "individual
22 retirement annuity" as those terms are defined in IRC §
23 408(a) and (b).

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

26 (1) In the case of a member or participant who is
27 terminating service, the amount determined after
28 certification by the head of the department that the member
29 or participant is so obligated, and after review and approval
30 by the department or agency's legal representative or upon

1 receipt of an assignment from the member or participant in
2 the amount so certified[.], except that no payment shall be
3 made from the individual investment account of a participant
4 until the participant otherwise applies for and receives a
5 distribution and shall not exceed the amount of the
6 distribution.

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

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

14 (ii) at such time as the Department of Banking shall
15 require the credit union to charge the amount of the loan
16 against the reserve fund of such credit union.

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

22 (3) In the case of a participant whose former spouse is
23 an alternate payee of an equitable distribution of marital
24 assets under an approved domestic relations order, a lump sum
25 of the alternate payee's interest in the participant's
26 accumulated total defined contributions. This paragraph
27 applies without regard to whether the participant has not
28 terminated, is terminating or has terminated State service.

29 Section 340. Section 5953.1(a) introductory paragraph and

30 (1), (b), (c) and (d) of Title 71 are amended and the section is

1 amended by adding a subsection to read:

2 § 5953.1. Approval of domestic relations orders.

3 (a) Certification regarding members.--A domestic relations
4 order pertaining to a member of the system shall be certified as
5 an approved domestic relations order by the secretary of the
6 board, or his designated representative, only if that order
7 meets all of the following:

8 (1) Requires the system to provide any type or form of
9 benefit or any option applicable to members already provided
10 under this part.

11 * * *

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

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

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

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

29 (4) Requires the plan to pay to the alternate payee no
30 more than the lesser of the vested amount of the

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

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 pursuant to
28 this section shall be construed only as an authorization for
29 the 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 which is not related to the administration, calculation and
5 payment of alternate payee's share of the participant's
6 individual investment account.

7 (10) In the case of a participant who has 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 by
13 direct payment, eligible rollover or trustee-to-trustee
14 transfer to another eligible plan or qualified account owned
15 by the alternate payee, notwithstanding any other provision
16 of this part or the plan that would require a distribution of
17 accumulated employer defined contributions in the form of an
18 annuity or to require the purchase of an annuity.

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

30 (b) Determination by secretary.--Within a reasonable period

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

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

29 (d) Obligation discharged.--Only the requirements of this
30 part and any regulations promulgated hereunder shall be used to

1 govern the approval or disapproval of a domestic relations
2 order. Therefore, if the secretary of the board, or his
3 designated representative, acts in accordance with the
4 provisions of this part and any promulgated regulations in
5 approving or disapproving a domestic relations order, then the
6 obligations of the system or the plan with respect to such
7 approval or disapproval shall be discharged.

8 Section 341. Sections 5953.2, 5953.3 and 5953.4(a) of Title
9 71 are amended to read:

10 § 5953.2. Irrevocable beneficiary.

11 Notwithstanding any other provision of this part, a domestic
12 relations order may provide for an irrevocable beneficiary. A
13 domestic relations order requiring the nomination of an
14 irrevocable beneficiary shall be deemed to be one that requires
15 a member or participant to nominate an alternate payee as a
16 beneficiary and that prohibits the removal or change of that
17 beneficiary without approval of a court of competent
18 jurisdiction, except by operation of law. Such a domestic
19 relations order may be certified as an approved domestic
20 relations order by the secretary of the board, or his designated
21 representative, after the member or participant makes such
22 nomination, in which case the irrevocable beneficiary so ordered
23 by the court cannot be changed by the member or participant
24 without approval by the court.

25 § 5953.3. Irrevocable survivor annuitant.

26 Notwithstanding any other provisions of this part, a domestic
27 relations order pertaining to a member may provide for an
28 irrevocable survivor annuitant. A domestic relations order
29 requiring the designation of an irrevocable survivor annuitant
30 shall be deemed to be one that requires a member to designate an

1 alternate payee as a survivor annuitant and that prohibits the
2 removal or change of that survivor annuitant without approval of
3 a court of competent jurisdiction, except by operation of law.
4 Such a domestic relations order may be certified as an approved
5 domestic relations order by the secretary of the board, or his
6 designated representative, in which case the irrevocable
7 survivor annuitant so ordered by the court cannot be changed by
8 the member without approval by the court. A person ineligible to
9 be designated as a survivor annuitant may not be designated as
10 an irrevocable survivor annuitant.

11 § 5953.4. Amendment of approved domestic relations orders.

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

18 * * *

19 Section 342. Title 71 is amended by adding a section to
20 read:

21 § 5953.6. Irrevocable successor payee.

22 Notwithstanding any other provisions of this part, a domestic
23 relations order pertaining to a participant may provide for an
24 irrevocable successor payee only if the participant is receiving
25 a payment pursuant to a payment option provided by the board
26 that allows for a successor payee. A domestic relations order
27 requiring the designation of an irrevocable successor payee
28 shall be deemed to be one that requires a participant who is
29 receiving payments from an annuity or other distribution option
30 to designate an alternate payee as a successor payee and that

prohibits the removal or change of that successor payee 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 successor payee so ordered by the
court shall not be changed by the participant without approval
by the court. A person ineligible to be designated as a
successor payee shall not be designated as an irrevocable
successor payee. A court shall not name an irrevocable successor
payee if the alternate payee is eligible to receive a lump sum
distribution of the alternate payee's portion of the marital
portion of the pension benefit.

Section 343. Sections 5954 and 5955 of Title 71 are amended
to read:

§ 5954. Fraud and adjustment of errors.

(a) Penalty for fraud.--Any person who shall knowingly make
any false statement or shall falsify or permit to be falsified
any record or records of this system or plan in any attempt to
defraud the system or plan as a result of such act shall be
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
affected contributions to or payments from the system, then so
far as practicable shall adjust the payments which may be made

1 for and to such person in such a manner that the actuarial
2 equivalent of the benefit to which he was correctly entitled
3 shall be paid. If the error affected contributions to or
4 payments from the plan, then the board shall take such action as
5 shall be provided for in the plan document.

6 § 5955. Construction of part.

7 (a) Exclusive source of rights and benefits.--Regardless of
8 any other provision of law, pension and benefit rights of State
9 employees shall be determined solely by this part or any
10 amendment thereto, and no collective bargaining agreement nor
11 any arbitration award between the Commonwealth and [its] other
12 employers and their employees or their collective bargaining
13 representatives shall be construed to change any of the
14 provisions herein, to require the board to administer pension or
15 retirement benefits not set forth in this part or not
16 established by the board in the plan document, to require the
17 board to modify, amend or change any of the terms and provisions
18 of the plan document, or otherwise require action by any other
19 government body pertaining to pension or retirement benefits or
20 rights of State employees. Notwithstanding the foregoing, any
21 pension or retirement benefits or rights previously so
22 established by or as a result of an arbitration award shall
23 remain in effect after the expiration of the current collective
24 bargaining agreement between the State employees so affected and
25 the Commonwealth until the expiration of each of the collective
26 bargaining agreements in effect on January 1, 2011, at which
27 time the classes of membership and resulting member contribution
28 rates and contributions for creditable nonstate service,
29 eligibility for vesting, withdrawal and superannuation
30 annuities, optional modification of annuities and other terms

1 and conditions related to class of membership shall be as
2 determined by this part for employees covered by those and
3 successor collective bargaining agreements. For purposes of
4 administering this part, for those State employees who are
5 members of each such collective bargaining unit, the date
6 January 1, 2011, contained in this part, except in this section,
7 shall be replaced with the date of the day immediately following
8 the expiration of each such collective bargaining agreement. The
9 provisions of this part insofar as they are the same as those of
10 existing law are intended as a continuation of such laws and not
11 as new enactments. The provisions of this part shall not affect
12 any act done, liability incurred, right accrued or vested, or
13 any suit or prosecution pending or to be instituted to enforce
14 any right or penalty or to punish any offense under the
15 authority of any repealed laws.

16 (b) Officer or member of the Pennsylvania State Police.--The
17 following shall apply:

18 (1) Notwithstanding a provision of subsection (a) or
19 section 12.1 of the act of November 23, 2010 (P.L.1269,
20 No.120) regarding the continued effectiveness of pension or
21 retirement benefits or rights previously established by or as
22 a result of a binding arbitration award issued before July 1,
23 1989, pursuant to the act of June 24, 1968 (P.L.237, No.111),
24 referred to as the Policemen and Firemen Collective
25 Bargaining Act, and implemented by the board, the pension or
26 retirement benefits or rights of a State employee who on
27 January 1, 2017, is a current or former State police officer,
28 shall be a provided in this part as if the binding
29 arbitration award was not issued, except as provided under
30 this subsection.

1 (2) A State employee who on January 1, 2017, is a
2 current or former State police officer shall be eligible to
3 accrue benefits pursuant to the binding arbitration as
4 implemented by the board until the termination of State
5 service.

6 (3) A State employee who on January 1, 2017, is not a
7 current or former State police officer who subsequently
8 becomes a State police officer shall be eligible to accrue
9 benefits pursuant to the binding arbitration award until the
10 termination of State service.

11 (4) An individual who is not a State employee on January
12 1, 2017, or who is a State employee but not a member of the
13 system on January 1, 2017, who subsequently becomes a State
14 police officer shall not be eligible to accrue benefits
15 pursuant to the binding arbitration award, but instead shall
16 be eligible to be a participant in the plan.

17 (5) To the extent that any officer or member of the
18 Pennsylvania State Police who is eligible to retire after
19 June 30, 1989, as provided in a binding arbitration award
20 issued before July 1, 1989, pursuant to the act of June 24,
21 1968 (P.L.237, No.111), referred to as the Policemen and
22 Firemen Collective Bargaining Act, as implemented by the
23 board with a benefit based on 50% of highest year salary upon
24 accruing 20 or more years of credited State service or
25 nonstate service in the system, or based on 75% of highest
26 year salary upon accruing 25 or more years of credited State
27 or nonstate service in the system, such eligibility shall be
28 determined solely on service credited, compensation paid and
29 contributions made as a member of the system.

30 ARTICLE IV

TRANSITIONAL PROVISIONS

Section 401. The following apply:

(1) The following provisions shall not create in any member of the School Employees' Retirement System or participant in the School Employees' Defined Contribution Plan or in any other person claiming an interest in the account of the member or participant a contractual right, either express or implied, in the provisions or in any construction of 24 Pa.C.S. Pt. IV or 51 Pa.C.S., as so amended or supplemented, or any rules or regulations adopted under 24 Pa.C.S. Pt. IV or 51 Pa.C.S.:

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

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

(B) contributions to, participation in or benefits from the School Employees' Defined Contribution Plan or School Employees' Defined Contribution Trust; and

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

(ii) Any construction of 24 Pa.C.S. Pt. IV or 51 Pa.C.S., as so amended or supplemented, or any rules or

1 regulations adopted under 24 Pa.C.S. Pt. IV or 51
2 Pa.C.S., or any term or provision of the School
3 Employees' Defined Contribution Plan or School Employees'
4 Defined Contribution Trust, whether established by
5 statute or in the plan document or trust declaration.

6 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
7 subject to the Internal Revenue Code of 1986 and the
8 Uniformed Services Employment and Reemployment Rights Act of
9 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
10 under those statutes, and the General Assembly reserves to
11 itself such further exercise of its legislative power to
12 amend or supplement such provisions as may from time to time
13 be required in order to maintain the qualification of the
14 system as a qualified pension plan under section 401(a) and
15 other applicable provisions of the Internal Revenue Code of
16 1986 and the Uniformed Services Employment and Reemployment
17 Rights Act of 1994 (Public Law 103-353, 108 Stat. 3149).

18 (3) Nothing in this act which amends or supplements
19 provisions of 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV in
20 relation to requirements:

21 (i) for qualification of the State Employees'
22 Defined Contribution Plan as a qualified pension plan
23 under the Internal Revenue Code of 1986 (Public Law 99-
24 514, 26 U.S.C. § 1 et seq.) or compliance with 38 U.S.C.
25 Ch. 43 (relating to employment and reemployment rights of
26 members of the uniformed services);

27 (ii) for contributions to, participation in or
28 benefits from the State Employees' Defined Contribution
29 Plan or State Employees' Defined Contribution Trust; or

30 (iii) for domestic relations orders regarding

1 alternate payees of participants in the State Employees'
2 Defined Contribution Plan;
3 nor any construction of 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, as
4 so amended or supplemented, or any rules or regulations
5 adopted under 51 Pa.C.S. or 71 Pa.C.S. Pt. XXV, or any term
6 or provision of the State Employees' Defined Contribution
7 Plan or State Employees' Defined Contribution Trust, whether
8 established by statute or in the plan document or trust
9 declaration, shall create in any member of the State
10 Employees' Retirement System or participant in the State
11 Employees' Defined Contribution Plan or in any other person
12 claiming an interest in the account of any such member or
13 participant a contractual right, either express or implied,
14 in such provisions nor in any construction of 51 Pa.C.S. §
15 7306 or 71 Pa.C.S. Pt. XXV, as so amended or supplemented, or
16 any rules or regulations adopted under 51 Pa.C.S. or 71
17 Pa.C.S. Pt. XXV.

18 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
19 subject to the Internal Revenue Code of 1986 and 38 U.S.C.
20 Ch. 43 and regulations thereunder, and the General Assembly
21 reserves to itself such further exercise of its legislative
22 power to amend or supplement such provisions as may from time
23 to time be required in order to maintain the qualification of
24 such system as a qualified pension plan under section 401(a)
25 and other applicable provisions of the Internal Revenue Code
26 of 1986 and 38 U.S.C. Ch. 43.

27 Section 402. References in this act to the Internal Revenue
28 Code of 1986 or 38 U.S.C. Ch. 43, or administrative regulations
29 promulgated thereunder, are intended to include such laws and
30 regulations in effect on the effective date of this act and as

1 they may hereafter be amended or supplemented or supplanted by
2 successor provisions.

3 Section 403. Nothing in this act shall be construed or
4 deemed to imply that, but for the expressed applications of the
5 limitations on benefits or other requirements under section
6 401(a) or applicable provisions of the Internal Revenue Code of
7 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.) to
8 participants in the School Employees' Defined Contribution Plan,
9 those limitations would not otherwise apply to such participants
10 or to members of the Public School Employees' Retirement System
11 and the benefits payable pursuant to 24 Pa.C.S. Pt. IV.

12 Section 404. Nothing in this act shall be construed or
13 deemed to imply that, but for the expressed applications of the
14 limitations on benefits or other requirements under section
15 401(a) or other applicable provisions of the Internal Revenue
16 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 et seq.), those
17 limitations would not otherwise apply to such participants or to
18 members of the State Employees' Retirement System and the
19 benefits payable under 71 Pa.C.S. Pt. XXV.

20 Section 405. (a) Notwithstanding any provisions of this act
21 to the contrary, no contributions or benefit related to the
22 State Employees' Defined Contribution Plan or the School
23 Employee's Defined Contribution Plan shall be made or payable to
24 the extent that such contributions or benefits exceed any
25 limitation under section 415 of the Internal Revenue Code of
26 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) as in effect
27 with respect to governmental plans as such term is defined in
28 section 414(d) of the Internal Revenue Code of 1986 on the date
29 the contributions or benefit payment becomes effective. Any
30 increase in any limitation under section 415 of the Internal

1 Revenue Code of 1986 shall be applicable to all current and
2 future participants.

3 (b) No future amendment of this act that increases
4 contributions or benefits for active participants, inactive
5 participants or participants receiving distributions shall be
6 deemed by the rules of statutory construction or otherwise to
7 provide for contributions or benefits in excess of any
8 limitation, as adjusted or subsequently increased, provided for
9 under section 415 of the Internal Revenue Code of 1986 unless
10 specifically so provided by legislation. Notwithstanding this
11 section, any future increase in benefits for any participants in
12 the State Employee's Defined Contribution Plan or the School
13 Employee's Defined Contribution Plan are intended to be
14 applicable to the fullest extent allowed by law and this section
15 authorizes any such increases in limitations or allowable
16 benefits.

17 Section 406. Nothing in this act shall be construed or
18 deemed to imply that any calculation or actuarial method used by
19 the Public School Employees' Retirement Board, its actuaries or
20 the Public School Employees' Retirement System was not in
21 accordance with the provisions of the 24 Pa.C.S. Pt. IV or other
22 applicable law prior to the effective date of this section.

23 Section 407. Nothing in this act shall be construed or
24 deemed to imply that any calculation or actuarial method used by
25 the State Employees' Retirement Board, its actuaries or the
26 State Employees' Retirement System was not in accordance with
27 the provisions of the State Employees' Retirement Code or other
28 applicable law prior to the effective date of this section.

29 Section 408. Nothing in this act shall be construed or
30 deemed 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 409. Nothing in this act shall be construed or
10 deemed to imply that any interpretation or application of the
11 provisions of 71 Pa.C.S. Pt. XXV or benefits available to
12 members of the State Employees' Retirement System was not in
13 accordance with the provisions of 71 Pa.C.S. Pt. XXV or other
14 applicable law, including the Internal Revenue Code of 1986
15 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and 38 U.S.C. Ch. 43
16 (relating to employment and reemployment rights of members of
17 the uniformed services), prior to the effective date of this
18 section.

19 Section 410. This act shall be construed and administered in
20 such a manner that the Public School Employees' Retirement
21 System and the School Employees' Defined Contribution Plan will
22 satisfy the requirements necessary to qualify as a qualified
23 pension plan under section 401(a) and other applicable
24 provisions of the Internal Revenue Code of 1986 (Public Law 99-
25 514, 26 U.S.C. § 1 et seq.) and the Uniformed Services
26 Employment and Reemployment Rights Act of 1994 (Public Law 103-
27 353, 108 Stat. 3149). The rules, regulations and procedures
28 adopted and promulgated by the Public School Employees'
29 Retirement Board, and the terms and conditions of the plan
30 document and trust declaration adopted by the Public School

1 Employees' Retirement Board, may include those necessary to
2 accomplish the purpose of this section.

3 Section 411. This act shall be construed and administered in
4 such a manner that the State Employees' Retirement System and
5 the State Employees' Defined Contribution Plan will satisfy the
6 requirements necessary to qualify as a qualified pension plan
7 under section 401(a) and other applicable provisions of the
8 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
9 et seq.) and 38 U.S.C. Ch. 43 (relating to employment and
10 reemployment rights of members of the uniformed services). The
11 rules, regulations and procedures adopted and promulgated by the
12 State Employees' Retirement Board and the terms and conditions
13 of the plan document and trust declaration adopted by the State
14 Employees' Retirement Board may include those necessary to
15 accomplish the purpose of this section.

16 Section 412. The following apply:

17 (1) If the application of any provision of this act to
18 any person is held invalid, the invalidity shall not affect
19 the application of this act to any other person, but the
20 entire act shall be invalid as to the person to whom part of
21 it was invalid.

22 (2) In the event that a school employee's participation
23 in the School Employees' Defined Contribution Plan is
24 declared invalid, the affected school employee shall return
25 to the School Employees' Defined Contribution Trust any
26 distributions and shall be granted status and service credit
27 in the Public School Employees' Retirement System and shall
28 be required to make all contributions to the Public School
29 Employees' Retirement Fund as if this act had not been
30 enacted. The affected school employee's accumulated mandatory

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

16 (3) In the event that a State employee's participation
17 in the State Employees' Defined Contribution Plan is declared
18 invalid, the affected State employee shall return to the
19 State Employees' Defined Contribution Trust any distributions
20 and shall be granted the status and service credit in the
21 State Employees' Retirement System and shall be required to
22 make all contributions to the State Employees' Retirement
23 Fund as if this act had not been enacted. The affected State
24 employee's accumulated mandatory participant contributions
25 and accumulated voluntary contributions shall be transferred
26 to the affected employee's member savings account to the
27 extent necessary to fund that account with the member
28 contributions and interest that would have been standing to
29 the member's account had this act not been enacted. Any
30 remaining balance shall be refunded to the State employee,

1 who shall be responsible for paying to the fund in a manner
2 and time determined by the State Employees' Retirement Board
3 any additional funds required if the accumulated mandatory
4 participant contributions and accumulated voluntary
5 contributions were not sufficient. The accumulated employer
6 defined contributions shall be transferred to the State
7 accumulation account and no further amount shall be due from
8 the employer or refund paid.

9 Section 413. Nothing in this act shall be construed or
10 deemed to imply that the release or making public of any record,
11 material or data described in 71 Pa.C.S. § 5902(e)(2) as not
12 being a public record is a violation of the State Employees'
13 Retirement Board's fiduciary duties.

14 Section 414. (a) Notwithstanding any other provision of
15 law, any change in accrued liability of the State Employees'
16 Retirement System created by this act as a result of changes in
17 benefits shall be funded in equal dollar installments over a
18 period of 20 years beginning July 1, 2016. Any change in accrued
19 liability as a result of the amendment of 71 Pa.C.S. §§ 5507 and
20 5508 or the addition of 71 Pa.C.S. §§ 5507.1 and 5508.1 shall be
21 funded in equal dollar installments over a period of 30 years
22 beginning July 1, 2015. Payments required to fund any changes in
23 accrued liability resulting from the provisions of 71 Pa.C.S.
24 Pt. XXV shall be subject to any limits imposed by this act on
25 employer contributions to the State Employees' Retirement
26 System. For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508, any
27 such changes shall not be considered to be costs added by
28 legislation.

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

1 Section 415. This act shall take effect immediately.