
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1071 Session of
2015

Report of the Committee of Conference

To the Members of the Senate and House of Representatives:

We, the undersigned, Committee of Conference on the part of the Senate and House of Representatives for the purpose of considering Senate Bill No. 1071, entitled:

~~"An act amending Titles 24 (Education), 51 (Military Affairs) and 71 (State Government) of the Pennsylvania Consolidated Statutes, extensively revising pension provisions: for the Public School Employees' Retirement System, * * * for funding, for liability, for State Employee member statements and for State Employees Retirement Board obligations. FOR RECERTIFICATION OF CONTRIBUTION RATES, FOR TRANSFER OF ASSETS AND FOR SEVERABILITY; AND MAKING EDITORIAL CHANGES."~~

respectfully submit the following bill as our report:

JAKE CORMAN

JOE SCARNATI

(Committee on the part of the Senate.)

MIKE TOBASH

WARREN KAMPF

(Committee on the part of the House of Representatives.)

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AN ACT

1 Amending Titles 24 (Education), 51 (Military Affairs) and 71
2 (State Government) of the Pennsylvania Consolidated Statutes,
3 extensively revising pension provisions as follows:

4 In Title 24:

5 for retirement for school employees, in the areas of
6 preliminary provisions, of membership, contributions and
7 benefits, of school employees' defined contribution plan
8 and of administration and miscellaneous provisions; and
9 for health insurance for retired school employees, in
10 the area of preliminary provisions.

11 In Title 51:

12 for employment preferences and pensions, in the area
13 of military leave of absence.

14 In Title 71:

15 for boards and offices, in the area of Independent
16 Fiscal Office; and

17 for retirement for State employees and officers, in
18 the areas of preliminary provisions, of membership,
19 credited service, classes of service and eligibility for
20 benefits, of contributions, of benefits, of State
21 employees' defined contribution plan and of
22 administration, funds, accounts, general provisions.

23 Providing, as to the revisions:

24 for construction and administration, for
25 applicability, for liability, for member statements and
26 for suspension of provisions of the Public Employee
27 Retirement Study Commission Act.

28 The General Assembly of the Commonwealth of Pennsylvania
29 hereby enacts as follows:

30 ARTICLE I

31 Section 101. The definitions of "alternate payee," "basic
32 contribution rate," "beneficiary," "class of service
33 multiplier," "compensation," "creditable nonschool service,"
34 "credited service," "date of termination of service,"
35 "distribution," "domestic relations order," "final average
36 salary," "inactive member," "intervening military service,"
37 "irrevocable beneficiary," "leave for service with a collective
38 bargaining organization," "reemployed from USERRA leave,"
39 "required beginning date," "salary deductions," "shared-risk
40 contribution rate," "standard single life annuity,"

1 "superannuation or normal retirement age," "valuation interest"
2 and "vestee" in section 8102 of Title 24 of the Pennsylvania
3 Consolidated Statutes are amended and the section is amended by
4 adding definitions to read:

5 § 8102. Definitions.

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

9 * * *

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

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

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

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

1 any investment earnings and losses and adjustments for fees,
2 costs and expenses credited or charged thereon and reduced by
3 any distributions.

4 * * *

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

12 * * *

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

18 * * *

19 "Basic contribution rate." For Class T-A, T-B and T-C
20 service, the rate of 6 1/4%. For Class T-D service, the rate of
21 7 1/2%. For all active members on the effective date of this
22 provision who are currently paying 5 1/4% and elect Class T-D
23 service, the rate of 6 1/2%. For Class T-E service, the rate of
24 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
25 service, the rate of 5.5%. For Class T-H service, the rate of
26 4.5%.

27 "Beneficiary." [The] In the case of the system, the person
28 or persons last designated in writing to the board by a member
29 to receive his accumulated deductions or a lump sum benefit upon
30 the death of such member. In the case of the plan, the person or

1 persons last designated in writing to the board by a participant
2 to receive the participant's vested accumulated total defined
3 contributions or a lump sum benefit upon the death of the
4 participant.

5 * * *

6 "Class of service multiplier."

7	Class of service	Multiplier
8	T-A	.714
9	T-B	.625
10	T-C	1.000
11	T-D	1.000
12	T-E	1.000
13	T-F	1.000
14	<u>T-G</u>	<u>1.000</u>
15	<u>T-H</u>	<u>1.000</u>

16 * * *

17 "Compensation." Pickup contributions and mandatory pickup
18 participant contributions plus any remuneration received as a
19 school employee excluding reimbursements for expenses incidental
20 to employment and excluding any bonus, severance payments, any
21 other remuneration or other emolument received by a school
22 employee during his school service which is not based on the
23 standard salary schedule under which he is rendering service,
24 payments for unused sick leave or vacation leave, bonuses or
25 other compensation for attending school seminars and
26 conventions, payments under health and welfare plans based on
27 hours of employment or any other payment or emolument which may
28 be provided for in a collective bargaining agreement which may
29 be determined by the Public School Employees' Retirement Board
30 to be for the purpose of enhancing compensation as a factor in

1 the determination of final average salary, and excluding
2 payments for military leave and any other payments made by an
3 employer while on USERRA leave, leave of absence granted under
4 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
5 government employees), military leave of absence granted under
6 51 Pa.C.S. § 7302 (relating to granting military leaves of
7 absence), leave granted under section 1178 of the act of March
8 10, 1949 (P.L.30, No.14), known as the Public School Code of
9 1949, or other types of military leave, including other types of
10 leave payments, stipends, differential wage payments as defined
11 in IRC § 414(u)(12) and any other payments, provided, however,
12 that the limitation under section 401(a)(17) of the Internal
13 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
14 taken into account for the purpose of member contributions,
15 including regular or joint coverage member contributions,
16 regardless of class of service, shall apply to each member who
17 first became a member of the Public School Employees' Retirement
18 System on or after July 1, 1996, and who by reason of such fact
19 is a noneligible member subject to the application of the
20 provisions of section 8325.1 (relating to annual compensation
21 limit under IRC § 401(a)(17)), and shall apply to each
22 participant pertaining to the participant's participation in the
23 plan.

24 * * *

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

28 "Credited service." School or creditable nonschool service
29 for which the required contributions have been made to the fund,
30 or for which the contributions otherwise required for such

1 service were not made solely by reason of any provision of this
2 part relating to the limitations under section 401(a)(17) or 415
3 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
4 U.S.C. § 401(a)(17) or 415), or for which salary deductions to
5 the system or lump sum payments have been agreed upon in
6 writing.

7 "Date of termination of service." The latest of the
8 following dates:

9 (1) The last [date] day of service for which pickup
10 contributions are made for an active member or[,] for which
11 the contributions otherwise required for service were not
12 made solely by reason of any provision of this part relating
13 to the limitations under section 401(a)(17) or 415 of the
14 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
15 401(a)(17) or 415); or

16 (2) in the case of an inactive member or an inactive
17 participant, the effective date of his resignation or the
18 date his employment is formally discontinued by his employer
19 or two years following the last day of service for which
20 contributions were made, whichever is earliest.

21 (3) Mandatory pickup participant contributions are made
22 for an active participant.

23 * * *

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

28 "Domestic relations order." Any judgment, decree or order,
29 including approval of a property settlement agreement, entered
30 on or after the effective date of this definition by a court of

1 competent jurisdiction pursuant to a domestic relations law
2 which relates to the marital property rights of the spouse or
3 former spouse of a member or participant, including the right to
4 receive all or a portion of the moneys payable to that member or
5 participant under this part in furtherance of the equitable
6 distribution of marital assets. The term includes orders of
7 support as that term is defined by 23 Pa.C.S. § 4302 (relating
8 to definitions) and orders for the enforcement of arrearages as
9 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
10 arrearages).

11 * * *

12 "Employer defined contributions." Contributions equal to
13 2.0% of an active participant's compensation that are made by an
14 employer to the trust, to be credited in the active
15 participant's individual investment account.

16 "Final average salary." [The] As follows:

17 (1) For purposes of calculating annuities and benefits
18 from the system attributable to a class of service other than
19 Class T-G and Class T-H, the highest average compensation
20 received as an active member during any three nonoverlapping
21 periods of 12 consecutive months with the compensation for
22 part-time service being annualized on the basis of the
23 fractional portion of the school year for which credit is
24 received; except, if the employee was not a member for three
25 such periods, the total compensation received as an active
26 member annualized in the case of part-time service divided by
27 the number of such periods of membership; in the case of a
28 member with multiple service credit, the final average salary
29 shall be determined by reference to compensation received by
30 him as a school employee or a State employee or both; and, in

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

12 (2) For purposes of calculating annuities and benefits
13 from the system attributable to Class T-G and Class T-H
14 service, the following shall apply:

15 (i) The highest average compensation received as an
16 active member during any five nonoverlapping periods of
17 12 consecutive months, with the compensation for part-
18 time service being annualized on the basis of the
19 fractional portion of the school year for which credit is
20 received shall be used or the calculation shall be made
21 in accordance with the following:

22 (A) If the employee was not a member for five
23 periods, the total compensation received as an active
24 member annualized in the case of part-time service
25 divided by the number of periods of membership.

26 (B) In the case of a member with multiple
27 service credit, the final average salary shall be
28 determined by reference to compensation received by
29 the member as a school employee or a State employee
30 or both.

1 (C) In the case of a noneligible member, subject
2 to the application of the provisions of section
3 8325.1.

4 (ii) Final average salary shall be determined by
5 including in compensation, payments deemed to have been
6 made to a member reemployed from USERRA leave to the
7 extent member contributions have been made as provided in
8 section 8302(d)(2) and payments made to a member on leave
9 of absence under 51 Pa.C.S. § 4102 as provided in section
10 8302(d)(6).

11 * * *

12 "Inactive member." A member for whom no pickup contributions
13 are being made to the fund, except in the case of an active
14 member for whom such contributions otherwise required for
15 current school service are not being made solely by reason of
16 any provision of this part relating to the limitations under
17 section 401(a)(17) or 415 of the Internal Revenue Code of 1986
18 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415) or because
19 the member is on USERRA leave, who has accumulated deductions
20 standing to his credit in the fund and for whom contributions
21 have been made within the last two school years or a multiple
22 service member who is active in the State Employees' Retirement
23 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 the
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), but who has vested accumulated total defined
2 contributions standing to the participant's credit in the trust
3 and who has 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 investment
8 earnings after deduction for fees, costs and expenses,
9 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 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 in writing by a participant receiving distributions
27 to the board under an approved domestic relations order to
28 receive one or more distributions from the plan upon the death
29 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 participant,
11 including, but not limited to, salary, wages, pension and
12 retirement contributions and benefits, employer defined
13 contributions, other benefits and seniority, as if he were in
14 full-time active service; and that the employee organization
15 shall fully reimburse the employer for such salary, wages,
16 pension and retirement contributions and benefits, employer
17 defined contributions and other benefits and seniority.

18 "Mandatory pickup participant contributions." Contributions
19 equal to a percentage of compensation that are made by the
20 employer for active participants for current school service that
21 are picked up by the employer and credited in the plan as
22 follows:

23 (1) For Class T-G and Class T-H members, 3.0%.

24 (2) For Class DC participants, 7.5%.

25 * * *

26 "Participant." An active participant, inactive participant
27 or participant receiving distributions.

28 "Participant receiving distributions." A participant in the
29 plan who has commenced receiving distributions from the
30 participant's individual investment account, but who has not

1 received a total distribution of the vested interest in the
2 individual investment account.

3 * * *

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

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

11 * * *

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

20 * * *

21 "Required beginning date." The [beginning] latest date by
22 which distributions of a member's interest must commence under
23 section 401(a)(9) of the Internal Revenue Code of 1986 (Public
24 Law 99-514, 26 U.S.C. § 401(a)(9)).

25 * * *

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

1 * * *

2 "Shared-risk contribution rate." The additional contribution
3 rate that is added to the basic contribution rate for Class T-E
4 [and T-F], Class T-F, Class T-G and Class T-H members, as
5 provided for in section 8321(b) (relating to regular member
6 contributions for current service).

7 "Standard single life annuity." For Class T-A, T-B and T-C
8 credited service of a member, an annuity equal to 2% of the
9 final average salary, multiplied by the total number of years
10 and fractional part of a year of credited service of a member.
11 For Class T-D credited service of a member, an annuity equal to
12 2.5% of the final average salary, multiplied by the total number
13 of years and fractional part of a year of credited service. For
14 Class T-E credited service of a member, an annuity equal to 2%
15 of the final average salary, multiplied by the total number of
16 years and fractional part of a year of credited service of a
17 member. For Class T-F credited service of a member, an annuity
18 equal to 2.5% of the final average salary, multiplied by the
19 total number of years and fractional part of a year of credited
20 service of a member. For Class T-G credited service of a member,
21 an annuity equal to 1.25% of the final average salary,
22 multiplied by the total number of years and fractional part of a
23 year of credited service of a member. For Class T-H credited
24 service of a member, an annuity equal to 1.0% of the final
25 average salary, multiplied by the total number of years and
26 fractional parts of a year of credited service of a member.

27 "State Employees' Defined Contribution Plan." The defined
28 contribution plan for State employees established by 71 Pa.C.S.
29 Pt. XXV (relating to retirement for State employees and
30 officers).

1 * * *

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

6 * * *

7 "Superannuation or normal retirement age."

8 Class of service

Age

9 T-A

62 or any age upon accrual of
35 eligibility points

10

11 T-B

62

12 T-C and T-D

62 or age 60 provided the
member has at least 30
eligibility points or any
age upon accrual of 35
eligibility points

13

14

15

16

17 T-E and T-F

65 with accrual of at least
three eligibility points
or a combination of age
and eligibility points
totaling 92, provided the
member has accrued at
least 35 eligibility
points

18

19

20

21

22

23

24

25 T-G and T-H

67 with accrual of at least 3
eligibility points

26

27 * * *

28 "Trust." The School Employees' Defined Contribution Trust
29 established under Chapter 84 (relating to School Employees'
30 Defined Contribution Plan).

1 * * *

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

5 "Vestee." A member with five or more eligibility points in a
6 class of service other than Class T-E or Class T-F who has
7 terminated school service, has left his accumulated deductions
8 in the fund and is deferring filing of an application for
9 receipt of an annuity. For Class T-E and Class T-F members, a
10 member with ten or more eligibility points who has terminated
11 school service, has left his accumulated deductions in the fund
12 and is deferring filing of an application for receipt of an
13 annuity.

14 "Voluntary contributions." Contributions made by a
15 participant to the trust and credited to the participant's
16 individual investment account in excess of the mandatory pickup
17 participant contributions, either by after-tax salary deductions
18 paid through the employer or by an eligible rollover or direct
19 trustee-to-trustee transfers.

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

22 § 8103. Construction of part.

23 * * *

24 (f) Exclusive source of rights and benefits.--Regardless of
25 any other provision of law, pension and benefit rights of school
26 employees shall be determined solely by this part or any
27 amendment thereto, or the plan document established by the
28 board, and no collective bargaining agreement nor any
29 arbitration award between the employer and the employer's
30 employees or the employee's collective bargaining

1 representatives shall be construed to do any of the following:

2 (1) Change any of the provisions of this part.

3 (2) Require the board to administer pension or
4 retirement benefits not set forth in this part or not
5 established by the board in the plan document.

6 (3) Require the board to modify, amend or change any of
7 the terms and provisions of the plan document.

8 (4) Otherwise require action by any other government
9 body pertaining to pension or retirement benefits or rights
10 of school employees.

11 (g) References to certain Federal statutes.--References in
12 this part to the IRC or the Uniformed Services Employment and
13 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
14 3149), including administrative regulations promulgated under
15 the IRC or the Uniformed Services Employment and Reemployment
16 Rights Act of 1994, are intended to include laws and regulations
17 in effect on the effective date of this section and amended,
18 supplemented or supplanted on and after the effective date of
19 this section.

20 (h) Construction.--This part may not be construed to mean
21 any of the following:

22 (1) That the limitations on benefits or other
23 requirements under IRC § 401(a) or other applicable
24 provisions of the IRC that are applicable to participants in
25 the plan do not apply to the participants or to the members
26 of the system and the benefits payable under this part.

27 (2) That an interpretation or application of a provision
28 of this part or benefits available to members of the Public
29 School Employees' Retirement System was not in accordance
30 with the provisions of this part or other applicable law,

1 including the IRC and the Uniformed Services Employment and
2 Reemployment Rights Act of 1994 before the effective date of
3 this section.

4 (3) That the release or publicizing of a record,
5 material or data that would not constitute a public record
6 under section 8502(e) (2) (relating to administrative duties
7 of board) is a violation of the fiduciary duties of the
8 board.

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

11 § 8103.2. Reference to Public School Employees' Retirement
12 System.

13 (a) General rule.--As of the effective date of this section,
14 unless the context clearly indicates otherwise, a reference to
15 the Public School Employees' Retirement System in a statutory
16 provision, other than this part and 71 Pa.C.S. Pt. XXV (relating
17 to retirement for State employees and officers), shall include a
18 reference to the plan, and a reference to the Public School
19 Employees' Retirement Fund shall include a reference to the
20 trust.

21 (b) Certain agreements.--The agreement of an employer to
22 make contributions to the fund or to enroll employees as members
23 in the system shall be deemed to be an agreement to make
24 contributions to the trust or to enroll employees in the plan.

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

26 § 8301. Mandatory and optional membership in the system and
27 participation in the plan.

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

1 (1) Any officer or employee of the Department of
2 Education, State-owned educational institutions, community
3 colleges, area vocational-technical schools, technical
4 institutes, or [the] The Pennsylvania State University and
5 who is a member of the State Employees' Retirement System or
6 a member of another retirement program approved by the
7 employer.

8 (2) Any school employee who is not a member of the
9 system and who is employed on a per diem or hourly basis for
10 less than 80 full-day sessions or 500 hours in any fiscal
11 year or annuitant who returns to school service under the
12 provisions of section 8346(b) (relating to termination of
13 annuities).

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

19 (4) Any part-time school employee who has an individual
20 retirement account pursuant to the Federal act of September
21 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
22 Employee Retirement Income Security Act of 1974.

23 (b) Prohibited membership.--The school employees categorized
24 in subsection (a)(1) and (2) shall not have the right to elect
25 membership in the system and shall not be eligible to
26 participate in the plan.

27 (c) Optional membership.--The school employees categorized
28 in subsection (a)(3) and, if otherwise eligible, subsection (a)
29 (4) shall have the right to elect membership in the system. Once
30 such election is exercised, membership shall commence from the

1 original date of eligibility and shall continue until the
2 termination of such service.

3 (d) Mandatory participation in the plan.--A school employee
4 who is a mandatory member of either Class T-G or Class T-H shall
5 also be a mandatory participant in the plan as of the effective
6 date of membership in the system.

7 Section 105. Section 8302(a), (c) and (d) of Title 24 are
8 amended and the section is amended by adding a subsection to
9 read:

10 § 8302. Credited school service.

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

1 1,100 hours, as the case may be. A part-time salaried employee
2 shall be credited with the fractional portion of the year which
3 corresponds to the service actually rendered and for which
4 contributions are or would have been made to the fund except for
5 the limitations under the IRC in relation to the service
6 required as a comparable full-time salaried employee. In no case
7 shall a member receive more than one year of credited service
8 for any 12 consecutive months or a member who has elected
9 multiple service receive an aggregate in the two systems of more
10 than one year of credited service for any 12 consecutive months.

11 * * *

12 (c) Cancellation of credited service.--All credited service
13 in the system shall be cancelled if a member withdraws his
14 accumulated deductions[.], except that a partial or total
15 distribution of accumulated total defined contributions to a
16 participant who is also a member may not cancel service credited
17 in the system.

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

17 (4) [A school employee] An active or inactive member
18 who, on or after the effective date of this subsection, is
19 granted a leave of absence under section 1178 of the Public
20 School Code, a leave of absence under 51 Pa.C.S. § 4102
21 (relating to leaves of absence for certain government
22 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
23 is not USERRA leave shall be able to receive creditable
24 nonschool service as nonintervening military service should
25 the employee return to school service as an active member of
26 the system and is otherwise eligible to purchase the service
27 as nonintervening military service.

28 (5) If a member dies while performing USERRA leave, the
29 beneficiaries or survivor annuitants of the deceased member
30 shall be entitled to any additional benefits, including

1 eligibility points, other than benefit accruals relating to
2 the period of qualified military service, provided under this
3 part as if the member resumed and then terminated employment
4 on account of death.

5 (6) A school employee who is on a leave of absence from
6 his duties as a school employee and for which 51 Pa.C.S. §
7 4102 provides that he is not to suffer a loss of pay, time or
8 efficiency shall not be an active member, receive service
9 credit or make member contributions for the leave of absence
10 except as provided for in this part. Notwithstanding this
11 paragraph, any pay the member receives under section 1178 of
12 the Public School Code or 51 Pa.C.S. § 4102 shall be included
13 in the determination of final average salary and other
14 calculations in the system utilizing compensation as if the
15 payments were compensation under this part.

16 (e) Military service by a participant.--A participant who
17 has performed USERRA leave shall be treated and may make
18 contributions as follows:

19 (1) A participant who is reemployed from USERRA leave
20 may not be treated as having incurred a break in school
21 service by reason of the USERRA leave and shall be granted
22 eligibility points as if the participant had not been on
23 USERRA leave. If a participant who is reemployed from USERRA
24 leave subsequently makes mandatory pickup participant
25 contributions in the amounts and in the time periods required
26 by 38 U.S.C. Ch. 43 (relating to employment and reemployment
27 rights of members of the uniformed services) and IRC § 414(u)
28 as if the participant had continued in the participant's
29 school employment and performed school service and been
30 compensated during the period of USERRA leave, then the

1 participant's employer shall make the corresponding employer
2 defined contributions. The employee shall have contributions,
3 benefits, rights and obligations determined under this part
4 as if the employee was an active participant who performed
5 school service during the USERRA leave in the job position
6 that the employee would have held had the employee not been
7 on USERRA leave and received the compensation on which the
8 mandatory pickup participant contributions to receive school
9 service credit for the USERRA leave were determined,
10 including the right to make voluntary contributions on such
11 compensation as permitted by law.

12 (2) A participant who is reemployed from USERRA leave
13 and does not make the mandatory pickup participant
14 contributions or makes only part of the mandatory pickup
15 participant contributions within the allowed payment period
16 may not be eligible to make mandatory pickup participant
17 contributions and voluntary contributions at a later date for
18 the period of USERRA leave for which the mandatory pickup
19 participant contributions were not timely made.

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

28 (4) An active participant or inactive participant who,
29 on or after the effective date of this subsection, is granted
30 a leave of absence under 51 Pa.C.S. § 4102 (relating to

1 leaves of absence for certain government employees) or a
2 military leave under 51 Pa.C.S. Ch. 73 (relating to military
3 leave of absence) that is not USERRA leave may not be
4 eligible to make mandatory pickup participant contributions
5 or voluntary contributions during or for the leave of absence
6 or military leave, and may not have employer defined
7 contributions made during such leave, without regard to
8 whether or not the participant received salary, wages,
9 stipends, differential wage payments or other payments from
10 the participant's employer during the leave, notwithstanding
11 any provision to the contrary in 51 Pa.C.S. § 4102 or 51
12 Pa.C.S. Ch. 73.

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

20 Section 106. Section 8303(c) and (d) of Title 24 are amended
21 to read:

22 § 8303. Eligibility points for retention and reinstatement of
23 service credits.

24 * * *

25 (c) Purchase of previous creditable service.--Every active
26 member of the system or a multiple service member who is an
27 active member of the State Employees' Retirement System on or
28 after the effective date of this part may purchase credit and
29 receive eligibility points:

30 (1) as a member of Class T-C, Class T-E [or] Class T-F,

1 Class T-G or Class T-H for previous creditable school service
2 or creditable nonschool service; or
3 (2) as a member of Class T-D for previous creditable
4 school service, provided the member elects to become a Class
5 T-D member pursuant to section 8305.1 (relating to election
6 to become a Class T-D member);
7 upon written agreement by the member and the board as to the
8 manner of payment of the amount due for credit for such service;
9 except, that any purchase for reinstatement of service credit
10 shall be for all service previously credited.

11 (d) Purchase of previous noncreditable service.--Class T-C
12 and Class T-D members who are active members on the effective
13 date of this subsection shall have three years from the
14 effective date of this subsection to file a written application
15 with the board to purchase any previous noncreditable school
16 service. Class T-C and Class T-D members who are not active
17 members on the effective date of this subsection but who become
18 active members after the effective date of this subsection and
19 Class T-E [and class T-F], Class T-F, Class T-G and Class T-H
20 members shall have 365 days from entry into the system to file a
21 written application with the board to purchase any previous
22 noncreditable school service.

23 Section 107. Section 8305(c)(1) and (d) of Title 24 are
24 amended and the section is amended by adding subsections to
25 read:

26 § 8305. Classes of service.

27 * * *

28 (c) Class T-D membership.--

29 (1) A person who becomes a school employee and an active
30 member, or a person who becomes a multiple service member who

1 is a State employee and a member of the State Employees'
2 Retirement System, on or after the effective date of this
3 subsection and before July 2011 shall be classified as a
4 Class T-D member upon payment of regular member
5 contributions. Any prior school service credited as Class T-C
6 service shall be credited as Class T-D service, subject to
7 the limitations contained in paragraph (4).

8 * * *

9 (d) Class T-E membership.--Notwithstanding any other
10 provision, a person who first becomes a school employee and an
11 active member, or a person who first becomes a multiple service
12 member who is a State employee and a member of the State
13 Employees' Retirement System, on or after the effective date of
14 this subsection and before July 1, 2018, shall be classified as
15 a Class T-E member upon payment of regular member contributions
16 and the shared-risk contributions.

17 * * *

18 (f) Class T-G membership.--A person who first becomes a
19 school employee and an active member on or after July 1, 2018,
20 shall be classified as a Class T-G member upon payment of
21 regular member contributions and the shared-risk contributions.

22 (g) Class T-H membership or Class DC participant.--A person
23 who first becomes a school employee and an active member on or
24 after July 1, 2018, and who is eligible to become a Class T-G
25 member shall have the right to elect to become one of the
26 following:

27 (1) a Class T-H member, provided the person elects to
28 become a Class T-H member pursuant to section 8305.3
29 (relating to election to become a Class T-H member), upon
30 written election filed with the board and payment of regular

1 member contributions and the shared-risk contributions; or

2 (2) a Class DC participant, provided the person elects
3 to become a Class DC participant pursuant to section 8305.4
4 (relating to election to become a Class DC participant), upon
5 written election filed with the board and payment of
6 mandatory pickup participant contributions.

7 Section 107.1. Title 24 is amended by adding sections to
8 read:

9 § 8305.3. Election to become a Class T-H member.

10 (a) General rule.--A person who first becomes a school
11 employee and an active member on or after the effective date of
12 this subsection and who is eligible to become a Class T-G member
13 may elect to become a member of Class T-H.

14 (b) Time for making election.--A member must elect to become
15 a Class T-H member by filing a written election with the board
16 within 90 days of notification by the board that such member is
17 eligible for such election. A school employee who is eligible to
18 elect to become a Class T-H member who begins USERRA leave
19 during the election period without having elected Class T-H
20 membership may make the election within 90 days after being
21 reemployed from USERRA leave.

22 (c) Effect of election.--An election to become a Class T-H
23 member shall be irrevocable and shall commence from the original
24 date of eligibility. A member who elects Class T-H membership
25 shall receive Class T-H service credit on any and all future
26 service, regardless of whether the member terminates service or
27 has a break in service.

28 (d) Effect of failure to make election.--If a member fails
29 to timely file an election to become a Class T-H member, and
30 does not elect to become a Class DC participant under section

1 8305.4 (relating to election to become a Class DC participant),
2 then the member shall be enrolled as a member of Class T-G, and
3 the member shall never be able to elect Class T-H service,
4 regardless of whether the member terminates service or has a
5 break in service.

6 § 8305.4. Election to become a Class DC participant.

7 (a) General rule.--A person who first becomes a school
8 employee and an active member on or after the effective date of
9 this subsection and who is eligible to become a Class T-G member
10 may elect to become a participant of Class DC.

11 (b) Time for making election.--A member must elect to become
12 a Class DC participant by filing a written election with the
13 board within 90 days of notification by the board that such
14 member is eligible for such election. A school employee who is
15 eligible to elect to become a Class DC participant who begins
16 USERRA leave during the election period without having elected
17 to become a Class DC participant may make the election within 90
18 days after being reemployed from USERRA leave.

19 (c) Effect of election.--An election to become a Class DC
20 participant shall be irrevocable and shall commence from the
21 original date of eligibility. A member who elects to become a
22 Class DC participant shall remain a Class DC participant on any
23 and all future service, regardless of whether the participant
24 terminates service or has a break in service.

25 (d) Effect of failure to make election.--If a member fails
26 to timely file an election to become a Class DC participant, and
27 does not elect to become a member of Class T-H under section
28 8305.3 (relating to election to become a Class T-H member), then
29 the member shall be enrolled as a member of Class T-G, and the
30 member shall never be able to elect to become a Class DC

1 participant, regardless of whether the member terminates service
2 or has a break in service.

3 Section 108. Sections 8306, 8307, 8308, 8310, 8321,
4 8322.1(a), 8323(a), (c) and (d)(1), 8324, 8325.1(a), 8326(a) and
5 (c), 8327, 8328(a), (b), (c), (e)(1) and (g) and 8330 of Title
6 24 are amended to read:

7 § 8306. Eligibility points.

8 (a) General rule.--An active member of the system shall
9 accrue one eligibility point for each year of credited service
10 as a member of the [school or State retirement system] system or
11 if a multiple service member, as a member of the State
12 Employees' Retirement System. A member shall accrue an
13 additional two-thirds of an eligibility point for each year of
14 Class D-3 credited service under the State Employees' Retirement
15 System. In the case of a fractional part of a year of credited
16 service, a member shall accrue the corresponding fractional
17 portion of an eligibility point.

18 (a.1) USERRA leave.--A member or participant 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 school office or employment
22 instead of performing USERRA leave. If a school employee who is
23 reemployed from USERRA leave makes the member or mandatory
24 pickup participant contributions to be granted school service
25 credit for the USERRA leave, no additional eligibility points
26 may be granted.

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

28 (1) In determining whether a member, other than a
29 disability annuitant who returns to school service after June
30 30, 2001, upon termination of the disability annuity, who is

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

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

21 § 8307. Eligibility for annuities.

22 (a) Superannuation annuity.--An active or an inactive member
23 who attains superannuation age shall be entitled to receive a
24 superannuation annuity upon termination of service and filing of
25 a proper application. All members must begin receiving a
26 superannuation annuity by the member's required beginning date.

27 (b) Withdrawal annuity.--

28 (1) A vestee in Class T-C or Class T-D with five or more
29 eligibility points or an active or inactive Class T-C or
30 Class T-D member who terminates school service having five or

1 more eligibility points shall, upon filing a proper
2 application, be entitled to receive an early annuity.

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

8 (3) A vestee in Class T-G or Class T-H with five or more
9 eligibility points or an active or inactive Class T-G or
10 Class T-H member who terminates school service having five or
11 more eligibility points shall, upon filing a proper
12 application, be entitled to receive an early annuity,
13 provided the member has attained the age of 62.

14 (c) Disability annuity.--An active or inactive member who
15 has credit for at least five years of service shall, upon filing
16 of a proper application, be entitled to a disability annuity if
17 he becomes mentally or physically incapable of continuing to
18 perform the duties for which he is employed and qualifies for an
19 annuity in accordance with the provisions of section 8505(c) (1)
20 (relating to duties of board regarding applications and
21 elections of members and participants).

22 § 8308. Eligibility for vesting.

23 Any Class T-C [or], Class T-D, Class T-G or Class T-H member
24 who terminates school service, or if a multiple service member
25 and an active member of the State Employees' Retirement System
26 who terminates State service, with five or more eligibility
27 points shall be entitled to vest his retirement benefits until
28 the member's required beginning date. Any Class T-E or Class T-F
29 member who terminates school service, or if a multiple service
30 member and an active member of the State Employees' Retirement

1 System who terminates State service, with ten or more
2 eligibility points shall be entitled to vest his retirement
3 benefits until his required beginning date.

4 § 8310. Eligibility for refunds.

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

9 § 8321. Regular member contributions for current service.

10 (a) General.--Regular member contributions shall be made to
11 the fund on behalf of each active member for current service
12 except for any period of current service in which the making of
13 such contributions has ceased solely by reason of any provision
14 of this part relating to the limitations under IRC § 401(a) (17)
15 or 415.

16 (b) Class T-E [and], Class T-F, Class T-G and Class T-H
17 shared-risk contributions.--

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

1 of fees, is equal to or exceeds the annual interest rate
2 adopted by the board by less than 1%, the shared-risk
3 contributions rate of Class T-E [and T-F], Class T-F, Class
4 T-G and Class T-H members will decrease by .5%[. Class T-E
5 and T-F members will contribute at the total member
6 contribution rate in effect when they are hired. The],
7 provided the total member contribution rate on the date of
8 the actuarial valuation is above the member's basic
9 contribution rate. If the actual investment rate of return,
10 net of fees, is more than the annual interest rate adopted by
11 the board by an amount of 1% or more, the shared-risk
12 contribution rate of Class T-E, Class T-F, Class T-G and
13 Class T-H members will decrease by .5%. If the actual
14 investment rate of return, net of fees, is equal to or below
15 the annual interest rate adopted by the board by less than
16 1%, the shared-risk contribution rate of Class T-E, Class T-
17 F, Class T-G and Class T-H members will increase by .5%,
18 provided the total member contribution rate on the date of
19 the actuarial valuation is below the member's basic
20 contribution rate.

21 (2) Notwithstanding paragraph (1), the total member
22 contribution rate for Class T-E members shall not be less
23 than [7.5%] 5.5%, nor more than 9.5%. The total member
24 contribution rate for Class T-F members shall not be less
25 than [10.3%] 8.3%, nor more than 12.3%. The total member
26 contribution rate for Class T-G members shall not be less
27 than 3.5% nor more than 7.5%. The total member contribution
28 rate for Class T-H members shall not be less than 2.5% nor
29 more than 6.5%. Notwithstanding this subsection, if the
30 system's actuarial funded status is 100% or more as of the

1 date used for the comparison required under this subsection,
2 as determined in the current annual actuarial valuation, the
3 shared-risk contribution rate shall [be] not be greater than
4 zero. In the event that the annual interest rate adopted by
5 the board for the calculation of the normal contribution rate
6 is changed during the period used to determine the shared-
7 risk contribution rate, the board, with the advice of the
8 actuary, shall determine the applicable rate during the
9 entire period, expressed as an annual rate. The following
10 provisions apply:

11 [(1)] (i) Until the system has a ten-year period of
12 investment rate of return experience following the
13 effective date of this subsection, the look-back period
14 shall begin not earlier than the effective date of this
15 subsection.

16 [(2)] (ii) For any fiscal year in which the employer
17 contribution rate is lower than the final contribution
18 rate under section 8328(h) (relating to actuarial cost
19 method), the total member contribution rate for Class T-E
20 [and T-F], Class T-F, Class T-G and Class T-H members
21 shall be prospectively reset to the basic contribution
22 rate.

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

27 § 8322.1. Pickup contributions.

28 (a) Treatment for purposes of IRC § 414(h).--All
29 contributions to the fund required to be made under sections
30 8321 (relating to regular member contributions for current

1 service), 8322 (relating to joint coverage member contributions)
2 and 8305 (relating to classes of service), with respect to
3 current school service rendered by an active member on or after
4 January 1, 1983, shall be picked up by the employer and shall be
5 treated as the employer's contribution for purposes of IRC §
6 414(h).

7 * * *

8 § 8323. Member contributions for creditable school service.

9 (a) Previous school service, sabbatical leave and full
10 coverage.--The contributions to be paid by an active member or
11 an eligible State employee for credit in the system for
12 reinstatement of all previously credited school service, school
13 service not previously credited, sabbatical leave as if he had
14 been in full-time daily attendance, or full-coverage membership
15 shall be sufficient to provide an amount equal to the
16 accumulated deductions which would have been standing to the
17 credit of the member for such service had regular member
18 contributions been made with full coverage at the rate of
19 contribution necessary to be credited as Class T-C service,
20 Class T-D service if the member is a Class T-D member, Class T-E
21 service if the member is a Class T-E member [or], Class T-F
22 service if the member is a Class T-F member, Class T-G service
23 if the member is a Class T-G member or Class T-H service if the
24 member is a Class T-H member and had such contributions been
25 credited with statutory interest during the period the
26 contributions would have been made and during all periods of
27 subsequent school and State service up to the date of purchase.

28 * * *

29 (c) Approved leave of absence other than sabbatical leave
30 and activated military service leave.--The contributions to be

1 paid by an active member for credit for an approved leave of
2 absence, other than sabbatical leave and activated military
3 service leave, shall be sufficient to transfer his membership to
4 Class T-C or to Class T-D if the member is a Class T-D member,
5 to Class T-E if the member is a Class T-E member [or], to Class
6 T-F if the member is a Class T-F member, to Class T-G service if
7 the member is a Class T-G member or to Class T-H service if the
8 member is a Class T-H member and further to provide an annuity
9 as a Class T-C member or Class T-D member if the member is a
10 Class T-D member, to Class T-E if the member is a Class T-E
11 member [or], to Class T-F if the member is a Class T-F member,
12 to Class T-G service if the member is a Class T-G member or to
13 Class T-H service if the member is a Class T-H member for such
14 additional credited service. Such amount shall be the sum of the
15 amount required in accordance with the provisions of subsection
16 (b) and an amount determined as the sum of the member's basic
17 contribution rate and the normal contribution rate as provided
18 in section 8328 (relating to actuarial cost method) during such
19 period multiplied by the compensation which was received or
20 which would have been received during such period and with
21 statutory interest during all periods of subsequent school and
22 State service up to the date of purchase.

23 * * *

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

25 (1) In all cases other than for the purchase of credit
26 for sabbatical leave and activated military service leave
27 beginning before the effective date of paragraph (2), the
28 amount payable shall be certified by the board in accordance
29 with methods approved by the actuary and may be paid in a
30 lump sum within 90 days or in the case of an active member or

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

16 * * *

17 § 8324. Contributions for purchase of credit for creditable
18 nonschool service and noncreditable school service.

19 (a) Source of contributions.--The total contributions to
20 purchase credit as a member of Class T-C, Class T-E [or], Class
21 T-F, Class T-G or Class T-H for creditable nonschool service of
22 an active member or an eligible State employee shall be paid
23 either by the member, the member's previous employer, the
24 Commonwealth, or a combination thereof, as provided by law.

25 (b) Nonintervening military service.--The amount due for the
26 purchase of credit for military service other than intervening
27 military service shall be determined by applying the member's
28 basic contribution rate plus the normal contribution rate as
29 provided in section 8328 (relating to actuarial cost method) at
30 the time of entry of the member into school service subsequent

1 to such military service to one-third of his total compensation
2 received during the first three years of such subsequent
3 credited school service and multiplying the product by the
4 number of 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 school and
7 State service to date of purchase. Upon certification of the
8 amount due, payment may be made in a lump sum within 90 days or
9 in the case of an active member or an eligible State employee
10 who is an active member of the State Employees' Retirement
11 System it may be amortized with statutory interest through
12 salary deductions to the system in amounts agreed upon by the
13 member and the board. The salary deduction amortization plans
14 agreed to by members and the board may include a deferral of
15 payment 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 such 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 shall
23 certify and transfer to the board the amounts paid. Application
24 may be filed for all such military service credit upon
25 completion of three years of subsequent credited school service
26 and shall be credited as Class T-C service. In the event that a
27 Class T-E member makes a purchase of credit for such military
28 service, then such service shall be credited as Class T-E
29 service. In the event that a Class T-F member makes a purchase
30 of credit for such military service, then such service shall be

1 credited as Class T-F service. In the event that a Class T-G
2 member makes a purchase of credit for such military service,
3 then such service shall be credited as Class T-G service. In the
4 event that a Class T-H member makes a purchase of credit for
5 such military service, then such service shall be credited as
6 Class T-H service.

7 (c) Intervening military service.--Contributions on account
8 of credit for intervening military service shall be determined
9 by the member's basic contribution rate 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 school and State service to date of purchase. Upon
13 application for such credit the amount due shall be certified in
14 the case of each member by the board, in accordance with methods
15 approved by the actuary, and contributions may be made by one of
16 the following methods:

17 (1) Regular monthly payments during active military
18 service.

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

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

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

4 (d) Other creditable nonschool service and noncreditable
5 school service.--

6 (1) Contributions on account of Class T-C credit for
7 creditable nonschool service other than military service
8 shall be determined by applying the member's basic
9 contribution rate plus the normal contribution rate as
10 provided in section 8328 at the time of the member's entry
11 into school service subsequent to such creditable nonschool
12 service to his total compensation received during the first
13 year of subsequent credited school service and multiplying
14 the product by the number of years and fractional part of a
15 year of creditable nonschool service being purchased together
16 with statutory interest during all periods of subsequent
17 school or State service to the date of purchase, except that
18 in the case of purchase of credit for creditable nonschool
19 service as set forth in section 8304(b)(5) (relating to
20 creditable nonschool service) the member shall pay only the
21 employee's share unless otherwise provided by law. Upon
22 certification of the amount due, payment may be made 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 the 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) Contributions on account of Class T-E [or], Class T-
10 F, Class T-G or Class T-H credit for creditable nonschool
11 service other than military service shall be the present
12 value of the full actuarial cost of the increase in the
13 projected superannuation annuity caused by the additional
14 service credited on account of the purchase. Upon
15 certification of the amount due, payment may be made in a
16 lump sum within 90 days or, in the case of an active member
17 or an eligible State employee who is an active member of the
18 State Employees' Retirement System, it may be amortized with
19 statutory interest through salary deductions to the system in
20 amounts agreed upon by the member and the board. The salary
21 deduction amortization plans agreed to by the members and the
22 board may include a deferral of payment amounts and statutory
23 interest until the termination of school service or State
24 service as the board in its sole discretion decides to allow.
25 The board may limit salary deduction amortization plans to
26 the terms as the board in its sole discretion determines. In
27 the case of an eligible State employee who is an active
28 member of the State Employees' Retirement System, the agreed
29 upon salary deductions shall be remitted to the State
30 Employees' Retirement Board, which shall certify and transfer

1 to the board the amounts paid.

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

25 (e) Creditable work experience.--Contributions on account of
26 Class T-C, Class T-E [or], Class T-F, Class T-G or Class T-H
27 credit for creditable work experience pursuant to section
28 8304(b) (6) shall be the present value of the full actuarial cost
29 of the increase in the projected superannuation annuity caused
30 by the additional service credited on account of the purchase of

1 creditable work experience. The amount paid for the purchase of
2 credit for creditable work experience shall not be payable as a
3 lump sum under section 8345(a)(4)(iii) (relating to member's
4 options). Any individual eligible to receive an annuity,
5 excluding an annuity received under the Federal Social Security
6 Act (42 U.S.C. § 301 et seq.), in another pension system, other
7 than a military pension system, shall not be eligible to
8 purchase this service.

9 (f) Creditable maternity leave.--Contributions on account of
10 Class T-C, Class T-E or Class T-F credit for creditable
11 maternity leave pursuant to section 8304(b)(7) shall be
12 determined by applying the member's basic contribution rate plus
13 the normal contribution rate as provided in section 8328 at the
14 time of the member's return to school service to the total
15 compensation received during the first year of subsequent school
16 service and multiplying the product by the number of years and
17 fractional part of a year of creditable service being purchased,
18 together with statutory interest during all periods of
19 subsequent school or State service to the date of purchase. The
20 amount paid for the purchase of credit for creditable maternity
21 leave shall not be eligible for withdrawal as a lump sum under
22 section 8345(a)(4)(iii).

23 § 8325.1. 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 subchapter shall not
29 exceed the limitation under IRC § 401(a)(17). On and after July
30 1, 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 § 8326. Contributions by the Commonwealth.

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

30 * * *

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

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

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

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

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

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

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

24 * * *

25 § 8327. Payments by employers.

26 (a) General rule.--Each employer, including the Commonwealth
27 as employer of employees of the Department of Education, State-
28 owned colleges and universities, Thaddeus Stevens College of
29 Technology, Western Pennsylvania School for the Deaf, Scotland
30 School for Veterans' Children[,] and [the] The Pennsylvania

1 State University, shall make payments to the fund each quarter
2 in an amount equal to one-half the sum of the percentages, as
3 determined under section 8328 (relating to actuarial cost
4 method), applied to the total compensation during the pay
5 periods in the preceding quarter of all its employees who were
6 members of the system during such period, including members on
7 activated military service leave. In the event a member on
8 activated military service leave does not return to service for
9 the necessary time or receives an undesirable, bad conduct or
10 dishonorable discharge or does not elect to receive credit for
11 activated military service under section 8302(b.1)(3) (relating
12 to credited school service), the contributions made by the
13 employer on behalf of such member shall be returned with
14 valuation interest upon application by the employer.

15 (b) Deduction from appropriations.--

16 (1) To facilitate the payment of amounts due from any
17 employer to the fund and the trust through the State
18 Treasurer and to permit the exchange of credits between the
19 State Treasurer and any employer, the Secretary of Education
20 and the State Treasurer shall cause to be deducted and paid
21 into the fund and the trust from the amount of any moneys due
22 to any employer on account of any appropriation for schools
23 or other purposes amounts equal to the employer
24 contributions, employer defined contributions and pickup
25 contributions which an employer is required to pay to the
26 fund and the trust, as certified by the board, and as remains
27 unpaid on the date such appropriations would otherwise be
28 paid to the employer. Such amount shall be credited to the
29 appropriate accounts in the fund and the trust.

30 (2) To facilitate the payments of amounts due from any

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

22 (c) Payments by employers after June 30, 1995, and before
23 June 30, 2018.--After June 30, 1995, and before June 30, 2018,
24 each employer, including the Commonwealth as employer of
25 employees of the Department of Education, State-owned colleges
26 and universities, Thaddeus Stevens College of Technology,
27 Western Pennsylvania School for the Deaf, Scotland School for
28 Veterans' Children and The Pennsylvania State University, shall
29 make payments to the fund and the trust each quarter in an
30 amount computed in the following manner:

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

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

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

1 paid by the employer on behalf of a noneligible member on the
2 basis of compensation that was subject to exclusion from
3 total compensation in accordance with the provisions of this
4 paragraph shall, upon the board's determination or upon
5 application by the employer, be returned to the employer plus
6 interest and investment gains or losses on such amount but
7 minus investment fees and administrative charges.

8 (d) Payments by employers after June 30, 2018.--After June
9 30, 2018, each employer, including the Commonwealth as employer
10 of employees of the Department of Education, State-owned
11 colleges and universities, Thaddeus Stevens College of
12 Technology, Western Pennsylvania School for the Deaf, Scotland
13 School for Veterans' Children and The Pennsylvania State
14 University, shall make payments to the fund and the trust each
15 quarter in an amount computed in the following manner:

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

30 (2) For an employer that is not a school entity, the

1 amount computed under subsection (a).

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

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

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

25 (g) Reemployed from USERRA leave.--When a school employee
26 reemployed from USERRA leave makes the member contributions
27 required to be granted school service credit for the USERRA
28 leave after June 30, 2018, either by actual payment or by
29 actuarial debt under section 8325 (relating to incomplete
30 payments), the employer that employed the school employee when

1 the member contributions are made, or the last employer before
2 termination in the case of payment under section 8325, shall
3 make the employer contributions that would have been made under
4 this section if the employee making the member contributions
5 after he is reemployed from USERRA leave continued to be
6 employed in his school office or position instead of performing
7 USERRA leave.

8 § 8328. Actuarial cost method.

9 (a) Employer contribution rate.--The amount of the total
10 employer contributions shall be computed by the actuary as a
11 percentage of the total compensation of all active members and
12 active participants, as applicable, during the period for which
13 the amount is determined and shall be so certified by the board.
14 The total employer contribution rate shall be the sum of the
15 final contribution rate as computed in subsection (h) plus the
16 premium assistance contribution rate as computed in subsection
17 (f), plus the additional contribution rate as computed in
18 subsection (j). The actuarially required contribution rate shall
19 consist of the normal contribution rate as defined in subsection
20 (b), the accrued liability contribution rate as defined in
21 subsection (c) and the supplemental annuity contribution rate as
22 defined in subsection (d). Beginning July 1, 2004, the
23 actuarially required contribution rate shall be modified by the
24 experience adjustment factors as calculated in subsection (e).

25 (b) Normal contribution rate.--The normal contribution rate
26 shall be determined after each actuarial valuation. Until all
27 accrued liability contributions have been completed, the normal
28 contribution rate shall be determined, on the basis of an annual
29 interest rate and such mortality and other tables as shall be
30 adopted by the board in accordance with generally accepted

1 actuarial principles, as a level percentage of the compensation
2 of [the average new active member] all active members, which
3 percentage, if contributed from the start of their employment on
4 the basis of [his] their prospective compensation through [the]
5 their entire period of active school service, would be
6 sufficient to fund the liability for any prospective benefit
7 payable to [him] them, in excess of that portion funded by [his]
8 their prospective member contributions, excluding the shared-
9 risk contributions. In no case shall the employer's normal cost
10 be less than zero.

11 (c) Accrued liability contribution rate.--

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

1 investment return and the actuarially expected investment
2 return over a five-year period), excluding the balance in the
3 annuity reserve account, and of the present value of normal
4 contributions and of member contributions payable with
5 respect to all active members on July 1, 2002, during the
6 remainder of their active service.

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

19 (3) Notwithstanding any other provision of law,
20 beginning July 1, 2004, and ending June 30, 2011, the
21 outstanding balance of the increase in accrued liability due
22 to the change in benefits enacted in 2001 and the outstanding
23 balance of the net actuarial loss incurred in fiscal year
24 2000-2001 shall be amortized in equal dollar annual
25 contributions over a period that ends 30 years after July 1,
26 2002, and the outstanding balance of the net actuarial loss
27 incurred in fiscal year 2001-2002 shall be amortized in equal
28 dollar annual contributions over a period that ends 30 years
29 after July 1, 2003. For fiscal years beginning on or after
30 July 1, 2004, if the accrued liability is increased by

1 legislation enacted subsequent to June 30, 2003, such
2 additional liability shall be funded in equal dollar annual
3 contributions over a period of ten years from the first day
4 of July coincident with or next following the effective date
5 of the increase.

6 (4) For the fiscal year beginning July 1, 2011, the
7 accrued liability contribution rate shall be computed as the
8 rate of total compensation of all active members which shall
9 be certified by the actuary as sufficient to fund as a level
10 percentage of compensation over a period of 24 years from
11 July 1, 2011, the present value of the liabilities for all
12 prospective benefits calculated as of June 30, 2010,
13 including the supplemental benefits as provided in sections
14 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
15 8348.7, in excess of the actuarially calculated assets in the
16 fund (calculated recognizing all realized and unrealized
17 investment gains and losses each year in level annual
18 installments over a ten-year period). In the event that the
19 accrued liability is increased by legislation enacted
20 subsequent to June 30, 2010, as a result of an increase in
21 benefits determined on a total plan basis, such additional
22 liability shall be funded as a level percentage of
23 compensation over a period of ten years from the July 1
24 second succeeding the date such legislation is enacted.

25 (5) For the fiscal year beginning on or after July 1,
26 2017, the actuarially calculated assets in the fund
27 determined in accordance with paragraph (4) shall be no less
28 than 70% and no more than 130% of market value.

29 * * *

30 (e) Experience adjustment factor.--

1 (1) For each fiscal year after the establishment of the
2 accrued liability contribution rate for the fiscal year
3 beginning July 1, 2011, any increase or decrease in the
4 unfunded accrued liability, excluding the gains or losses on
5 the assets of the health insurance account, due to actual
6 experience differing from assumed experience, changes in
7 actuarial assumptions, changes in contributions caused by the
8 final contribution rate being different from the actuarially
9 required contribution rate, active members making shared-risk
10 contributions or changes in the terms and conditions of the
11 benefits provided by the system by judicial, administrative
12 or other processes other than legislation, including, but not
13 limited to, reinterpretation of the provisions of this part,
14 shall be amortized as a level percentage of compensation over
15 a period of 24 years beginning with the July 1 second
16 succeeding the actuarial valuation determining said increases
17 or decreases.

18 * * *

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

20 (1) The collared contribution rate for each fiscal year
21 shall be determined by comparing the actuarially required
22 contribution rate, calculated without regard for the costs
23 added by legislation, to the prior year's final contribution
24 rate.

25 (2) If, for any of the fiscal years beginning July 1,
26 2011, July 1, 2012, and on or after July 1, 2013, the
27 actuarially required contribution rate, calculated without
28 regard for the costs added by legislation, is more than 3%,
29 3.5% and 4.5%, respectively, of the total compensation of all
30 active members greater than the prior year's final

1 contribution rate, then the collared contribution rate shall
2 be applied and be equal to the prior year's final
3 contribution rate increased by 3%, 3.5% and 4.5%,
4 respectively, of total compensation of all active members.
5 Otherwise, and for all other fiscal years, the collared
6 contribution rate shall not be applicable. In no case shall
7 the collared contribution rate be less than 4% of the total
8 compensation of all active members.

9 * * *

10 (j) Additional contribution rate dedicated to pay off
11 unfunded accrued liability.--Until the system's actuarial funded
12 status is 100% or more as determined by the annual actuarial
13 evaluation, for each fiscal year beginning with July 1, 2027,
14 the total contribution rate as calculated according to this
15 section shall be increased annually in accordance with the
16 following schedule, notwithstanding any other provisions of this
17 section:

<u>Fiscal year beginning:</u>	<u>Additional contribution rate:</u>
<u>July 1, 2027</u>	<u>0.01</u>
<u>July 1, 2028</u>	<u>0.02</u>
<u>July 1, 2029</u>	<u>0.05</u>
<u>July 1, 2030</u>	<u>0.06</u>
<u>July 1, 2031</u>	<u>0.08</u>
<u>July 1, 2032</u>	<u>0.11</u>
<u>July 1, 2033</u>	<u>0.11</u>
<u>July 1, 2034</u>	<u>0.14</u>
<u>July 1, 2035</u>	<u>0.14</u>
<u>July 1, 2036</u>	<u>0.17</u>
<u>July 1, 2037</u>	<u>0.19</u>
<u>July 1, 2038</u>	<u>0.21</u>

1	<u>July 1, 2039</u>	<u>0.23</u>
2	<u>July 1, 2040</u>	<u>0.26</u>
3	<u>July 1, 2041</u>	<u>0.25</u>
4	<u>July 1, 2042</u>	<u>0.30</u>
5	<u>July 1, 2043</u>	<u>0.31</u>
6	<u>July 1, 2044</u>	<u>0.33</u>
7	<u>July 1, 2045</u>	<u>0.35</u>
8	<u>July 1, 2046</u>	<u>0.38</u>
9	<u>July 1, 2047</u>	<u>0.38</u>
10	<u>July 1, 2048</u>	<u>0.40</u>
11	<u>July 1, 2049</u>	<u>0.42</u>

12 § 8330. Appropriations by the Commonwealth.

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

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

27 Section 109. Title 24 is amended by adding a section to
28 read:

29 § 8331. Employer funding mandate protection.

30 (a) Limited expansion of contractual right to funding.--

1 Beginning on the July 1 after the actuarial valuation in which
2 the actuary certifies that final contribution rate is the
3 actuarially required contribution, each active member shall have
4 a contractual right to the timely payment of the annual
5 actuarially required contributions under sections 8328 (relating
6 to actuarial cost method) and 8502(k) (relating to
7 administrative duties of board) by such member's employer. The
8 following apply:

9 (1) The failure of a member's employer to make the
10 annually required contribution to the fund will be deemed to
11 be an impairment of the contractual right of such member.

12 (2) Any claim of contract impairment shall be brought
13 against the employer of the member for whom contributions
14 were not paid and neither the board nor the system or their
15 employees or agents shall be a defendant in any such action
16 or liable for any payments or damages arising from such
17 impairment.

18 (b) Jurisdiction of Supreme Court.--Notwithstanding 2
19 Pa.C.S. (relating to administrative law and procedure), 42
20 Pa.C.S. (relating to judiciary and judicial procedure) or any
21 other provision of law, the Pennsylvania Supreme Court shall
22 have exclusive jurisdiction to do as follows:

23 (1) hear any claim of contract impairment for failure to
24 pay certified contributions;

25 (2) render a declaratory judgment or take such other
26 action as it deems appropriate, consistent with the Supreme
27 Court retaining jurisdiction over such matter; and

28 (3) to find facts or to expedite a final judgment in
29 connection with such a challenge or request for declaratory
30 relief.

1 (c) Sovereign immunity waived.--Sovereign immunity is hereby
2 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
3 matters affecting government units) or lack of jurisdiction by
4 the Supreme Court shall not be raised as a defense against a
5 claim brought against an employer under this section.

6 (d) Attorney fees.--A member who prevails in a claim brought
7 under this part may be awarded reasonable attorney fees.

8 (e) Limitation of contract right.--Nothing in this section
9 shall be construed to create a contract right or claim of
10 contract impairment in any member as to any benefit formula,
11 benefit payment option, or any other provision of this part
12 other than the funding mandate of the member's employer, or to
13 change the jurisdiction of the board or the courts regarding any
14 claim other than for payment of the annual actuarially required
15 contributions.

16 (f) Employer contributions.--Nothing in this section shall
17 be construed to supersede or conflict with the rights and
18 obligations set forth in section 8330 (relating to
19 appropriations by the Commonwealth).

20 Section 110. Section 8341 of Title 24 is amended to read:

21 § 8341. Return of accumulated deductions.

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

26 Section 111. Sections 8342(a) and 8344(a), (b) and (d) of
27 Title 24 are amended and the sections are amended by adding
28 subsections to read:

29 § 8342. Maximum single life annuity.

30 (a) General rule.--Upon termination of service, any full

1 coverage member who is eligible to receive an annuity pursuant
2 to the provisions of section 8307(a) or (b) (relating to
3 eligibility for annuities) and has made an application in
4 accordance with the provisions of section 8507(f) (relating to
5 rights and duties of school employees [and members], members and
6 participants) shall be entitled to receive a maximum single life
7 annuity attributable to his credited service and equal to the
8 sum of the following single life annuities beginning at the
9 effective date of retirement and, in case the member on the
10 effective date of retirement is under superannuation age,
11 multiplied by a reduction factor calculated to provide benefits
12 actuarially equivalent to an annuity starting at superannuation
13 age: Provided however, That on or after July 1, 1976, in the
14 case of any member other than a Class T-G or Class T-H member
15 who has attained age 55 and has 25 or more eligibility points
16 such sum of single life annuities shall be reduced by a
17 percentage determined by multiplying the number of months,
18 including a fraction of a month as a full month, by which the
19 effective date of retirement precedes superannuation age by
20 1/4%: Further provided, That on or after July 1, 2018, in the
21 case of any Class T-G or Class T-H member who has attained age
22 62 and has 25 or more eligibility points and who terminates
23 service on or after attaining age 55, such sum of single life
24 annuities shall be reduced by a percentage determined by
25 multiplying the number of months, including a fraction of a
26 month as a full month, by which the effective date of retirement
27 precedes superannuation age by 1/4%: Further provided, In no
28 event shall a Class T-E [or], Class T-F, Class T-G or Class T-H
29 member receive an annual benefit, calculated as of the effective
30 date of retirement, greater than the member's final average

1 salary:

2 (1) A [standard single life annuity multiplied by the]
3 single life annuity that is the sum of annuities determined
4 separately for each class of service [multiplier] and
5 calculated on the basis of the number of years of credited
6 school service other than concurrent service.

7 (2) A standard single life annuity multiplied by the
8 class of service multiplier and calculated on the basis of
9 the number of years of concurrent service and multiplied by
10 the ratio of total compensation received in the school system
11 during the period of concurrent service to the total
12 compensation received during such period.

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

17 * * *

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

23 § 8344. Disability annuities.

24 (a) Amount of annuity.--A member who has made application
25 for a disability annuity as provided in section 8507(k)
26 (relating to rights and duties of school employees [and],
27 members and participants) and has been found to be eligible in
28 accordance with the provisions of sections 8307(c) (relating to
29 eligibility for annuities) and 8505(c)(1) (relating to duties of
30 board regarding applications and elections of members and

1 participants) shall receive a disability annuity payable from
2 the effective date of disability and continued until a
3 subsequent determination by the board that the annuitant is no
4 longer entitled to a disability annuity. The disability annuity
5 shall be a single life annuity that is equal to a sum of the
6 standard single life [annuity] annuities determined separately
7 for each class of service if the total number of years of
8 credited service is greater than 16.667, otherwise [the] each
9 standard single life annuity shall be multiplied by the lesser
10 of the following ratios:

11
$$Y^*/Y \text{ or } 16.667/Y$$

12 where Y = total number of years of credited service and Y* =
13 total years of credited service if the member were to continue
14 as a school employee until attaining superannuation age, or if
15 the member has attained superannuation age then the number of
16 years of credited service. For purposes of calculating a
17 disability annuity for a member of Class T-G or Class T-H, the
18 standard single life annuity shall equal 2% of the final average
19 salary, multiplied by the total number of years and fractional
20 part of a year of service credited for such class of service. In
21 no event shall the disability annuity plus any cost-of-living
22 increases be less than \$100 for each full year of credited
23 service. The member shall be entitled to the election of a joint
24 and survivor annuity on that portion of the disability annuity
25 to which he is entitled under section 8342 (relating to maximum
26 single life annuity).

27 (b) Reduction on account of earned income.--Payments on
28 account of disability shall be reduced by that amount by which
29 the earned income of the annuitant, as reported in accordance
30 with section 8508(b) (relating to rights and duties of

1 annuitants) for the preceding year together with the disability
2 annuity payments for the year, exceeds the greater of \$5,000 or
3 the last year's salary of the annuitant as a [school employee]
4 member of the system, provided that the annuitant shall not
5 receive less than his member's annuity or the amount to which he
6 may be entitled under section 8342, whichever is greater.

7 * * *

8 (d) Withdrawal of accumulated deductions.--Upon termination
9 of disability annuity payments in excess of an annuity
10 calculated in accordance with section 8342, a disability
11 annuitant who[:

12 (1) is a Class T-C or Class T-D member; or

13 (2) is a Class T-E or Class T-F member with less than
14 ten eligibility points

15 and who] does not return to school service may file an
16 application with the board for an amount equal to the
17 accumulated deductions, shared-risk member contributions and
18 statutory interest standing to his credit at the effective date
19 of disability less the total payments received on account of his
20 member's annuity.

21 * * *

22 (f) Coordination of benefits.--The determination and payment
23 of a disability annuity under this section shall be in addition
24 to any payments a school employee may be entitled to receive,
25 has received or is receiving as a result of being a participant
26 in the plan.

27 Section 112. Sections 8345(a), 8346(a), (a.1), (b), (b.1) (1)
28 and (d) (1) and (2), 8347(a) and (b) and 8349 heading, (a) and
29 (b) of Title 24 are amended to read:

30 § 8345. Member's options.

1 (a) General rule.--Any Class T-C [or], Class T-D, Class T-G
2 or Class T-H member who is a vestee with five or more
3 eligibility points, any Class T-E or Class T-F member who is a
4 vestee with ten or more eligibility points, or any [other]
5 eligible member upon termination of school service [who has not
6 withdrawn his accumulated deductions as provided in section 8341
7 (relating to return of accumulated deductions)] who is eligible
8 to receive an annuity, may apply for and elect to receive either
9 a maximum single life annuity, as calculated in accordance with
10 the provisions of section 8342 (relating to maximum single life
11 annuity), or a reduced annuity certified by the actuary to be
12 actuarially equivalent to the maximum single life annuity and in
13 accordance with one of the following options, except that no
14 member shall elect an annuity payable to one or more survivor
15 annuitants other than his spouse or alternate payee of such a
16 magnitude that the present value of the annuity payable to him
17 for life plus any lump sum payment he may have elected to
18 receive is less than 50% of the present value of his maximum
19 single life annuity and no member may elect a payment option
20 that would provide benefits that do not satisfy the minimum
21 distribution requirements or would violate the incidental death
22 benefit rules of IRC § 401(a)(9). In no event shall a Class T-E
23 or Class T-F member receive an annual benefit, calculated as of
24 the effective date of retirement, greater than the member's
25 final average salary.

26 (1) Option 1.--A life annuity to the member with a
27 guaranteed total payment equal to the present value of the
28 maximum single life annuity on the effective date of
29 retirement with the provision that, if, at his death, he has
30 received less than such present value, the unpaid balance

1 shall be payable to his beneficiary.

2 (2) Option 2.--A joint and survivor annuity payable
3 during the lifetime of the member with the full amount of
4 such annuity payable thereafter to his survivor annuitant, if
5 living at his death.

6 (3) Option 3.--A joint and fifty percent (50%) survivor
7 annuity payable during the lifetime of the member with one-
8 half of such annuity payable thereafter to his survivor
9 annuitant, if living at his death.

10 (4) Option 4.--Some other benefit which shall be
11 certified by the actuary to be actuarially equivalent to the
12 maximum single life annuity, subject to the following
13 restrictions:

14 (i) Any annuity shall be payable without reduction
15 during the lifetime of the member.

16 (ii) The sum of all annuities payable to the
17 designated survivor annuitants shall not be greater than
18 the annuity payable to the member.

19 (iii) A portion of the benefit may be payable as a
20 lump sum, except that such lump sum payment shall not
21 exceed an amount equal to the accumulated deductions
22 standing to the credit of the member. The balance of the
23 present value of the maximum single life annuity adjusted
24 in accordance with section 8342(b) shall be paid in the
25 form of an annuity with a guaranteed total payment, a
26 single life annuity, or a joint and survivor annuity or
27 any combination thereof but subject to the restrictions
28 of subparagraphs (i) and (ii) of this paragraph. [This
29 subparagraph shall not apply to a Class T-E or Class T-F
30 member.] For purposes of this subparagraph, the term

1 "actuarially equivalent," as applied to any lump sum
2 withdrawal attributable to contributions credited to the
3 member's savings account of Class T-E, Class T-F, Class
4 T-G or Class T-H members, together with statutory
5 interest thereon, shall mean equal present values,
6 computed on the basis of the interest rate and such
7 mortality and other tables as adopted by the board
8 pursuant to section 8328(b) (relating to actuarial cost
9 method) in effect on the effective date of retirement of
10 the member.

11 * * *

12 § 8346. Termination of annuities.

13 (a) General rule.--If an annuitant returns to school service
14 or enters or has entered State service and elects multiple
15 service membership, any annuity payable to him under this part
16 shall cease effective upon the date of his return to school
17 service or entering State service without regard to whether he
18 is a mandatory, optional or prohibited member of the system or
19 participant in the plan or, if a multiple service member,
20 whether he is a mandatory, optional or prohibited member or
21 participant of the State Employees' Retirement System or State
22 Employees' Defined Contribution Plan; and, in the case of an
23 annuity other than a disability annuity the present value of
24 such annuity, adjusted for full coverage in the case of a joint
25 coverage member who makes the appropriate back contributions for
26 full coverage, shall be frozen as of the date such annuity
27 ceases. An annuitant who is credited with an additional 10% of
28 membership service as provided in section 8302(b.2) (relating to
29 credited school service) and who returns to school service,
30 except as provided in subsection (b), shall forfeit such

1 credited service and shall have his frozen present value
2 adjusted as if his 10% retirement incentive had not been applied
3 to his account. In the event that the cost-of-living increase
4 enacted December 18, 1979, occurred during the period of such
5 State or school employment, the frozen present value shall be
6 increased, on or after the member attains superannuation age, by
7 the percent applicable had he not returned to service.

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

1 the board the amounts paid.

2 * * *

3 (b) Return to school service during emergency.--When, in the
4 judgment of the employer, an emergency creates an increase in
5 the work load such that there is serious impairment of service
6 to the public or in the event of a shortage of appropriate
7 subject certified teachers or other personnel, an annuitant or
8 participant receiving distributions may be returned to school
9 service for a period not to extend beyond the school year during
10 which the emergency or shortage occurs, without loss of his
11 annuity or distributions, provided that the annuitant meets the
12 conditions set forth in subsection (b.2). The annuitant or
13 participant receiving distributions shall not be entitled to
14 earn any credited service, and no contributions may be made to
15 the fund or the trust by the annuitant or participant receiving
16 distributions, the employer or the Commonwealth on account of
17 such employment. Such service shall not be subject to member or
18 participant contributions or be eligible for qualification as
19 creditable school service or for participation in the plan,
20 mandatory pickup participant contributions, voluntary
21 contributions or employer defined contributions.

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

24 (1) An annuitant or participant receiving distributions
25 may be employed under separate contract by a public school or
26 charter school in an extracurricular position performed
27 primarily outside regular instructional hours and not part of
28 mandated curriculum without loss of annuity, provided that
29 the annuitant meets the conditions set forth in subsection
30 (b.2). [Neither the annuitant nor] The annuitant, the

1 participant receiving distributions and the employer shall
2 not make contributions to the member's savings account, the
3 individual investment account or State accumulation account
4 respectively for such service. Further, such contract shall
5 contain a waiver whereby the annuitant waives any potential
6 retirement benefits that could arise from the contract and
7 releases the employer and the board from any liability for
8 such benefits. Such service shall not be subject to member or
9 participant contributions or be eligible for qualification as
10 creditable school service or for participation in the plan,
11 mandatory pickup participant contributions or employer
12 defined contributions.

13 * * *

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

15 (1) An annuitant who returns to school service as an
16 active member of the system and earns three eligibility
17 points by performing credited school service or reemployment
18 from USERRA leave following the most recent period of receipt
19 of an annuity under this part, or an annuitant who enters
20 State service and:

21 (i) is a multiple service member; or

22 (ii) who elects multiple service membership, and
23 earns three eligibility points by performing credited State
24 service, reemployment from USERRA leave or credited school
25 service following the most recent period of receipt of an
26 annuity under this part, and who had the present value of his
27 annuity frozen in accordance with subsection (a), shall
28 qualify to have the effect of the frozen present value
29 resulting from all previous periods of retirement eliminated,
30 provided that all payments under Option 4 and annuity

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

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

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

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

1 the effective date of retirement that the former annuitant
2 wishes to receive the lower annuity.

3 * * *

4 § 8347. Death benefits.

5 (a) Members eligible for annuities.--Any member or former
6 member on USERRA leave, other than an annuitant, who dies and
7 was eligible for an annuity in accordance with section 8307(a)
8 or (b) (relating to eligibility for annuities) shall be
9 considered as having applied for an annuity from the fund to
10 become effective the day before his death; and, in the event he
11 has not elected an option, it shall be assumed that he elected
12 Option 1 and assigned as beneficiary that person last designated
13 in writing to the board. For purposes of this section, a Class
14 T-G or Class T-H member with five or more eligibility points
15 shall be considered eligible for an annuity under section
16 8307(a) or (b) (relating to eligibility for annuities) and
17 eligible for a death benefit under section 8309 (relating to
18 eligibility for death benefits) even if the member had not
19 attained the age of 62.

20 (b) Members ineligible for annuities.--In the event of the
21 death of any member or former member on USERRA leave, other than
22 an annuitant, who is not entitled to a death benefit as provided
23 in subsection (a), his designated beneficiary shall be paid the
24 full amount of his accumulated deductions payable from the fund.

25 * * *

26 § 8349. Payment of benefits from the system.

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

30 (b) Death benefits.--If the amount of a death benefit

1 payable from the fund to a beneficiary of a member under section
2 8347 (relating to death benefits) or under the provisions of
3 Option 1 of section 8345(a) (1) (relating to member's options) is
4 \$10,000 or more, such beneficiary may elect to receive payment
5 according to one of the following options:

6 (1) A lump sum payment.

7 (2) An annuity actuarially equivalent to the amount
8 payable.

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

12 * * *

13 Section 113. Title 24 is amended by adding a chapter to
14 read:

15 CHAPTER 84

16 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

17 Sec.

18 8401. Establishment.

19 8402. Plan document.

20 8403. Individual investment accounts.

21 8404. Participant contributions.

22 8405. Mandatory pickup participant contributions.

23 8406. Employer defined contributions.

24 8407. Eligibility for benefits.

25 8408. Death benefits.

26 8409. Vesting.

27 8410. Termination of distributions.

28 8411. Powers and duties of board.

29 8411.1. Relation of administrators of School Employees' Defined
30 Contribution Plan to providers of 403(b) plans.

1 8412. Responsibility for investment loss.

2 8413. Investments based on participant's investment allocation
3 choices.

4 8414. Expenses.

5 8415. Tax qualification.

6 § 8401. Establishment.

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

16 (b) School Employees' Defined Contribution Trust.--The
17 School Employees' Defined Contribution Trust is established as
18 part of the plan in accordance with this part. The trust shall
19 be comprised of the individual investment accounts, all assets
20 and moneys in those accounts and any assets and monies held by
21 the board as part of the plan that are not allocated to the
22 individual investment accounts. The members of the board shall
23 be the trustees of the trust, which shall be administered
24 exclusively for the benefit of those school employees who
25 participate in the plan and their beneficiaries within the
26 meaning of and in conformity with IRC § 401(a). The board shall
27 determine the terms and provisions of the trust not inconsistent
28 with this part, the IRC and other applicable law and shall
29 provide for the investment and administration of the trust.

30 (c) Assets held in trust.--All assets and income in the plan

1 that have been or shall be withheld or contributed by the
2 participants, the Commonwealth and employers in accordance with
3 this part shall be held in trust in any funding vehicle
4 permitted by the applicable provisions of the IRC for the
5 exclusive benefit of the plan's participants and their
6 beneficiaries until such time as the funds are distributed to
7 the participants or their beneficiaries in accordance with the
8 terms of the plan document. The assets of the plan held in trust
9 for the exclusive benefit of the participants and their
10 beneficiaries may be used for the payment of the fees, costs and
11 expenses related to the administration and investment of the
12 plan and the trust.

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

23 § 8402. Plan document.

24 The board shall set forth the terms and provisions of the
25 plan and trust in a document containing the terms and conditions
26 of the plan and in a trust declaration. The creation of the
27 document containing the terms and conditions of the plan and the
28 trust declaration and the establishment of the terms and
29 provisions of the plan and the trust need not be promulgated by
30 regulation or formal rulemaking and shall not be subject to the

1 act of July 31, 1968 (P.L.769, No.240), referred to as the
2 Commonwealth Documents Law. A reference in this part or other
3 law to the plan shall include the plan document unless the
4 context clearly indicates otherwise.

5 § 8403. Individual investment accounts.

6 The board:

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

15 (2) Shall separately track participant contributions,
16 including investment gains and losses, and employer
17 contributions, including investment gains and losses, but all
18 interest, investment gains and losses and administrative
19 fees, costs and expenses shall be allocated proportionately.

20 (3) May contract with financial institutions, insurance
21 companies or other types of third-party providers and other
22 vendors to allow participants to deposit participant
23 contributions into the individual investment accounts in a
24 form and manner as provided by the contract.

25 § 8404. Participant contributions.

26 (a) Mandatory contributions.--A participant shall make
27 mandatory pickup participant contributions through payroll
28 deductions to the participant's individual investment account
29 for school service required to be credited in the plan. The
30 employer shall cause those contributions for service required to

1 be credited in the plan to be made and deducted from each
2 payroll or on such schedule as established by the board.

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

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

19 § 8405. Mandatory pickup participant contributions.

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

30 (b) Treatment for other purposes.--For all other purposes

1 under this part and otherwise, mandatory pickup participant
2 contributions shall be treated as contributions made by a
3 participant in the same manner and to the same extent as if the
4 contributions were made directly by the participant and not
5 picked up.

6 § 8406. Employer defined contributions.

7 (a) Contributions for service.--The employer of a
8 participant shall make employer defined contributions for
9 service of an active participant that shall be credited to the
10 active participant's individual investment account. Employer
11 defined contributions must be recorded and accounted for
12 separately from participant contributions.

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

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

1 contributions in excess of the limitations and investment
2 earnings thereon shall be refunded to the employer by the board.
3 § 8407. Eligibility for benefits.

4 (a) Termination of service.--A participant who terminates
5 school service shall be eligible to withdraw the vested
6 accumulated total defined contributions standing to the
7 participant's credit in the participant's individual investment
8 account or a lesser amount as the participant may request.
9 Payment shall be made in a lump sum unless the board has
10 established other forms of distribution in the plan document. A
11 participant who withdraws the vested accumulated total defined
12 contributions shall no longer be a participant in the plan,
13 notwithstanding that the former school employee may continue to
14 be a member of the system with Class T-G or Class T-H service
15 credit, or may contract to receive an annuity or other form of
16 payment from a provider retained by the board for such purposes.

17 (b) Required distributions.--All payments under this section
18 shall start and be made in compliance with the minimum
19 distribution requirements and incidental death benefit rules of
20 IRC § 401(a)(9). The board shall take any action and make any
21 distributions it may determine are necessary to comply with
22 those requirements.

23 (c) Prohibited distributions.--A school employee must be
24 terminated from all positions that result in either membership
25 in the system or participation in the plan to be eligible to
26 receive a distribution.

27 (d) Loans.--Loans or other distributions, including hardship
28 or unforeseeable emergency distributions, from the plan to
29 school employees who have not terminated school service are not
30 permitted, except as required by law.

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

7 § 8408. Death benefits.

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

14 (b) Death of participant receiving distributions.--In the
15 event of the death of a participant receiving distributions, the
16 board shall pay to the participant's beneficiary the vested
17 balance in the participant's individual investment account in a
18 lump sum or in such other manner as the board may establish in
19 the plan document or, if the board has established alternative
20 methods of distribution in the plan document under which the
21 participant was receiving distributions, to the participant's
22 beneficiary or successor payee as provided in the plan document.

23 (c) Contracts.--The board may contract with financial
24 institutions, insurance companies or other types of third-party
25 providers to allow participants and their beneficiaries who
26 receive a lump sum distribution to receive payments and death
27 benefits in a form and manner as provided by the contract.

28 § 8409. Vesting.

29 (a) Participant and voluntary contributions.--Subject to the
30 forfeiture and attachment provisions of section 8533 (relating

1 to taxation, attachment and assignment of funds) or otherwise as
2 provided by law, a participant shall be immediately vested with
3 respect to all mandatory pickup participant contributions and
4 voluntary contributions paid by or on behalf of the participant
5 to the trust plus interest and investment gains or losses on the
6 participant contributions but minus investment fees and
7 administrative charges.

8 (b) Employer defined contributions.--

9 (1) Subject to the forfeiture and attachment provisions
10 of section 8533 or otherwise as provided by law, a
11 participant shall be vested with respect to employer defined
12 contributions paid to the participant's individual investment
13 account in the trust plus interest and investment gains or
14 losses on the employer defined contributions but minus
15 investment fees and administrative charges according to the
16 following schedule:

17 (i) until such time as the participant has earned
18 three eligibility points as a member of the plan, 0%; or

19 (ii) at and after the attainment of three
20 eligibility points as a member of the plan, 100%.

21 (2) For purposes of this subsection, all eligibility
22 points credited to a member of the system in any class of
23 service shall be used for determining vested status in the
24 plan even if the employee was not a participant in the plan
25 at the time the eligibility points were earned.

26 (3) Nonvested employer defined contributions, including
27 interest and investment gains and losses that are forfeited
28 by a participant, shall be applied to the participant's most
29 recent employer's obligations assessed in future years.

30 (c) USERRA leave and eligibility points.--A participant in

1 the plan who is reemployed from USERRA leave or who dies while
2 performing USERRA leave shall receive eligibility points under
3 this section for the school service that would have been
4 performed had the member not performed USERRA leave.

5 § 8410. Termination of distributions.

6 (a) Return to school service.--

7 (1) A participant receiving distributions or an inactive
8 participant who returns to school service shall cease
9 receiving distributions and shall not be eligible to receive
10 distributions until the participant subsequently terminates
11 school service, without regard to whether the participant is
12 a mandatory, optional or prohibited member of the system or
13 participant in the plan.

14 (2) This subsection shall not apply to a distribution
15 that the participant has received or used to purchase an
16 annuity from a provider contracted by the board.

17 (b) Return of benefits paid during USERRA leave.--

18 (1) If a former school employee is reemployed from
19 USERRA leave and received any payments or annuity from the
20 plan during the USERRA leave, the employee shall return to
21 the board the amount so received plus interest as provided in
22 the plan document.

23 (2) The amount payable shall be certified in each case
24 by the board in accordance with methods approved by the
25 actuary and shall be paid in a lump sum within 30 days or, in
26 the case of an active participant, may be amortized with
27 interest as provided in the plan document through salary
28 deductions to the trust in amounts agreed upon by the active
29 participant and the board, but not longer than a period that
30 starts with the date of reemployment and continuing for up to

1 three times the length of the active participant's immediate
2 past period of USERRA leave. The repayment period shall not
3 exceed five years.

4 § 8411. Powers and duties of board.

5 The board, in addition to its powers and duties set forth in
6 Chapter 85 (relating to administration and miscellaneous
7 provisions), shall have the following powers and duties to
8 establish the plan and trust and to administer the provisions of
9 this part:

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

12 (2) The board shall pay all administrative fees, costs
13 and expenses of managing, investing and administering the
14 plan, the trust and the individual investment accounts from
15 the balance of such individual investment accounts, except as
16 otherwise provided in this part or as the General Assembly
17 otherwise provides through appropriations from the General
18 Fund.

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

22 (4) The board shall have the power to change the terms
23 of the plan as may be necessary to maintain the tax-qualified
24 status of the plan.

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

28 (6) The board may perform an annual or more frequent
29 review of any qualified fund manager for the purpose of
30 assuring it continues to meet all standards and criteria

1 established.

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

6 (8) The board may allow an inactive participant to
7 maintain the participant's individual investment account
8 within the plan.

9 (9) The board shall administer or ensure the
10 administration of the plan in compliance with the
11 qualification and other rules of IRC.

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

14 (11) The board shall determine what constitutes a
15 termination of school service.

16 (12) The board may establish procedures for
17 distributions of small accounts as required or permitted by
18 IRC.

19 (13) The board may establish procedures in the plan
20 document or to promulgate rules and regulations as it deems
21 necessary for the administration and management of the plan,
22 including, but not limited to, establishing:

23 (i) Procedures by which eligible participants may
24 change voluntary contribution amounts or their investment
25 choices on a periodic basis or make other elections
26 regarding their participation in the plan.

27 (ii) Procedures for deducting mandatory pickup
28 participant contributions and voluntary contributions
29 from a participant's compensation.

30 (iii) Procedures for rollovers and trustee-to-

1 trustee transfers allowed under the IRC and permitted by
2 the board as part of the plan.

3 (iv) Standards and criteria for providing not less
4 than ten options which are offered by three or more
5 providers of investment options to eligible individuals
6 regarding investments of amounts deferred under the plan.
7 The standards and criteria must provide for a variety of
8 investment options and shall be reviewed in accordance
9 with criteria established by the board.

10 (v) Standards and criteria for disclosing to the
11 participants the anticipated and actual income
12 attributable to amounts invested, property rights and all
13 fees, costs and expenses to be made against amounts
14 deferred to cover the costs and expenses of administering
15 and managing the plan or trust.

16 (vi) Procedures, standards and criteria for the
17 making of distributions from the plan upon termination
18 from employment or death or in other circumstances
19 consistent with the purpose of the plan.

20 (14) The board may waive any reporting or information
21 requirement contained in this part if the board determines
22 that the information is not needed for the administration of
23 the plan.

24 (15) The board may contract any services and duties in
25 lieu of staff except final adjudications and as prohibited by
26 law. Any duties or responsibilities of the board not required
27 by law to be performed by the board may be delegated to a
28 third-party provider subject to appeal to the board.

29 (16) The board may provide that any duties of the
30 employer or information provided by the participant to the

1 employer be performed or received directly by the board.

2 (17) The board shall ensure that participants are
3 provided with educational materials about investment options
4 and choices.

5 (18) The board may establish procedures in the plan
6 document for automatic increases in a participant's voluntary
7 contributions, whether or not the participant is then making
8 voluntary contributions, and procedures for a participant to
9 elect not to have increased voluntary contributions.

10 § 8411.1. Relation of administrators of School Employees'
11 Defined Contribution Plan to providers of 403(b)
12 plans.

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

27 (b) Plan transparency and administration.--A financial
28 institution or pension management organization providing
29 services for any plan established or maintained by a school
30 district under IRC § 403(b) or 457 shall:

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

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

13 (c) Provider selection.--A school district that establishes
14 or maintains a plan under IRC § 403(b) or 457 shall select a
15 minimum of four financial institutions or pension management
16 organizations, in addition to the financial institution or
17 pension management organization that entered into an agreement
18 under section 8411, to provide services to the 403(b) plan or
19 457 plan. If fewer than four such additional financial
20 institutions or pension management organizations are determined
21 to be available or able to meet the requirements established in
22 this section, then the school district shall select the number
23 of available providers able to meet the school district's
24 requirements. A financial institution or pension management
25 organization shall be designated a 403(b) plan or 457 plan
26 provider if the financial institution or pension management
27 organization enters into an agreement in accordance with
28 subsection (b).

29 § 8412. Responsibility for investment loss.

30 The Commonwealth, the board, an employer or a school entity

1 or other political subdivision shall not be responsible for any
2 investment loss incurred under the plan or for the failure of
3 any investment to earn any specific or expected return or to
4 earn as much as any other investment opportunity or to cost less
5 than any other investment opportunity, whether or not such other
6 opportunity was offered to participants in the plan.

7 § 8413. Investments based on participant's investment
8 allocation choices.

9 (a) Investment by participant.--All contributions, interest
10 and investment earnings shall be invested based on a
11 participant's investment allocation choices, provided that the
12 board may provide for a default investment option. All
13 investment allocation choices shall be credited proportionally
14 between contributions from the participant and employer defined
15 contributions. Each participant shall be credited individually
16 with the amount of contributions, interest and investment
17 earnings.

18 (b) Investment of contributions made by entities other than
19 Commonwealth.--Investment of contributions by any corporation,
20 institution, insurance company, custodial bank or other entity
21 that the board has approved shall not be unreasonably delayed,
22 and in no case shall the investment of contributions be delayed
23 more than 30 days from the date of payroll deduction or
24 voluntary contributions are made to the date that funds are
25 invested. Any interest earned on the funds pending investment
26 shall be used to pay administrative costs and fees that would
27 otherwise be required to be borne by participants who are then
28 participating in the plan or that are funded by contributions
29 from the employers.

30 § 8414. Expenses.

1 All expenses, fees and costs of administering the plan and
2 the trust and investing the assets of the trust shall be borne
3 by the participants and paid from assessments against the
4 balances of the individual investment accounts as established by
5 the board, except that for fiscal years 2016-2017 and 2017-2018,
6 the expenses, fees and costs of establishing and administering
7 the plan and trust shall be paid by the Commonwealth through
8 annual appropriations.

9 § 8415. Tax qualification.

10 (a) Required distributions.--All payments under this chapter
11 shall start and be made in compliance with the minimum
12 distribution requirements and incidental death benefit rules of
13 IRC § 401(a).

14 (b) Limitations.--The following shall apply:

15 (1) (i) Except as provided under subparagraph (ii) and
16 notwithstanding a provision of this part, a contribution
17 or benefit related to the plan may not exceed a
18 limitation under IRC § 415 with respect to a governmental
19 plan that is in effect on the date the contribution or
20 benefit payment takes effect.

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

24 (iii) For the purposes of this paragraph, the term
25 "government plan" shall have the same meaning as in IRC §
26 414(d).

27 (2) (i) Except as provided under subparagraph (ii), an
28 amendment of this part on or after the effective date of
29 this section that increases contributions or benefits for
30 active participants, inactive participants or

1 participants receiving distributions may not be deemed to
2 provide for a contribution or benefit in excess of a
3 limitation, adjusted on or after the effective date of
4 this section, under IRC § 415 unless specifically
5 provided by legislation.

6 (ii) Notwithstanding subparagraph (i), an increase
7 in benefits on or after the effective date of this
8 section for a participant in the plan shall be authorized
9 and apply to the fullest extent allowed by law.

10 Section 114. Sections 8501(a), (c), (d) and (e) and 8502(a),
11 (b), (c), (e), (h), (i), (j), (k), (m), (n) and (o) of Title 24
12 are amended and the sections are amended by adding subsections
13 to read:

14 § 8501. Public School Employees' Retirement Board.

15 (a) Status and membership.--The board shall be an
16 independent administrative board and shall consist of 15
17 members: the Secretary of Education, ex officio; the State
18 Treasurer, ex officio; the Secretary of Banking and Securities,
19 ex officio; two Senators; two members of the House of
20 Representatives; the executive secretary of the Pennsylvania
21 School Boards Association, ex officio; [two] one to be appointed
22 by the Governor[, at least one of whom shall not be a school
23 employee or an officer or employee of the State]; three to be
24 elected by the active professional members of the system and
25 active professional participants of the plan from among their
26 number; one to be elected by annuitants or participants of the
27 plan who have terminated school service and are receiving or are
28 eligible to receive distributions from among their number; one
29 to be elected by the active nonprofessional members of the
30 system or active nonprofessional participants of the plan from

1 among their number; and one to be elected by members of
2 Pennsylvania public school boards from among their number. The
3 appointments made by the Governor shall be confirmed by the
4 Senate and each election shall be conducted in a manner approved
5 by the board. The terms of the appointed and nonlegislative
6 elected members shall be three years. The members from the
7 Senate shall be appointed by the President pro tempore of the
8 Senate and shall consist of one member from the majority and one
9 member from the minority. The members from the House of
10 Representatives shall be appointed by the Speaker of the House
11 of Representatives and shall consist of one member from the
12 majority and one member from the minority. The legislative
13 members shall serve on the board for the duration of their
14 legislative terms and shall continue to serve until 30 days
15 after the convening of the next regular session of the General
16 Assembly after the expiration of their respective legislative
17 terms or until a successor is appointed for the new term,
18 whichever occurs first. The chairman of the board shall be
19 elected by the board members. Each ex officio member of the
20 board and each legislative member of the board may appoint a
21 duly authorized designee to act in his stead. In the event that
22 a board member, who is designated as an active participant or as
23 the participant in the plan who is receiving or is eligible to
24 receive distributions, receives a total distribution of the
25 board member's interest in the plan, that board member may
26 continue to serve on the board for the remainder of his term.

27 * * *

28 (c) Oath of office.--Each member of the board shall take an
29 oath of office that he will, so far as it devolves upon him,
30 diligently and honestly administer the affairs of said board,

1 the system and the plan and that he will not knowingly violate
2 or willfully permit to be violated any of the provisions of law
3 applicable to this part. Such oath shall be subscribed by the
4 member making it and certified by the officer before whom it is
5 taken and shall be immediately filed in the office of the
6 Secretary of the Commonwealth.

7 (d) Compensation and expenses.--The members of the board who
8 are members of the system or participants in the plan shall
9 serve without compensation. Members of the board who are members
10 of the system or participants in the plan and who are employed
11 by a governmental entity shall not suffer loss of salary or
12 wages through serving on the board. The board, on request of the
13 employer of any member of the board who is an active
14 professional or nonprofessional member of the system or active
15 professional or nonprofessional participant in the plan, may
16 reimburse such employer for the salary or wages of the member or
17 participant, or for the cost of employing a substitute for such
18 member or participant, while the member or participant is
19 necessarily absent from employment to execute the duties of the
20 board. The employer of any such member shall provide leave to
21 allow such member to execute the duties of the board, including
22 but not limited to, attendance at the location of all regular
23 and special board and committee meetings. The members of the
24 board who are not members of either the school system or the
25 State Employees' Retirement System may be paid \$100 per day when
26 attending meetings and all board members shall be reimbursed for
27 any necessary expenses. However, when the duties of the board as
28 mandated are not executed, no compensation or reimbursement for
29 expenses of board members shall be paid or payable during the
30 period in which such duties are not executed.

1 (e) Corporate power and legal advisor.--For the purposes of
2 this part, the board shall possess the power and privileges of a
3 corporation. [The Attorney General of the Commonwealth shall be
4 the legal advisor of the board.] Legal counsel to the board
5 shall serve independently from the Governor's Office of General
6 Counsel, the General Assembly and the Attorney General.

7 (f) Board training.--Each member of the board will be
8 required to obtain eight hours of mandatory training in
9 investment strategies, actuarial cost analysis and retirement
10 portfolio management on an annual basis.

11 § 8502. Administrative duties of board.

12 (a) Employees.--

13 (1) Effective 30 days after the effective date of this
14 paragraph, the positions of secretary, assistant secretary
15 and investment professional shall be placed under the
16 unclassified service provisions of the act of August 5, 1941
17 (P.L.752, No.286), known as the Civil Service Act, as those
18 positions are vacated. All other positions of the board shall
19 be placed in either the classified or unclassified service
20 according to the definition of the terms under the Civil
21 Service Act.

22 (2) Notwithstanding any other provision of law, the
23 compensation of investment professionals shall be established
24 by the board. The compensation of all other officers and
25 employees of the board who are not covered by a collective
26 bargaining agreement shall be established by the board
27 consistent with the standards of compensation established by
28 the Executive Board of the Commonwealth.

29 (3) The board may utilize the staff of employees
30 provided for under this subsection for both the system and

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

4 (b) Professional personnel.--

5 (1) The board shall contract for the services of a chief
6 medical examiner, an actuary, investment advisors,
7 counselors, an investment coordinator, and such other
8 professional personnel as it deems advisable.

9 (2) The board may utilize the same individuals and firms
10 contracted under this subsection for both the system and the
11 plan but shall allocate the fees, costs and expenses incurred
12 under this subsection between the system and the plan as
13 appropriate.

14 (c) Expenses.--

15 (1) The board shall, through the Governor, submit to the
16 General Assembly annually a budget covering the
17 administrative expenses of [this part.] the system and a
18 separate budget covering the administrative expenses of the
19 plan. The separate budgets shall include those expenses
20 necessary to establish the plan and trust.

21 (2) Such expenses of the system as approved by the
22 General Assembly in an appropriation bill shall be paid from
23 investment earnings of the fund.

24 (3) For fiscal years beginning on or after July 1, 2018,
25 the expenses of the plan as approved by the General Assembly
26 shall be paid from interest, under section 8413(b) (relating
27 to investments based on participant's investment allocation
28 choices) or assessments on the balances of the participants'
29 individual investment accounts or as otherwise provided in
30 this part.

1 (4) Concurrently with its administrative budget, the
2 board shall also submit to the General Assembly annually a
3 list of proposed expenditures which the board intends to pay
4 through the use of directed commissions, together with a list
5 of the actual expenditures from the past year actually paid
6 by the board through the use of directed commissions. All
7 such directed commission expenditures shall be made by the
8 board for the exclusive benefit of the system and its members
9 and for the exclusive benefit of the plan and its
10 participants, respectively.

11 * * *

12 (e) Records.--

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

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

25 (i) in the case of an alternative investment or
26 alternative investment vehicle involve the release of
27 sensitive investment or financial information relating to
28 the alternative investment or alternative investment
29 vehicle which the fund or trust was able to obtain only
30 upon agreeing to maintain its confidentiality;

1 (ii) cause substantial competitive harm to the
2 person from whom sensitive investment or financial
3 information relating to the investment was received; or

4 (iii) have a substantial detrimental impact on the
5 value of an investment to be acquired, held or disposed
6 of by the fund or trust, or would cause a breach of the
7 standard of care or fiduciary duty set forth in this
8 part.

9 (3) The following apply:

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

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

23 (A) the [inspection] access no longer causes
24 substantial competitive harm to the person from whom
25 the information was received; or

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

28 whichever is later.

29 (iii) The sensitive investment or financial
30 information excluded from [inspection] access under

1 paragraph (2)(iii), 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:

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

10 (B) the entity in which the investment was made
11 is liquidated;

12 whichever is later.

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

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

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

25 (ii) The identity of the manager of the alternative
26 investment vehicle.

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

29 (iv) The dollar amount of cash contributions made by
30 the system or plan to the alternative investment vehicle

1 since inception.

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

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

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

24 (viii) The dollar amount of total management fees
25 and costs paid to the alternative investment vehicle by
26 the system or plan on an annual fiscal year-end basis.

27 (6) 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 shall not

1 constitute a public record subject to public access under the
2 Right-to-Know Law, if, in the reasonable judgment of the
3 board, the access would disclose any of the following:

4 (i) The existence, date, amount and any other
5 information pertaining to the voluntary contributions,
6 including rollover contributions and trustee-to-trustee
7 transfers, of any participant.

8 (ii) The investment option selections of any
9 participant.

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

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

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

17 (7) The following shall apply:

18 (i) Nothing in this part shall be construed to mean
19 that the release or publicizing of a record, material or
20 data that would not constitute a public record under this
21 subsection shall be a violation of the board's fiduciary
22 duties.

23 (ii) This subsection shall apply to a record,
24 material or data under this subsection, notwithstanding
25 whether:

26 (A) the record, material or data was created,
27 generated or stored before the effective date of this
28 section;

29 (B) the record, material or data was previously
30 released or made public; or

1 (C) a request for the record, material or data
2 was made or is pending final response under the
3 former act of June 21, 1957 (P.L.390, No.212),
4 referred to as the Right-to-Know Law, or the Right-
5 to-Know Law.

6 * * *

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

24 (i) Data.--The board shall keep in convenient form such data
25 as are stipulated by the actuary in order that an annual
26 actuarial valuation of the various accounts of the fund can be
27 completed within six months of the close of each fiscal year.
28 The board shall have final authority over the means by which
29 data is collected, maintained and stored and in so doing shall
30 protect the rights of its membership as to privacy and

1 confidentiality.

2 (j) Actuarial investigation and valuation.--The board shall
3 have the actuary make an annual valuation of the various
4 accounts of the fund within six months of the close of each
5 fiscal year. In the fiscal year 1975 and in every fifth year
6 thereafter, the board shall have the actuary conduct an
7 actuarial investigation and evaluation of the system based on
8 data including the mortality, service, and compensation
9 experience provided by the board annually during the preceding
10 five years concerning the members and beneficiaries of the
11 system. The board shall by resolution adopt such tables as are
12 necessary for the actuarial valuation of the fund and
13 calculation of contributions, annuities, and other benefits
14 based on the reports and recommendations of the actuary. Within
15 30 days of their adoption, the secretary of the board shall
16 cause those tables which relate to the calculation of annuities
17 and other benefits to be published in the Pennsylvania Bulletin
18 in accordance with the provisions of 45 Pa.C.S. § 725(a)
19 (relating to additional contents of Pennsylvania Bulletin) and,
20 unless the board specifies therein a later effective date, such
21 tables shall become effective on such publication. The board
22 shall include a report on the significant facts, recommendations
23 and data developed in each five-year actuarial investigation and
24 evaluation of the system in the annual financial statement
25 published pursuant to the requirements of subsection (n) for the
26 fiscal year in which such investigation and evaluation were
27 concluded.

28 (k) Certification of employer contributions to fund.--The
29 board shall, each year in addition to the itemized budget
30 required under section 8330 (relating to appropriations by the

1 Commonwealth), certify to the employers and the Commonwealth the
2 employer contribution rate expressed as a percentage of members'
3 payroll necessary for the funding of prospective annuities for
4 active members and the annuities of annuitants, and certify the
5 rates and amounts of the normal contributions as determined
6 pursuant to section 8328(b) (relating to actuarial cost method),
7 accrued liability contributions as determined pursuant to
8 section 8328(c), supplemental annuities contribution rate as
9 determined pursuant to section 8328(d), the experience
10 adjustment factor as determined pursuant to section 8328(e),
11 premium assistance contributions as determined pursuant to
12 section 8328(f), the costs added by legislation as determined
13 pursuant to section 8328(i), the actuarial required contribution
14 rate as determined pursuant to section 8328(i), the collared
15 contribution rate as determined pursuant to section 8328(g), the
16 final contribution rate as determined pursuant to section
17 8328(h) and the shared-risk contribution rate as determined
18 under section 8321(b) (relating to regular member contributions
19 for current service), which shall be paid to the fund and
20 credited to the appropriate accounts. These certifications shall
21 be regarded as final and not subject to modification by the
22 Secretary of the Budget.

23 * * *

24 (m) Member contributions and interest.--The board shall
25 cause each member's contributions, including payroll deductions,
26 pickup contributions, shared-risk contributions and all other
27 payments, including, but not limited to, amounts collected by
28 the State Employees' Retirement System for the reinstatement of
29 previous school service or creditable nonschool service and
30 amounts paid to return benefits paid after the date of return to

1 school service or entering State service representing lump sum
2 payments made pursuant to section 8345(a)(4)(iii) (relating to
3 member's options) and member's annuity payments, but not
4 including other benefits returned pursuant to section 8346(a.1)
5 and (a.2) (relating to termination of annuities), to be credited
6 to the account of such member and shall pay all such amounts
7 into the fund. Such contributions shall be credited with
8 statutory interest until date of termination of service, except
9 in the case of a vestee, who shall have such interest credited
10 until the effective date of retirement or until the return of
11 his accumulated deductions, if he so elects; and in the case of
12 a multiple service member who shall have such interest credited
13 until termination of service in both the school and the State
14 systems.

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

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

1 audits shall include the board's accrual and expenditure of
2 directed commissions. The board may use the same independent
3 certified public accounting firm for the audits of both the
4 system and the plan.

5 * * *

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

18 Section 115. Section 8502.2(a) of Title 24 is amended to
19 read:

20 § 8502.2. Health insurance.

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

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

30 (2) Determination of the benefits structure.

1 (3) Determination of enrollment procedures.

2 (4) Establishment of premium rates sufficient to fully
3 fund the program, including administrative expenses.

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

7 * * *

8 Section 116. Sections 8503 heading and (b), 8505 heading,
9 (h) and (i), 8506 (a), (d), (e), (f), (i) and (k) and 8507
10 heading, (a), (e), (f) and (i) of Title 24 are amended and the
11 sections are amended by adding subsections to read:

12 § 8503. Duties of board to advise and report to employers [and
13 members], members and participants.

14 * * *

15 (b) Member status statements.--The board shall furnish
16 annually on or before December 31, a statement to each member
17 showing the accumulated deductions standing to the credit of the
18 member and the number of years and fractional part of a year of
19 service credited in each class of service, as applicable, as of
20 June 30 of that year. Each member's statement shall include a
21 request that the member make any necessary corrections or
22 revisions regarding his designated beneficiary, whose name at
23 the request of the member shall remain confidential and not
24 appear on this statement.

25 (b.1) Participant status statements.--The board shall
26 furnish annually to each participant on or before December 31,
27 and more frequently as the board may agree or as required by
28 law, a statement showing the accumulated total defined
29 contributions credited to the participant's individual
30 investment account, the nature and type of investments and the

1 investment allocation of future contributions as of June 30 of
2 the current year and shall request the participant to make any
3 necessary correction or revision regarding his designated
4 beneficiary.

5 * * *

6 § 8505. Duties of board regarding applications and elections of
7 members and participants.

8 * * *

9 (e.1) Certification to participants terminating service.--
10 The board shall certify to the participant in writing within one
11 year of termination of service of the participants of the vested
12 accumulated total defined contributions credited to the
13 participant's individual investment account as of the date
14 stated in the writing, any notices regarding rollover or other
15 matters required by IRC or other law, the obligation of the
16 participant to commence distributions from the plan by the
17 participant's required beginning date and the ability to receive
18 all or part of the vested balance in the participant's
19 individual investment account in a lump sum or in such other
20 form as the board may authorize or as required by law.

21 * * *

22 (f.1) Notification to inactive participants approaching
23 required beginning date.--The board shall notify in writing each
24 inactive participant who has terminated school service and who
25 has not commenced distribution by 90 days before the
26 participant's required beginning date that the inactive
27 participant has an obligation to commence distributions by the
28 required beginning date in a form and manner required by IRC §
29 401(a) (9) and other applicable provisions of IRC.

30 * * *

1 (g.1) Initial payment to a participant.--The board shall
2 make the initial payment to a participant who has applied for a
3 distribution within 60 days of the filing of the application and
4 receipt of the required data from the employer of the
5 participant and other necessary data.

6 (h) Death benefits.--Upon receipt of notification of the
7 death of a member or former member on USERRA leave or an active
8 participant, an inactive participant or a former participant
9 performing USERRA leave, the board shall notify the designated
10 beneficiary or survivor annuitant of the benefits to which he is
11 entitled and shall make the first payment to the beneficiary
12 under the [plan] benefits elected by the beneficiary within 60
13 days of receipt of certification of death and other necessary
14 data. If no beneficiary designation is in effect at the date of
15 the member's or participant's death or no notice has been filed
16 with the board to pay the amount of such benefits to the
17 member's or participant's estate, the board is authorized to pay
18 such benefits to the executor, administrator, surviving spouse
19 or next-of-kin of the deceased member or participant, and
20 payment pursuant hereto shall fully discharge the fund or plan
21 from any further liability to make payment of such benefits to
22 any other person.

23 (i) Medical insurance coverage.--Upon receipt of
24 notification from an insurance carrier offering a health
25 insurance program approved by the board that an annuitant or
26 participant who has attained age 65 has elected medical, major
27 medical, and hospitalization insurance coverage or notification
28 that annuitants with less than 24 1/2 eligibility points (other
29 than disability annuitants), spouses of annuitants and survivor
30 annuitants eligible to elect to enroll in the approved health

1 insurance program have elected participation in such health
2 insurance program, the board may deduct from the annuity
3 payments, from payments to a participant receiving distributions
4 or from a successor payee, the appropriate annual charges in
5 equal monthly installments. Such deductions shall be transmitted
6 to the insurance carrier.

7 * * *

8 § 8506. Duties of employers.

9 (a) Status of members and participants.--The employer shall,
10 each month, notify the board in a manner prescribed by the board
11 of the salary changes effective during the past month, the date
12 of all removals from the payroll, and the type of leave of any
13 member or participant who has been removed from the payroll for
14 any time during that month, and:

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

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

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

28 * * *

29 (c.1) Participant and employer defined contributions.--The
30 employer shall cause the mandatory pickup participant

1 contributions on behalf of a participant to be made and shall
2 cause to be deducted any voluntary contributions authorized by a
3 participant. The employer shall also cause the employer defined
4 contributions on behalf of a participant to be made. The
5 employer shall notify the board at times and in a manner
6 prescribed by the board of the compensation of any participant
7 to whom the limitation under IRC § 401(a)(17) either applies or
8 is expected to apply and shall cause the participant's
9 contributions to be deducted from payroll to cease at the
10 limitation under IRC § 401(a)(17) on the payroll date if and
11 when such limit shall be reached. The employer shall certify to
12 the board the amounts picked up and deducted and the employer
13 defined contributions being made and shall send the total amount
14 picked up, deducted and contributed together with a duplicate of
15 such voucher to the secretary of the board every pay period or
16 on such schedule as established by the board.

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

29 (e) New employees subject to optional membership or
30 participation.--The employer shall inform any eligible school

1 employee whose membership in the system or participation in the
2 plan is not mandatory of his opportunity to become a member of
3 the system or participant in the plan provided that he elects to
4 purchase credit for all such continuous creditable service. If
5 such employee so elects, the employer shall no later than 30
6 days thereafter cause an application for membership or
7 participation which application shall include the employee's
8 home address, birthdate certified by the employer, previous
9 school or State service and any other information requested by
10 the board, and a nomination of beneficiary to be made by him and
11 filed with the board and shall cause proper contributions to be
12 made from the date of election of membership or participation.

13 (f) Advising members of duties.--The employer shall advise
14 his employees of their duties as members of the system and
15 participants of the plan. Local school districts shall be held
16 harmless from decisions made by the employee in this regard.

17 * * *

18 (i) Termination of service by members.--The employer shall,
19 in the case of any member terminating school service, advise
20 such member in writing of any benefits from the system to which
21 he may be entitled under the provisions of this part and shall
22 have the member prepare, on or before the date of termination of
23 school service, one of the following three forms, a copy of
24 which shall be given to the member and the original of which
25 shall be filed with the board:

26 (1) An application for the return of accumulated
27 deductions.

28 (2) An election to vest his retirement rights, if
29 eligible, and, if he is a joint coverage member and so
30 desires, an election to become a full coverage member and an

1 agreement to pay within 30 days of the date of termination of
2 service the lump sum required.

3 (3) An application for an immediate annuity, if
4 eligible, and, if he is a joint coverage member and so
5 desires, an election to become a full coverage member and an
6 agreement to pay within 30 days of date of termination of
7 service the lump sum required.

8 * * *

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

12 (1) Any school employee who:

13 (i) ceases to be an active member or active
14 participant to perform USERRA service; or

15 (ii) is granted a leave of absence under 51 Pa.C.S.
16 § 4102 (relating to leaves of absence for certain
17 government employees) or a military leave of absence
18 under 51 Pa.C.S. § 7302 (relating to granting military
19 leaves of absence).

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

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

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

26 (1) Differential wage payments and military leave of absence
27 payments.--Notwithstanding the exclusion of differential wage
28 payments as defined in IRC § 414(u)(12) from compensation under
29 this part, the employer of any school employee on USERRA leave
30 shall report differential wage payments made to the employee to

1 the board, and the employer of any school employee on leave of
2 absence under 51 Pa.C.S. § 4102 shall report any payment made to
3 the employee in the form and manner established by the board.

4 § 8507. Rights and duties of school employees [and members],
5 members and participants.

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

27 * * *

28 (d.2) Contributions for USERRA leave.--Any active
29 participant or inactive participant or former participant who
30 was reemployed from USERRA leave and who desires to make

1 mandatory pickup participant contributions and voluntary
2 contributions for his USERRA leave shall so notify the board
3 within the time period required under 38 U.S.C. Ch. 43 (relating
4 to employment and reemployment rights of members of the
5 uniformed services) and IRC § 414(u) of his desire to make such
6 contributions. Upon the participant making the permitted
7 mandatory pickup participant contributions within the allowed
8 time period, the employer shall make the corresponding employer
9 defined contributions at the same time.

10 (d.3) Voluntary contributions by a participant.--Any
11 participant who desires to make voluntary contributions to be
12 credited to his individual investment account shall notify the
13 board and, upon compliance with the requirements, procedures and
14 limitations established by the board in the plan document, may
15 do so subject to the limitations under IRC §§ 401(a) and 415 and
16 other applicable law.

17 (e) Beneficiary for death benefits from system.--Every
18 member shall nominate a beneficiary by written designation filed
19 with the board to receive the death benefit or the benefit
20 payable from the system under the provisions of Option 1. Such
21 nomination may be changed at any time by the member by written
22 designation filed with the board. A member may also nominate a
23 contingent beneficiary or beneficiaries to receive the death
24 benefit or the benefit payable under the provisions of Option 1.

25 (e.1) Beneficiary for death benefits from plan.--Every
26 participant shall nominate a beneficiary by written designation
27 filed with the board as provided in section 8506 (relating to
28 duties of employers) to receive the death benefit payable under
29 section 8408 (relating to death benefits). A participant may
30 also nominate a contingent beneficiary or beneficiaries to

1 receive the death benefit provided under section 8408. Such
2 nominations may be changed at any time by the participant by
3 written designation filed with the board.

4 (e.2) Beneficiary designation.--A school employee may
5 designate or nominate different persons to be beneficiaries,
6 survivor annuitants and successor payees for his benefits from
7 the system and the plan.

8 (f) Termination of service by members.--Each member who
9 terminates school service and who is not then a disability
10 annuitant shall execute on or before the date of termination of
11 service a written application, duly attested by the member or
12 his legally constituted representative, electing to do one or
13 more of the following:

14 (1) Withdraw his accumulated deductions.

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

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

23 * * *

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

1 or authorized by the board.

2 * * *

3 (i) Failure to apply for annuity.--If a member is eligible
4 to receive an annuity from the system and does not file a proper
5 application within 90 days of termination of service, he shall
6 be deemed to have elected to vest, and his annuity will become
7 effective as of the date an application is filed with the board
8 or the date designated on the application whichever is later,
9 provided that in no event shall a member begin receiving
10 benefits on a date later than the required beginning date.

11 * * *

12 Section 117. Sections 8521(b), 8522, 8524, 8525 and 8531 of
13 Title 24 are amended to read:

14 § 8521. Management of fund and accounts.

15 * * *

16 (b) Crediting of interest.--The board annually shall allow
17 statutory interest, excluding the individual investment
18 accounts, to the credit of the members' savings account on the
19 mean amount of the accumulated deductions of all members for
20 whom interest is payable for the preceding year and valuation
21 interest on the mean amount of the annuity reserve account for
22 the preceding year to the credit of that account. The board
23 annually shall allow valuation interest calculated on the mean
24 amount for the preceding year of the balance in the State
25 accumulation account excluding any earnings of the fund credited
26 to the account during that year. In the event the total earnings
27 for the year do not exceed 5 1/2% of the mean amount for the
28 preceding year of the total assets of the fund less earnings
29 credited to the fund during that year plus the administrative
30 expenses of the board, the difference required to be

1 appropriated from the General Fund shall be credited to the
2 State accumulation account.

3 * * *

4 § 8522. Public School Employees' Retirement Fund.

5 (a) General rule.--The fund shall consist of all moneys in
6 the several separate funds in the State Treasury set apart to be
7 used under the direction of the board for the benefit of members
8 of the system; and the Treasury Department shall credit to the
9 fund all moneys received from the Department of Revenue arising
10 from the contributions relating to or on behalf of the members
11 of the system required under the provisions of Chapter 83
12 (relating to membership, contributions and benefits) and all
13 earnings from investments or moneys of said fund. There shall be
14 established and maintained by the board the several ledger
15 accounts specified in sections 8523 (relating to members'
16 savings account), 8524 (relating to State accumulation account),
17 8525 (relating to annuity reserve account) and 8526 (relating to
18 health insurance account).

19 (b) Individual investment accounts and trust.--The
20 individual investment accounts that are part of the trust are
21 not part of the fund. Mandatory pickup participant
22 contributions, voluntary contributions and employer defined
23 contributions made under this part and any income earned by the
24 investment of such contributions shall not be paid or credited
25 to the fund but instead shall be paid to the trust and credited
26 to the individual investment accounts.

27 § 8524. State accumulation account.

28 The State accumulation account shall be the ledger account to
29 which shall be credited all contributions of the Commonwealth
30 and other employers as well as the earnings of the fund, except

1 the premium assistance contributions and earnings thereon in the
2 health insurance account. Valuation interest shall be allowed on
3 the total amount of such account less any earnings of the fund
4 credited during the year. The reserves necessary for the payment
5 of annuities and death benefits resulting from membership in the
6 system as approved by the board and as provided in Chapter 83
7 (relating to membership, contributions and benefits) shall be
8 transferred from the State accumulation account to the annuity
9 reserve account. At the end of each year the required interest
10 shall be transferred from the State accumulation account to the
11 credit of the members' savings account and the annuity reserve
12 account. The administrative expenses of the board shall be
13 charged to the State accumulation account. Employer defined
14 contributions, mandatory pickup contributions and a
15 participant's voluntary contributions, together with any income
16 or interest earned thereon, may be temporarily placed into the
17 State accumulation account pending allocation or distribution
18 to the participant's individual investment account.

19 § 8525. Annuity reserve account.

20 (a) Credits and charges to account.--The annuity reserve
21 account shall be the ledger account to which shall be credited
22 the reserves held for the payment of annuities and death
23 benefits resulting from membership in the system on account of
24 all annuitants and the contributions from the Commonwealth and
25 other employers as determined in accordance with section 8328
26 (relating to actuarial cost method) for the payment of the
27 supplemental annuities provided in sections 8348 (relating to
28 supplemental annuities), 8348.1 (relating to additional
29 supplemental annuities), 8348.2 (relating to further additional
30 supplemental annuities), 8348.3 (relating to supplemental

1 annuities commencing 1994), 8348.4 (relating to special
2 supplemental postretirement adjustment), 8348.5 (relating to
3 supplemental annuities commencing 1998), 8348.6 (relating to
4 supplemental annuities commencing 2002) and 8348.7 (relating to
5 supplemental annuities commencing 2003). The annuity reserve
6 account shall be credited with valuation interest. After the
7 transfers provided in sections 8523 (relating to members'
8 savings account) and 8524 (relating to State accumulation
9 account), all annuity and death benefit payments shall be
10 charged to the annuity reserve account and paid from the fund.

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

21 § 8531. State guarantee regarding the system.

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

1 plan or trust.

2 Section 118. Section 8533(a), (b) and (d) of Title 24 are
3 amended and the section is amended by adding a subsection to
4 read:

5 § 8533. Taxation, attachment and assignment of funds.

6 (a) General rule.--Except as provided in subsections (b),
7 (c) and (d), the right of a person to a member's annuity, a
8 State annuity, or retirement allowance, to the return of
9 contributions, any benefit or right accrued or accruing to any
10 person under the provisions of this part, and the moneys in the
11 fund and the trust are hereby exempt from any State or municipal
12 tax, [and exempt from] levy and sale, garnishment, attachment,
13 the provisions of Article XIII.1 of the act of April 9, 1929
14 (P.L.343, No.176), known as The Fiscal Code, or any other
15 process whatsoever, and shall be unassignable.

16 (a.1) Individual investment accounts and distributions.--No
17 participant or beneficiary, successor payee or alternate payee
18 of a participant shall have the ability to commute, sell,
19 assign, alienate, anticipate, mortgage, pledge, hypothecate,
20 commutate or otherwise transfer or convey any benefit or
21 interest in an individual investment account or rights to
22 receive or direct distributions under this part or under
23 agreements entered into under this part except as otherwise
24 provided in this part and in the case of either a member or a
25 participant.

26 (b) Forfeiture.--

27 (1) 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

1 provision of law may not be applied to increase the benefits
2 that any member would otherwise receive under this part.

3 (2) In accordance with section 16(b) of Article V of the
4 Constitution of Pennsylvania and notwithstanding paragraph
5 (1), the Public Employee Pension Forfeiture Act or 42 Pa.C.S.
6 § 3352 (relating to pension rights), the accumulated
7 mandatory participant contributions and accumulated voluntary
8 contributions standing to the credit of a participant shall
9 not be forfeited but shall be available for payment of fines
10 and restitution as provided by law. Amounts in the trust that
11 have been ordered to be distributed to an alternate payee as
12 the result of an equitable distribution of marital property
13 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
16 interest in the trust shall not be subject to the Public
17 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
18 accumulated employer defined contributions forfeited as a
19 result of this subsection or other law shall be retained by
20 the board and used for the payment of expenses of the plan.

21 * * *

22 (d) Direct rollover.--Effective with distributions made on
23 or after January 1, 1993, and notwithstanding any other
24 provision of this part to the contrary, a distributee may elect,
25 at the time and in the manner prescribed by the board, to have
26 any portion of an eligible rollover distribution paid directly
27 to an eligible retirement plan by way of a direct rollover. For
28 purposes of this subsection, a "distributee" includes a member
29 [and], a participant, a member's surviving spouse [and], a
30 participant's surviving spouse, a member's former spouse who is

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

17 Section 119. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)
18 of Title 24 are amended to read:

19 § 8533.1. Approval of domestic relations orders.

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

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

28 (2) Requires the system to provide no more than the
29 total amount of benefits than the member would otherwise
30 receive (determined on the basis of actuarial value) unless

1 increased benefits are paid to the member or alternate payee
2 based upon cost-of-living increases or increases based on
3 other than actuarial value.

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

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

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

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

19 (7) Requires the member to execute an authorization
20 allowing each alternate payee to monitor the member's
21 compliance with the terms of the domestic relations order
22 through access to information concerning the member
23 maintained by the system. An authorization granted under this
24 section shall be construed as an authorization for the
25 alternate payee to receive information concerning the
26 administration, calculation and payment of the alternate
27 payee's share of the benefits payable under this part and not
28 as an authorization to exercise the rights afforded to
29 members or obtain information that is not related to the
30 administration, calculation and payment of alternate payee's

1 share of the benefits payable under this part.

2 (a.1) Certification regarding participants.--A domestic
3 relations order pertaining to a participant shall be certified
4 as an approved domestic relations order by the secretary of the
5 board, or his designated representative, only if that order
6 meets all of the following:

7 (1) Does not require the plan to provide any type or
8 form of benefit or any option applicable to members of the
9 system or participants in the plan.

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

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

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

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

1 (6) Specifies the amount or percentage of the
2 participant's individual investment account to be paid to the
3 alternate payee and the date upon which such valuation is
4 based.

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

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

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

27 (10) Requires the immediate distribution of the
28 alternate payee's share of the participant's individual
29 investment account, which may be made by direct payment,
30 eligible rollover or trustee-to-trustee transfer to another

1 eligible plan or qualified account owned by the alternate
2 payee.

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

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

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

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

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

25 § 8533.2. Irrevocable beneficiary.

26 Notwithstanding any other provision of this part, a domestic
27 relations order may provide for an irrevocable beneficiary. A
28 domestic relations order requiring the nomination of an
29 irrevocable beneficiary shall be deemed to be one that requires
30 a member or participant to nominate an alternate payee as a

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

10 § 8533.3. Irrevocable survivor annuitant.

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

27 § 8533.4. Amendment of approved domestic relations orders.

28 (a) Deceased alternate payee.--In the event that the
29 alternate payee predeceases the member or participant and there
30 are benefits payable to the alternate payee, the divorce court

1 may amend the approved domestic relations order to substitute a
2 person for the deceased alternate payee to receive any benefits
3 payable to the deceased alternate payee.

4 * * *

5 Section 120. Title 24 is amended by adding a section to
6 read:

7 § 8533.5. Irrevocable successor payee.

8 (a) Condition.--Notwithstanding any other provisions of this
9 part, a domestic relations order pertaining to a participant may
10 provide for an irrevocable successor payee only if the
11 participant is receiving a payment under a payment option
12 provided by the board that allows for a successor payee.

13 (b) Determination.--A domestic relations order requiring the
14 designation of an irrevocable successor payee shall be deemed to
15 be one that requires a participant who is receiving payments
16 from an annuity or other distribution option to designate an
17 alternate payee as a successor payee and that prohibits the
18 removal or change of that successor payee without approval of a
19 court of competent jurisdiction, except by operation of law.

20 (c) Certification.--A domestic relations order under
21 subsection (b) may be certified as an approved domestic
22 relations order by the secretary of the board, or his designated
23 representative, in which case the irrevocable successor payee so
24 ordered by the court cannot be changed by the participant
25 without approval by the court.

26 (d) Ineligibility.--A person ineligible to be designated as
27 a successor payee may not be designated as an irrevocable
28 successor payee. A court may not name an irrevocable successor
29 payee if the alternate payee is eligible to receive a lump sum
30 distribution of the alternate payee's portion of the marital

1 portion of the pension benefit.

2 Section 121. Sections 8534 and 8535 of Title 24 are amended
3 to read:

4 § 8534. Fraud and adjustment of errors.

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

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

24 § 8535. Payments to school entities by Commonwealth.

25 For each school year beginning with the 1995-1996 school year
26 and ending with the 2017-2018 school year, each school entity
27 shall be paid by the Commonwealth for contributions based upon
28 school service of active members of the system after June 30,
29 1995, as follows:

30 (1) The Commonwealth shall pay each school entity for

1 contributions made to the Public School Employees' Retirement
2 Fund based upon school service of all active members,
3 including members on activated military service leave, whose
4 effective dates of employment with their school entities are
5 after June 30, 1994, and who also had not previously been
6 employed by any school entity within this Commonwealth an
7 amount equal to the amount certified by the Public School
8 Employees' Retirement Board as necessary to provide, together
9 with the members' contributions, reserves on account of
10 prospective annuities, supplemental annuities and the premium
11 assistance program as provided in this part in accordance
12 with section 8328 (relating to actuarial cost method),
13 multiplied by the market value/income aid ratio of the school
14 entity. For no school year shall any school entity receive
15 less than the amount that would result if the market
16 value/income aid ratio as defined in section 2501(14.1) of
17 the Public School Code [of 1949] was 0.50.

18 (2) The Commonwealth shall pay each school entity for
19 contributions made to the Public School Employees' Retirement
20 Fund based upon school service of all active members,
21 including members on activated military service leave, who
22 are not described in paragraph (1), one-half of the amount
23 certified by the Public School Employees' Retirement Board as
24 necessary to provide, together with the members'
25 contributions, reserves on account of prospective annuities,
26 supplemental annuities and the premium assistance program as
27 provided in this part in accordance with section 8328.

28 (3) School entities shall have up to five days after
29 receipt of the Commonwealth's portion of the employer's
30 liability to [make] forward the payment to the Public School

1 Employees' Retirement Fund. School entities are expected to
2 make the full payment to the Public School Employees'
3 Retirement Fund in accordance with section 8327 (relating to
4 payments by employers) in the event the receipt of the
5 Commonwealth's portion of the employer's liability is delayed
6 because of delinquent salary reporting or other conduct by
7 the school entities.

8 Section 122. Title 24 is amended by adding sections to read:

9 § 8535.1. Payments to school entities by Commonwealth
10 commencing with the 2018-2019 school year.

11 For each school year, beginning with the 2018-2019 school
12 year, each school entity shall be paid by the Commonwealth for
13 contributions based upon school service of active members of the
14 system and active participants of the plan after June 30, 2017,
15 as follows:

16 (1) The Commonwealth shall pay each school entity for
17 contributions made to the fund or the trust based upon school
18 service of all active members or active participants,
19 including members or participants on activated or USERRA
20 military service leave, whose effective dates of employment
21 with their school entities are after June 30, 1994, and who
22 also had not previously been employed by any school entity
23 within this Commonwealth, an amount equal to the amount
24 certified by the board as necessary to provide, together with
25 the members' and participants' contributions, reserves on
26 account of prospective annuities, supplemental annuities and
27 the premium assistance program as provided in this part in
28 accordance with section 8328 (relating to actuarial cost
29 method), multiplied by the market value/income aid ratio of
30 the school entity. For no school year shall any school entity

1 receive less than the amount that would result if the market
2 value/income aid ratio as defined in section 2501(14.1) of
3 the Public School Code was 0.50.

4 (2) The Commonwealth shall pay each school entity for
5 contributions made to the fund or the trust based upon school
6 service of all active members or active participants,
7 including members or participants on activated military
8 service leave, and active participants of the plan who are
9 not described in paragraph (1) one-half of the amount
10 certified by the board as necessary to provide, together with
11 the members' and participants' contributions, reserves on
12 account of prospective annuities, supplemental annuities and
13 the premium assistance program as provided in this part in
14 accordance with section 8328.

15 (3) School entities shall have up to five days after
16 receipt of the Commonwealth's portion of the employer's
17 liability to forward the payment to the fund or the trust.
18 School entities are expected to make the full payment to the
19 fund or the trust in accordance with section 8327 (relating
20 to payments by employers) in the event the receipt of the
21 Commonwealth's portion of the employer's liability is delayed
22 because of delinquent salary reporting or other conduct by
23 the school entities.

24 (4) Employers whose payments to the Public School
25 Employees' Retirement Fund are delinquent shall be charged
26 interest by the Public School Employees' Retirement Fund at
27 the annual interest rate adopted by the board under section
28 8328 (relating to actuarial cost method) in effect in the
29 fiscal year in which the payments are required to be paid.
30 § 8537. Internal Revenue Code limitations.

1 Notwithstanding any provisions of this part to the contrary,
2 no contribution or benefit related to the School Employees'
3 Defined Contribution Plan may be made or payable to the extent
4 that the contribution or benefit exceeds a limitation under IRC
5 § 415 in effect with respect to a "governmental plan" as defined
6 in IRC § 414(d) on the date the contribution or benefit payment
7 becomes effective. An increase in a limitation under IRC § 415
8 shall be applicable to all current and future participants.

9 § 8538. Public Pension Management and Asset Investment Review
10 Commission.

11 (a) Establishment.--A Public Pension Management and Asset
12 Investment Review Commission shall be established, which shall
13 be composed of five appointees, one appointed by each of the
14 following:

15 (1) The Governor.

16 (2) The President pro tempore of the Senate.

17 (3) The Minority Leader of the Senate.

18 (4) The Speaker of the House of Representatives.

19 (5) The Minority Leader of the House of Representatives.

20 The appointees shall be investment professionals and retirement
21 advisors and shall be appointed within 90 days of the effective
22 date of this section.

23 (b) Duties.--The duties of the Public Pension Management and
24 Asset Investment Review Commission are as follows:

25 (1) Study the performance of current investment
26 strategies and procedures of the Public School Employees'
27 Retirement System, comparing realized rates of return to
28 established benchmarks and considering associated fees paid
29 for active and passive management.

30 (2) Study the costs and benefits of both active and

1 passive investment strategies in relation to future
2 investment activities of the Public School Employees'
3 Retirement System.

4 (3) Study alternative future investment strategies with
5 available assets of the Public School Employees' Retirement
6 System that will maximize future rates of return net of fees.

7 (3.1) The commission shall evaluate and make
8 recommendations on:

9 (i) Improving investment fee transparency on
10 alternative investments as specified in the Standardized
11 Reporting Guidelines of the Institutional Limited
12 Partners Association.

13 (ii) Implementing the recommendations of the Society
14 of Actuaries Blue Ribbon Panel on stress testing, to test
15 the ability of the plan to withstand a period of
16 investment returns above or below the level of assumed
17 return.

18 (4) Publish extensive and detailed findings online,
19 including findings about:

20 (i) Assets.

21 (ii) Returns.

22 (iii) Financial managers.

23 (iv) Consultants.

24 (v) Requests for proposals.

25 (vi) Investment performance measured against
26 benchmarks.

27 (5) Report its findings and recommendations to the
28 Governor and the General Assembly within six months of its
29 first organizational meeting.

30 (c) Quorum.--A majority of appointed members shall

1 constitute a quorum for the purpose of conducting business. The
2 members shall select one of their number to be chairperson and
3 another to be vice chairperson.

4 (d) Transparency and ethics.--The Public Pension Management
5 and Asset Investment Review Commission shall be subject to the
6 following laws:

7 (1) The act of February 14, 2008 (P.L.6, No.3), known as
8 the Right-to-Know Law.

9 (2) The former act of July 3, 1986 (P.L.388, No.84),
10 known as the Sunshine Act.

11 (3) The act of October 4, 1978 (P.L.883, No.170), known
12 as the Public Official and Employee Ethics Law.

13 (4) The act of July 19, 1957 (P.L.1017, No.451), known
14 as the State Adverse Interest Act.

15 (e) Information gathering.--The Public Pension Management
16 and Asset Investment Review Commission may conduct hearings and
17 otherwise gather pertinent information and analysis that it
18 considers appropriate and necessary to fulfill its duties.

19 (f) Logistical and other support.--The Public Pension
20 Management and Asset Investment Review Commission shall receive
21 logistical and other support from the Joint State Government
22 Commission and may employ additional temporary staff as needed.

23 (g) Reimbursement.--The members of the Public Pension
24 Management and Asset Investment Review Commission shall be
25 reimbursed for reasonable expenses.

26 (h) Expiration.--The Public Pension Management and Asset
27 Investment Review Commission shall expire 60 days after delivery
28 of its report in accordance with subsection (b) (5). Any unspent
29 appropriation shall lapse back to the General Fund.

30 Section 123. The definition of "eligible person" in section

1 8702(a) of Title 24 is amended to read:

2 § 8702. Definitions.

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

9 "Eligible person." An individual who is:

10 (1) an annuitant or survivor annuitant or the spouse or
11 dependent of an annuitant or survivor annuitant[.]; or

12 (2) a participant receiving distributions or a successor
13 payee, or the spouse or dependent of a participant receiving
14 distributions or a successor payee.

15 * * *

16 ARTICLE II

17 Section 201. Section 7306(a) introductory paragraph of Title
18 51 is amended and the section is amended by adding a subsection
19 to read:

20 § 7306. Retirement rights.

21 (a) Options available to employees.--Any employee who is a
22 member of a retirement system other than an active member or
23 inactive member on leave without pay of the State Employees'
24 Retirement System [or], an active participant or inactive
25 participant on leave without pay of the State Employees' Defined
26 Contribution Plan, an active or inactive member of the Public
27 School Employees' Retirement System or an active or inactive
28 participant of the School Employees' Defined Contribution Plan
29 at the time he is granted a military leave of absence shall be
30 entitled to exercise any one of the following options in regard

1 thereto:

2 * * *

3 (f) Participant of a defined contribution plan.--

4 (1) An employee who is an active or inactive participant
5 of the School Employees' Defined Contribution Plan at the
6 time the employee is granted a military leave of absence
7 shall be entitled to make contributions to the School
8 Employees' Defined Contribution Trust for the leave as
9 provided in 24 Pa.C.S. Pt. IV (relating to retirement for
10 school employees).

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

18 ARTICLE III

19 Section 301. (Reserved).

20 Section 302. The definitions of "alternate payee," "average
21 noncovered salary," "beneficiary," "class of service
22 multiplier," "compensation," "creditable nonstate service,"
23 "credited service," "date of termination of service,"
24 "distribution," "domestic relations order," "eligibility
25 points," "final average salary," "inactive member," "intervening
26 military service," "irrevocable beneficiary," "reemployed from
27 USERRA leave," "regular member contributions," "required
28 beginning date," "retirement counselor," "salary deductions,"
29 "shared-risk member contributions," "special vestee," "standard
30 single life annuity," "State employee," "superannuation age,"

1 "valuation interest" and "vestee" in section 5102 of Title 71
2 are amended and the section is amended by adding definitions to
3 read:

4 § 5102. Definitions.

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

8 * * *

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

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

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

26 "Accumulated voluntary contributions." The total of
27 voluntary contributions paid into the trust by a participant and
28 any amounts rolled over by a participant or transferred by a
29 direct trustee-to-trustee transfer into the trust together with
30 any investment earnings and losses and adjustment for fees,

1 costs and expenses credited or charged thereon and reduced by
2 any distributions.

3 * * *

4 "Active participant." A State employee for whom mandatory
5 pickup participant contributions are being made to the trust or
6 for whom contributions otherwise required for State service
7 required to be credited in the plan are not being made solely by
8 reason of any provision of this part relating to the limitations
9 under section 401(a)(17) or 415 of the Internal Revenue Code of
10 1986 (Public Law 99-514, 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 as 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[, 42
22 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et seq.), during that
23 portion of the member's service since January 1, 1956, for which
24 he has received social security integration credit.

25 * * *

26 "Beneficiary." [The] In the case of the system, the person
27 or persons last designated in writing to the board by a member
28 to receive his accumulated deductions or a lump sum benefit upon
29 the death of such member. In the case of the plan, the person or
30 persons last designated in writing to the board by the

1 participant to receive the participant's vested accumulated
2 total defined contributions or a lump sum benefit upon the death
3 of the participant.

4 * * *

5 "Class A-5 exempt employee." Any of the following:

6 (1) A sworn police officer.

7 (2) An enforcement officer.

8 (3) A wildlife conservation officer or other

9 commissioned law enforcement personnel employed by the

10 Pennsylvania Game Commission who has and exercises the same

11 law enforcement powers as a wildlife conservation officer.

12 The term shall not include a deputy wildlife conservation

13 officer.

14 (4) A Delaware River Port Authority policeman.

15 (5) A park ranger.

16 (6) A Capitol Police officer.

17 (7) A campus police officer employed by a State-owned

18 educational institution, community college or The

19 Pennsylvania State University.

20 (8) An installation police officer at Fort Indiantown

21 Gap or other designated Commonwealth military installation or

22 facility commissioned under 51 Pa.C.S. § 711 (relating to

23 installation of police officers for Fort Indiantown Gap and

24 other designated Commonwealth military installations and

25 facilities).

26 (9) A correction officer.

27 "Class of service multiplier."

28 Class of Service Multiplier

29 A 1

30 AA for all purposes

1		except	
2		calculating	
3		regular member	
4		contributions on	
5		compensation	
6		paid prior to	
7		January 1, 2002	1.25
8	AA	for purposes of	
9		calculating	
10		regular member	
11		contributions	
12		on compensation	
13		paid prior to	
14		January 1, 2002	1
15	A-3	for all purposes	
16		except the	
17		calculation of	
18		regular member	
19		contributions	
20		and	
21		contributions	
22		for creditable	
23		nonstate service	1
24	A-3	for purposes of	
25		calculating	
26		regular member	
27		contributions	
28		and	
29		contributions	
30		for creditable	

1		nonstate service	1.25
2	A-4	for all purposes	
3		except the	
4		calculation of	
5		regular member	
6		contributions	1.25
7	A-4	for purposes of	
8		calculating	
9		regular member	
10		contributions	1.86
11	<u>A-5</u>	<u>for all purposes</u>	
12		<u>except the</u>	
13		<u>calculation of</u>	
14		<u>regular member</u>	
15		<u>contributions</u>	<u>.625</u>
16	<u>A-5</u>	<u>for purposes of</u>	
17		<u>calculating</u>	
18		<u>regular member</u>	
19		<u>contributions</u>	<u>1</u>
20	<u>A-6</u>	<u>for all purposes</u>	
21		<u>except the</u>	
22		<u>calculation of</u>	
23		<u>regular member</u>	
24		<u>contributions</u>	<u>.5</u>
25	<u>A-6</u>	<u>for purposes of</u>	
26		<u>calculating</u>	
27		<u>regular member</u>	
28		<u>contributions</u>	<u>.8</u>
29	B		.625
30	C		1

1	D		1.25	
2	D-1	prior to January		
3		1, 1973	1.875	
4	D-1	on and		
5		subsequent to		
6		January 1, 1973	1.731	
7	D-2	prior to January		
8		1, 1973	2.5	
9	D-2	on and		
10		subsequent to		
11		January 1, 1973	1.731	
12	D-3	prior to January		
13		1, 1973	3.75	
14	D-3	on and		
15		subsequent to		
16		January 1, 1973	1.731	except prior to
17				December 1, 1974
18				as applied to
19				any additional
20				legislative
21				compensation as
22				an officer of
23				the General
24				Assembly
25			3.75	
26	D-4	for all purposes		
27		except		
28		calculating		
29		regular member		
30		contributions		

1		on compensation		
2		paid prior to		
3		July 1, 2001	1.5	
4	D-4	for purposes of		
5		calculating		
6		regular member		
7		contributions on		
8		compensation		
9		paid prior to		
10		July 1, 2001	1	
11	E, E-1	prior to January		
12		1, 1973	2	for each of the
13				first ten years
14				of judicial
15				service, and
16			1.5	for each
17				subsequent year
18				of judicial
19				service
20	E, E-1	on and		
21		subsequent to		
22		January 1, 1973	1.50	for each of the
23				first ten years
24				of judicial
25				service and
26			1.125	for each
27				subsequent year
28				of judicial
29				service
30	E-2	prior to		

1		September 1,	
2		1973	1.5
3	E-2	on and	
4		subsequent to	
5		September 1,	
6		1973	1.125
7	G		0.417
8	H		0.500
9	I		0.625
10	J		0.714
11	K		0.834
12	L		1.000
13	M		1.100
14	N		1.250
15	T-C (Public School		
16	Employees'		
17	Retirement Code)		1
18	T-E (Public School		
19	Employees'		
20	Retirement Code)		1
21	T-F (Public School		
22	Employees'		
23	Retirement Code)		1
24	<u>T-G (Public School</u>		
25	<u>Employees'</u>		
26	<u>Retirement Code)</u>		<u>1</u>
27	<u>T-H (Public School</u>		
28	<u>Employees'</u>		
29	<u>Retirement Code)</u>		<u>1</u>
30	* * *		

1 "Compensation." Pickup contributions and mandatory pickup
2 participant contributions plus remuneration actually received as
3 a State employee excluding refunds for expenses, contingency and
4 accountable expense allowances; excluding any severance payments
5 or payments for unused vacation or sick leave; and excluding
6 payments for military leave and any other payments made by an
7 employer while on USERRA leave, leave of absence granted under
8 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
9 government employees), military leave of absence granted under
10 51 Pa.C.S. § 7302 (relating to granting military leaves of
11 absence) or other types of military leave, including other types
12 of leave payments, stipends, differential wage payments as
13 defined in IRC § 414(u) (12) and any other payments: Provided,
14 however, That for purposes of determining member and employer
15 contributions to the system and for calculating annuities and
16 benefits from the system resulting from service performed as a
17 Class A-5 exempt employee who first became a member on or after
18 January 1, 2018, compensation shall not include remuneration
19 received in any pay period for voluntary overtime service or
20 duty that exceeds 10% of a Class A-5 exempt employee's base
21 salary or wages in that pay period: Provided further, That
22 compensation received prior to January 1, 1973, shall be subject
23 to the limitations for retirement purposes in effect December
24 31, 1972, if any: Provided further, That the limitation under
25 section 401(a) (17) of the Internal Revenue Code of 1986 (Public
26 Law 99-514, 26 U.S.C. § 401(a) (17)) taken into account for the
27 purpose of member contributions, including any additional member
28 contributions in addition to regular or joint coverage member
29 contributions and Social Security integration contributions,
30 regardless of class of service, shall apply to each member who

1 first became a member of the State Employees' Retirement System
2 on or after January 1, 1996, and who by reason of such fact is a
3 noneligible member subject to the application of the provisions
4 of section 5506.1(a) (relating to annual compensation limit
5 under IRC § 401(a)(17)) and shall apply to each participant
6 pertaining to his participation in the plan.

7 * * *

8 "Creditable nonstate service." Service for which an active
9 member may obtain credit in the system, other than:

10 (1) service as a State employee;

11 (2) service converted to State service pursuant to
12 section 5303.1 (relating to election to convert county
13 service to State service); or

14 (3) school service converted to State service pursuant
15 to section 5303.2 (relating to election to convert school
16 service to State service) [for which an active member may
17 obtain credit].

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

29 "Date of termination of service." The latest of the
30 following dates:

1 (1) the last day of service for which pickup
2 contributions are made for an active member or for which the
3 contributions otherwise required for such service are not
4 made solely by reason of any provision of this part relating
5 to the limitations under section 401(a)(17) or 415 of the
6 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
7 401(a)(17) or 415);

8 (2) in the case of an inactive member on leave without
9 pay or an inactive participant on leave without pay, the date
10 of his resignation or the date his employment is formally
11 discontinued by his employer[.]; or

12 (3) mandatory pickup participant contributions are made
13 for an active participant.

14 * * *

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

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

1 arrearages).

2 * * *

3 "Eligibility points." Points which are accrued by an active
4 member, active participant or a multiple service member who is
5 an active member in the Public School Employees' Retirement
6 System for credited service or a member who has been reemployed
7 from USERRA leave or a member who dies while performing USERRA
8 leave and are used in the determination of eligibility for
9 benefits.

10 "Employer defined contributions." Contributions equal to a
11 percentage of an active participant's compensation that are made
12 by the Commonwealth or other employer to the trust to be
13 credited in an active participant's individual investment
14 account as follows:

15 (1) 2% of compensation for service credited as a Class
16 A-5 member;

17 (2) 2% of compensation for service credited as a Class
18 A-6 member; and

19 (3) 3.5% of compensation for service performed solely as
20 a participant.

21 * * *

22 "Final average salary." [The] As follows:

23 (1) For members with an effective date of retirement
24 before January 1, 2018, and for purposes of calculating
25 standard single life annuities and benefits resulting from
26 credited service other than Class A-5 service and Class A-6
27 service regardless of the effective date of retirement, the
28 highest average compensation received as a member during any
29 three nonoverlapping periods of four consecutive calendar
30 quarters during which the member was a State employee, with

1 the compensation for part-time service being annualized on
2 the basis of the fractional portion of the year for which
3 credit is received; except if the employee was not a member
4 for three nonoverlapping periods of four consecutive calendar
5 quarters, the total compensation received as a member,
6 annualized in the case of part-time service, divided by the
7 number of nonoverlapping periods of four consecutive calendar
8 quarters of membership[;].

9 (2) For purposes of calculating standard single life
10 annuities and benefits from the system attributable to
11 service as a member of Class A-5 or Class A-6, the highest
12 average compensation received as a member during any five
13 calendar years during which the member was a State employee,
14 with the compensation for part-time service or for any
15 partial year of credit annualized on the basis of the
16 fractional portion of the year for which credit is received;
17 except if the employee was not a member during five calendar
18 years, the average of the number of calendar years during
19 which the employee was an active member.

20 (3) For all members and for the calculation of all
21 standard single life annuities without regard to class of
22 membership and credited service, in the case of a member with
23 multiple service, the final average salary shall be
24 determined on the basis of the compensation received by him
25 as a [State employee or as a school employee] member of the
26 system or as a member of the Public School Employees'
27 Retirement System, or both[;], and, in the case of a member
28 with [Class A-3 or Class A-4 service and] service in more
29 than one [or more other classes] class of service, the final
30 average salary for purposes of calculating annuities and

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

17 * * *

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

1 "Inactive member on leave without pay." The term does not
2 include a State employee who is performing service solely as a
3 participant in the plan unless the participant concurrently is
4 employed as a Class A-5 exempt employee and on leave without
5 pay.

6 "Inactive participant." A participant for whom no mandatory
7 pickup participant contributions are being made to the trust,
8 except in the case of an active participant for whom such
9 contributions otherwise required for current State service are
10 not being made solely by reason of any provision of this part
11 relating to limitations under section 401(a)(17) or 415 of the
12 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
13 401(a)(17) or 415), but who has vested accumulated total defined
14 contributions standing to his credit in the trust and who has
15 not filed an application for a distribution.

16 "Inactive participant on leave without pay." The term does
17 not include a Class A-5 exempt employee who is an active member
18 on leave without pay unless the Class A-5 exempt employee
19 concurrently is employed in an office or position in which the
20 Class A-5 exempt employee is a participant in the plan and on
21 leave without pay.

22 "Individual investment account." The account in the trust to
23 which are credited the amounts of the contributions made by a
24 participant and the participant's employer in accordance with
25 the provisions of this part, together with all interest and
26 investment earnings after deduction for fees, costs, expenses
27 and investment losses and charges for distributions.

28 "Intervening military service." Active military service of a
29 member who was a State employee and active member of the system
30 immediately preceding his induction into the armed services or

1 forces of the United States in order to meet a military
2 obligation excluding any voluntary extension of such service and
3 who becomes a State employee within 90 days of the expiration of
4 such service.

5 * * *

6 "Irrevocable beneficiary." The person or persons permanently
7 designated by a member or participant in writing to the State
8 Employees' Retirement Board pursuant to an approved domestic
9 relations order to receive all or a portion of the accumulated
10 deductions, vested accumulated total defined contributions or
11 lump sum benefit payable upon the death of such member or
12 participant.

13 "Irrevocable successor payee." The person permanently
14 designated by a participant receiving distributions in writing
15 to the board pursuant to an approved domestic relations order to
16 receive one or more distributions from the plan upon the death
17 of the participant.

18 * * *

19 "Mandatory pickup participant contributions." Contributions
20 equal to a percentage of compensation that are made by the
21 Commonwealth or other employer for active participants for
22 current State service that are picked up by the employer and
23 credited in the plan as follows:

24 (1) 3.5% of compensation for service credited as a Class
25 A-5 member;

26 (2) 3.5% of compensation for service credited as a Class
27 A-6 member; and

28 (3) 7.5% of compensation for service performed solely as
29 a participant.

30 * * *

1 "Member's annuity." The single life annuity which is
2 actuarially equivalent, at the effective date of retirement and
3 taking into account any delay in the receipt of the portion of
4 the annuity based on Class A-5 service or Class A-6 service, if
5 the effective date of retirement is under the age at which the
6 member can receive a withdrawal annuity based on Class A-5
7 service or Class A-6 service, to the sum of the regular
8 accumulated deductions, shared-risk accumulated deductions, the
9 additional accumulated deductions and the social security
10 integration accumulated deductions standing to the member's
11 credit in the members' savings account.

12 * * *

13 "Participant." An active participant, inactive participant
14 or participant receiving distributions.

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

20 * * *

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

23 "Plan document." The documents created by the board under
24 section 5802 (relating to plan document) that contain the terms
25 and provisions of the plan and trust as established by the board
26 regarding the establishment, administration and investment of
27 the plan and trust.

28 * * *

29 "Reemployed from USERRA leave." Resumption of active
30 membership or active participation as a State employee after a

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

7 * * *

8 "Regular member contributions." The product of the basic
9 contribution rate, the class of service multiplier [if greater
10 than one] and the compensation of the member[.], subject to any
11 adjustment under section 5501.1(c) (relating to shared-risk
12 member contributions and shared-gain adjustments to regular
13 member contributions).

14 "Required beginning date." The latest date by which
15 distributions of a member's interest or a participant's interest
16 in his individual investment account must commence under section
17 401(a) (9) of the Internal Revenue Code of 1986 (Public Law 99-
18 514, 26 U.S.C. § 401(a) (9)).

19 "Retirement counselor." The State Employees' Retirement
20 [System] Board employee whose duty it shall be to advise each
21 employee of his rights and duties as a member of the system or
22 as a participant of the plan.

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

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

1 * * *

2 "Shared-risk member contributions." The product of the
3 applicable shared-risk contribution rate and the compensation of
4 a member [for service credited as Class A-3 or Class A-4] who is
5 required to make shared-risk member contributions.

6 * * *

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

18 (1) subsequent to termination of State service as an
19 employee of The Pennsylvania State University, the member has
20 not returned to State service in any other capacity or
21 position as a State employee;

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

24 (3) the member files an application to vest the member's
25 retirement rights under section 5907(f) (relating to rights
26 and duties of State employees [and], members and
27 participants) on or before September 30, 1997; and

28 (4) the member elects to leave the member's total
29 accumulated deductions in the fund and to defer receipt of an
30 annuity until attainment of superannuation age or the

1 member's required beginning date.

2 "Standard single life annuity." An annuity equal to 2% of
3 the final average salary, multiplied by the total number of
4 years and fractional part of a year of credited service of a
5 member in each class of service.

6 "State employee." Any person holding a State office or
7 position under the Commonwealth, employed by the State
8 Government of the Commonwealth, in any capacity whatsoever,
9 except an independent contractor or any person compensated on a
10 fee basis or any person paid directly by an entity other than a
11 State Employees' Retirement System employer, and shall include
12 members of the General Assembly, and any officer or employee of
13 the following:

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

15 (ii) State-owned educational institutions.

16 (iii) Community colleges.

17 (iv) The Pennsylvania State University, except an
18 employee in the College of Agriculture who is paid wholly
19 from Federal funds or an employee who is participating in
20 the Federal Civil Service Retirement System. The
21 university shall be totally responsible for all employer
22 contributions under section 5507 (relating to
23 contributions to the system by the Commonwealth and other
24 employers) and all employer defined contributions to the
25 trust under section 5806 (relating to employer defined
26 contributions).

27 (2) The Pennsylvania Turnpike Commission, the Delaware
28 River Port Authority, the Port Authority Transit Corporation,
29 the Philadelphia Regional Port Authority, the Delaware River
30 Joint Toll Bridge Commission, the State Public School

1 Building Authority, The General State Authority, the State
2 Highway and Bridge Authority, the Delaware Valley Regional
3 Planning Commission, the Interstate Commission of the
4 Delaware River Basin, and the Susquehanna River Basin
5 Commission any time subsequent to its creation, provided the
6 commission or authority agrees to contribute and does
7 contribute to the fund or trust, from time to time, the
8 moneys required to build up the reserves necessary for the
9 payment of the annuities or other benefits of such officers
10 and employees without any liability on the part of the
11 Commonwealth to make appropriations for such purposes, and
12 provided in the case of employees of the Interstate
13 Commission of the Delaware River Basin, that the employee
14 shall have been a member of the system for at least ten years
15 prior to January 1, 1963.

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

29 * * *

30 "Successor payee." The person or persons last designated in

1 writing to the board by a participant receiving distributions to
2 receive one or more distributions upon the death of the
3 participant.

4 "Superannuation age." For classes of service in the system
5 other than Class A-3 [and], Class A-4, Class A-5 and Class A-6,
6 any age upon accrual of 35 eligibility points or age 60, except
7 for a member of the General Assembly who has no service as a
8 member of the General Assembly in Class A-3, Class A-4, Class A-
9 5 or Class A-6, an enforcement officer, a correction officer, a
10 psychiatric security aide, a Delaware River Port Authority
11 policeman or an officer of the Pennsylvania State Police, age
12 50, and, except for a member with Class G, Class H, Class I,
13 Class J, Class K, Class L, Class M or Class N service, age 55
14 upon accrual of 20 eligibility points. For Class A-3 and Class
15 A-4 service, any age upon attainment of a superannuation score
16 of 92, provided the member has accrued 35 eligibility points, or
17 age 65, or for park rangers or capitol police officers, age 55
18 with 20 years of service as a park ranger or capitol police
19 officer, except for a member of the General Assembly whose
20 service as a member of the General Assembly is rendered as a
21 Class A-3 or Class A-4 member, an enforcement officer, a
22 correction officer, a psychiatric security aide, a Delaware
23 River Port Authority policeman or an officer of the Pennsylvania
24 State Police, age 55. For Class A-5 and Class A-6 service, age
25 67. A vestee with Class A-3 or Class A-4 service credit attains
26 superannuation age on the birthday the vestee attains the age
27 resulting in a superannuation score of 92, provided that the
28 vestee has at least 35 eligibility points, or attains another
29 applicable superannuation age, whichever occurs first.

30 * * *

1 "Sworn police officer." A State police officer who is
2 employed and serving as an officer of the Pennsylvania State
3 Police.

4 * * *

5 "Trust." The State Employees' Defined Contribution Trust
6 established under Chapter 58 (relating to State Employees'
7 Defined Contribution Plan).

8 * * *

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

12 "Vestee." A member with:

13 (1) five or more eligibility points in a class of
14 service other than Class A-3 [or], Class A-4, Class A-5 or
15 Class A-6 or Class T-E or Class T-F in the Public School
16 Employees' Retirement System[, a member with];

17 (2) Class G, Class H, Class I, Class J, Class K, Class
18 L, Class M or Class N service with five or more eligibility
19 points[, or a member with]; or

20 (3) Class A-3 [or], Class A-4, Class A-5 or Class A-6
21 service with ten or more eligibility points

22 and who has terminated State service and has elected to leave
23 his total accumulated deductions in the fund and to defer
24 receipt of an annuity.

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

1 Section 303. Section 5103 of Title 71 is amended to read:

2 § 5103. Notice to members and participants.

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

13 Section 304. 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" or any other law to make
26 contributions to the fund or to enroll its employees as members
27 in the system shall be deemed to be an agreement to make
28 contributions to the trust or to enroll its employees in the
29 plan.

30 Section 305. Section 5301 heading, (a), (b), (c) and (d) of

1 Title 71 are amended and the section is amended by adding
2 subsections to read:

3 § 5301. Mandatory and optional membership in the system and
4 participation in the plan.

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

8 (1) Governor.

9 (2) Lieutenant Governor.

10 (3) Members of the General Assembly.

11 (4) Heads or deputy heads of administrative departments.

12 (5) Members of any independent administrative board or
13 commission.

14 (6) Members of any departmental board or commission.

15 (7) Members of any advisory board or commission.

16 (8) Secretary to the Governor.

17 (9) Budget Secretary.

18 (10) Legislative employees.

19 (11) School employees who have elected membership in the
20 Public School Employees' Retirement System.

21 (12) School employees who have elected membership in an
22 independent retirement program approved by the employer,
23 provided that in no case, except as hereinafter provided,
24 shall the employer contribute on account of such elected
25 membership at a rate greater than the employer normal
26 contribution rate as determined in section 5508(b) (relating
27 to actuarial cost method). For the fiscal year 1986-1987 an
28 employer may contribute on account of such elected membership
29 at a rate which is the greater of 7% or the employer normal
30 contribution rate as determined in section 5508(b) and for

1 the fiscal year 1992-1993 and all fiscal years after that at
2 a rate of 9.29%.

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

7 (14) Persons who are not members of the system and are
8 employed on a per diem or hourly basis for less than 100 days
9 or 750 hours in a [12-month period] calendar year.

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

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

24 (17) State employees, other than any Class A-5 exempt
25 employees performing service as Class A-5 exempt employees,
26 whose first period of State service starts on or after
27 January 1, 2018.

28 (a.1) Mandatory participation in the plan.--A State employee
29 who is a member of the system as a member of Class A-5 or Class
30 A-6 shall be a mandatory participant in the plan for that same

1 service as of the effective date of Class A-5 or Class A-6
2 membership in the system except for service as a Class A-5
3 exempt employee. A State employee who elected to be solely a
4 participant in the plan shall be a mandatory participant in the
5 plan for all service except for service as a Class A-5 exempt
6 employee.

7 (b) Optional membership in the system.--The State employees
8 listed in subsection (a) (1) through (11) shall have the right to
9 elect membership in the system; once such election is exercised,
10 membership shall continue until the termination of State
11 service. State employees listed in subsection (a) (17) shall have
12 the right to elect membership in Class A-5 or Class A-6 provided
13 they have not previously elected to be solely participants in
14 the plan.

15 (b.1) Optional participation in the plan.--The State
16 employees who are optional members of the system as a member of
17 Class A-5 or Class A-6 also are optional participants in the
18 plan. The State employees who elect membership in the system as
19 members of Class A-5 or Class A-6 also automatically elect
20 participation in the plan as of the date they elect membership
21 in the system, except for service as a Class A-5 exempt
22 employee. A State employee can elect participation in the plan
23 without also electing membership in the system under section
24 5306.4 (relating to election to become a Class A-6 member or
25 solely a participant in the plan).

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

29 (c.1) Prohibited participation in the plan.--The State
30 employees listed in subsection (a) (11), (12), (13), (14) and

1 (15) or who first become a member of the system before January
2 1, 2018, or who could have elected membership in the system but
3 did not do so in the required time period shall not be eligible
4 to be active participants in the plan. Class A-5 exempt
5 employees shall not be eligible to participate in the plan for
6 service performed as a Class A-5 exempt employee. State
7 employees who are not mandatory participants in the plan under
8 subsection (a.1) or eligible for optional participation in the
9 plan under subsection (b.1) shall not be eligible to participate
10 in the plan.

11 (d) Return to service.--

12 (1) An annuitant who returns to service as a State
13 employee before January 1, 2018, or returns to State service
14 as a Class A-5 exempt employee after December 31, 2017, shall
15 resume active membership in the system as of the effective
16 date of employment, except as otherwise provided in section
17 5706(a) (relating to termination of annuities), regardless of
18 the optional membership category of the position.

19 (2) An annuitant or a participant receiving
20 distributions who returns to service as a State employee on
21 or after January 1, 2018, shall resume active membership in
22 the system and, if an active member of Class A-5 or Class A-
23 6, shall be an active participant in the plan as of the
24 effective date of employment, except as otherwise provided in
25 section 5706(a), regardless of the optional membership or
26 participation category of the position: Provided, however,
27 That a participant or former participant who previously
28 elected to be solely a participant under section 5306.4 shall
29 be a participant in the plan except for service as a Class A-
30 5 exempt employee.

1 * * *

2 Section 306. Sections 5302(a), (b), (e) and (f), 5303(b)(1)
3 and (2), (d)(1) and (e)(1) and (4), 5303.2(a), 5304(a) and (b),
4 5305(b) and 5305.1 of Title 71 are amended to read:

5 § 5302. Credited State service.

6 (a) Computation of credited service.--In computing credited
7 State service of a member for the determination of benefits, a
8 full-time salaried State employee, including any member of the
9 General Assembly, shall receive credit for service in each
10 period for which contributions as required are made to the fund,
11 or for which contributions otherwise required for such service
12 were not made to the fund solely by reason of section 5502.1
13 (relating to waiver of regular member contributions and Social
14 Security integration member contributions) or any provision of
15 this part relating to the limitations under IRC § 401(a)(17) or
16 415, except as otherwise provided in this part, but in no case
17 shall he receive more than one year's credit for any 12
18 consecutive months or 26 consecutive biweekly pay periods. A per
19 diem or hourly State employee shall receive one year of credited
20 service for each nonoverlapping period of 12 consecutive months
21 or 26 consecutive biweekly pay periods in which he is employed
22 and for which contributions are made to the fund or would have
23 been made to the fund but for such waiver under section 5502.1
24 or limitations under the IRC for at least 220 days or 1,650
25 hours of employment. If the member was employed and
26 contributions were made to the fund for less than 220 days or
27 1,650 hours, he shall be credited with a fractional portion of a
28 year determined by the ratio of the number of days or hours of
29 service actually rendered and for which contributions are or
30 would have been made to the fund except for the waiver under

1 section 5502.1 or limitations under the IRC to 220 days or 1,650
2 hours, as the case may be. A part-time salaried employee shall
3 be credited with the fractional portion of the year which
4 corresponds to the number of hours or days of service actually
5 rendered in relation to 1,650 hours or 220 days, as the case may
6 be. In no case shall a member who has elected multiple service
7 receive an aggregate in the two systems of more than one year of
8 credited service for any 12 consecutive months.

9 (b) Creditable leaves of absence.--

10 (1) A member on leave without pay who is studying under
11 a Federal grant approved by the head of his department or who
12 is engaged up to a maximum of two years of temporary service
13 with the United States Government, another state or a local
14 government under the Intergovernmental Personnel Act of 1970
15 (5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772) shall
16 be eligible for credit for such service: Provided, That
17 contributions are made in accordance with sections 5501
18 (relating to regular member contributions for current
19 service), 5501.1 (relating to shared-risk member
20 contributions [for Class A-3 and Class A-4 service] and
21 shared-gain adjustments to regular member contributions),
22 5505.1 (relating to additional member contributions) and 5507
23 (relating to contributions to the system by the Commonwealth
24 and other employers), the member returns from leave without
25 pay to active State service as a member of the system for a
26 period of at least one year, and he is not entitled to
27 retirement benefits for such service under a retirement
28 system administered by any other governmental agency.

29 (2) An active member or active participant on paid leave
30 granted by an employer for purposes of serving as an elected

1 full-time officer for a Statewide employee organization which
2 is a collective bargaining representative under the act of
3 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
4 and Firemen Collective Bargaining Act, or the act of July 23,
5 1970 (P.L.563, No.195), known as the Public Employe Relations
6 Act, and up to 14 full-time business agents appointed by an
7 employee organization that represents correction officers
8 employed at State correctional institutions: Provided, That
9 for elected full-time officers such leave shall not be for
10 more than three consecutive terms of the same office and for
11 up to 14 full-time business agents appointed by an employee
12 organization that represents correction officers employed at
13 State correctional institutions no more than three
14 consecutive terms of the same office; that the employer shall
15 fully compensate the member or participant, including, but
16 not limited to, salary, wages, pension and retirement
17 contributions and benefits, other benefits and seniority, as
18 if he were in full-time active service; and that the
19 Statewide employee organization shall fully reimburse the
20 employer for all expenses and costs of such paid leave,
21 including, but not limited to, contributions and payment in
22 accordance with sections 5501, 5501.1, 5505.1 [and], 5507,
23 5804 (relating to participant contributions), 5805 (relating
24 to mandatory pickup participant contributions) and 5806
25 (relating to employer defined contributions), if the employee
26 organization either directly pays, or reimburses the
27 Commonwealth or other employer for, contributions made in
28 accordance with [section 5507] sections 5507, 5804, 5805 and
29 5806.

30 * * *

1 (e) Cancellation of credited service.--

2 (1) All credited service in the system shall be
3 cancelled if a member withdraws his total accumulated
4 deductions, except that a member with Class A-3 [or], Class
5 A-4, Class A-5 or Class A-6 service credit and one or more
6 other classes of service credit shall not have his service
7 credit as a member of any classes of service other than as a
8 member of Class A-3 [or], Class A-4, Class A-5 or Class A-6
9 cancelled when the member receives a lump sum payment of
10 accumulated deductions resulting from Class A-3 [or], Class
11 A-4, Class A-5 or Class A-6 service pursuant to section
12 5705.1 (relating to payment of accumulated deductions
13 resulting from [Class A-3 and Class A-4] more than one class
14 of service).

15 (2) A partial or total distribution of accumulated total
16 defined contributions to a participant who also is a member
17 shall not cancel service credited in the system.

18 (f) Credit for military service.--A State 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, even if not defined as an
30 employee pursuant to 51 Pa.C.S. § 7301 (relating to

1 definitions).

2 (1.1) State employees may not receive service credit in
3 the system or exercise the options under 51 Pa.C.S. § 7306
4 (relating to retirement rights) for military leaves that
5 begin on or after the effective date of this subsection,
6 except as otherwise provided by this subsection.

7 (1.2) State employees may not participate in the plan or
8 exercise the options under 51 Pa.C.S. § 7306 for military
9 leaves that begin on or after the effective date of this
10 paragraph, except as otherwise provided by this subsection.

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

14 (i) A State employee who is reemployed from USERRA
15 leave as an active member of the system shall be treated
16 as not having incurred a break in State service by reason
17 of the USERRA leave and shall be granted eligibility
18 points as if the State employee had not been on the
19 USERRA leave. If a State employee who is reemployed from
20 USERRA leave as an active member of the system
21 subsequently makes regular member contributions,
22 additional member contributions, Social Security
23 integration member contributions, shared-risk member
24 contributions and any other member contributions in the
25 amounts and in the time periods required by 38 U.S.C. Ch.
26 43 (relating to employment and reemployment rights of
27 members of the uniformed services) and IRC § 414(u) as if
28 the State employee had continued in State office or
29 employment and performed State service and was
30 compensated during the period of USERRA leave, then the

1 State employee shall be granted State service credit for
2 the period of USERRA leave. The State employee shall have
3 the State employee's benefits, rights and obligations
4 determined under this part as if the State employee was
5 an active member who performed creditable State service
6 during the USERRA leave in the job position that the
7 State employee would have held had the State employee not
8 been on USERRA leave and received the compensation on
9 which the member contributions to receive State service
10 credit for the USERRA leave were determined.

11 (ii) For purposes of determining whether a State
12 employee has made the required employee contributions for
13 State service credit for USERRA leave, if an employee who
14 is reemployed from USERRA leave as an active member of
15 the system terminates State service or dies in State
16 service before the expiration of the allowed payment
17 period, then State service credit for the USERRA leave
18 will be granted as if the required member contributions
19 were paid the day before termination or death. The amount
20 of the required member contributions will be treated as
21 an incomplete payment subject to the provisions of
22 section 5506 (relating to incomplete payments). Upon a
23 subsequent return to State service or to school service
24 as a multiple service member, the required member
25 contributions treated as incomplete payments shall be
26 treated as member contributions that were either
27 withdrawn in a lump sum at termination or paid as a lump
28 sum pursuant to section 5705(a)(4) or (a.1) (relating to
29 member's options), as the case may be.

30 (iii) A State employee who is reemployed from USERRA

1 leave as an active member of the system who does not make
2 the required member contributions or makes only part of
3 the required member contributions within the allowed
4 payment period shall not be granted credited service for
5 the period of USERRA leave for which the required member
6 contributions were not timely made, shall not be eligible
7 to subsequently make contributions and shall not be
8 granted either State service credit or nonstate service
9 credit for the period of USERRA leave for which the
10 required member contributions were not timely made.

11 (2.1) (i) A participant who is reemployed from USERRA
12 leave shall be treated as not having incurred a break in
13 State service by reason of the USERRA leave and shall be
14 granted eligibility points as if the participant had not
15 been on USERRA leave. If a participant who is reemployed
16 from USERRA leave subsequently makes mandatory pickup
17 participant contributions in the amounts and in the time
18 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
19 if the participant had continued in his State office or
20 employment and performed State service and been
21 compensated during the period of USERRA leave, the
22 participant's employer shall make the corresponding
23 employer defined contributions. The employee shall have
24 his contributions, benefits, rights and obligations
25 determined under this part as if he were an active
26 participant who performed State service during the USERRA
27 leave in the job position that he would have held had he
28 not been on USERRA leave and received the compensation on
29 which the mandatory pickup participant contributions to
30 receive State service credit for the USERRA leave were

1 determined.

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

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

21 (3.1) A State employee who is a participant in the plan
22 and performs USERRA leave from which the employee could have
23 been reemployed from USERRA leave had the employee returned
24 to State service in the time frames required by 38 U.S.C. Ch.
25 43 for reemployment rights, but did not do so, shall not be
26 eligible to make mandatory pickup participant contributions
27 or voluntary contributions for the period of USERRA leave
28 should the employee later return to State service and be a
29 participant in the plan.

30 (4) [A State employee] An active member or inactive

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

10 (4.1) An active participant or inactive participant on
11 leave without pay who on or after the effective date of this
12 paragraph is granted a leave of absence under 51 Pa.C.S. §
13 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
14 USERRA leave shall not be able to make mandatory pickup
15 participant contributions or voluntary contributions during
16 or for the leave of absence or military leave and shall not
17 have employer defined contributions made during such leave,
18 without regard to whether or not the State employee received
19 salary, wages, stipends, differential wage payments or other
20 payments from his employer during the leave, notwithstanding
21 any provision to the contrary under 51 Pa.C.S. § 4102 or 51
22 Pa.C.S. Ch. 73.

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

30 (5.1) If a participant dies while performing USERRA

1 leave, the beneficiaries or successor payees of the deceased
2 participant are entitled to any additional benefits, other
3 than benefit accruals relating to the period of qualified
4 military service, provided under this part had the
5 participant resumed and then terminated employment on account
6 of death.

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

18 § 5303. Retention and reinstatement of service credits.

19 * * *

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

21 (1) Every active member of the system or a multiple
22 service member who is a school employee and a member of the
23 Public School Employees' Retirement System on or after the
24 effective date of this part shall receive eligibility points
25 in accordance with section 5307 for current State service,
26 previous State service, or creditable nonstate service upon
27 compliance with sections 5501 (relating to regular member
28 contributions for current service), 5501.1 (relating to
29 shared-risk member contributions [for Class A-3 and Class A-4
30 service] and shared-gain adjustments to regular member

1 contributions), 5504 (relating to member contributions for
2 the purchase of credit for previous State service or to
3 become a full coverage member), 5505 (relating to
4 contributions for the purchase of credit for creditable
5 nonstate service), 5505.1 (relating to additional member
6 contributions) or 5506 (relating to incomplete payments).
7 Subject to the limitations in sections 5306.1 (relating to
8 election to become a Class AA member) and 5306.2 (relating to
9 elections by members of the General Assembly), the class or
10 classes of service in which the member may be credited for
11 previous State service prior to the effective date of this
12 part shall be the class or classes in which he was or could
13 have at any time elected to be credited for such service,
14 except that a State employee who first becomes a member of
15 the system on or after January 1, 2011, or on or after
16 December 1, 2010, as a member of the General Assembly and:

17 (i) is credited with Class A-3 service for such
18 membership and is not a member of Class A-5, shall be
19 credited only with Class A-3 service for previous State
20 service performed before January 1, 2011, that was not
21 previously credited in the system; [or]

22 (ii) is credited with Class A-4 service for such
23 membership and is not a member of Class A-5, shall be
24 credited only with Class A-4 service for previous State
25 service performed before January 1, 2011, that was not
26 previously credited in the system[.];

27 (iii) is credited with Class A-5 service for such
28 membership, shall be credited only with Class A-5 service
29 for previous State service, performed before January 1,
30 2018, other than service as a Class A-5 exempt employee,

1 that was not previously credited in the system; or
2 (iv) is credited with Class A-6 service for such
3 membership, shall be credited only with Class A-6 service
4 for previous State service, performed before January 1,
5 2018, other than service as a Class A-5 exempt employee,
6 which was not previously credited in the system.

7 The class of service in which a member shall be credited for
8 service subsequent to the effective date of this part shall
9 be determined in accordance with section 5306 (relating to
10 classes of service).

11 * * *

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

23 * * *

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

25 (1) Any person who was an employee of any county in this
26 Commonwealth on the personal staff of an appellate court
27 judge prior to September 9, 1985, and who had that employment
28 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
29 (relating to local chamber facilities) shall be a member of
30 the system for all service rendered as an employee of the

1 Commonwealth on the personal staff of an appellate court
2 judge subsequent to the date of the transfer unless
3 specifically prohibited pursuant to section 5301(c) (relating
4 to mandatory and optional membership in the system and
5 participation in the plan). The employee shall be entitled to
6 have any prior service credit in that county or other
7 municipal pension plan or retirement system transferred to
8 the system and deemed to be State service for all purposes
9 under this part. However, for those employees who were in
10 continuous county employment which commenced prior to July
11 22, 1983, section 5505.1 shall not apply. The transfer of
12 prior service credit to the system shall occur upon the
13 transfer, by the member, county or other municipal pension
14 plan or retirement system, to the system of the amount of
15 accumulated member contributions, pick-up contributions and
16 credited interest standing in the employee's county or
17 municipal pension plan or retirement system account as of the
18 date that these funds are transferred to the system. In the
19 event that these funds have been refunded to the member, the
20 transfer of service credit shall occur when the member
21 transfers an amount equal to either the refund which the
22 member received from the county or municipal pension plan or
23 retirement system or the amount due under section 5504, if
24 less. In the case of a transfer by the member, the transfer
25 shall occur by December 31, 1987, in order for the member to
26 receive credit for the prior service. In the case of a
27 transfer by the county or other municipal pension plan or
28 retirement system, the transfer shall also occur by December
29 31, 1987. If the amount transferred to the system by the
30 member of a county or municipal pension plan or retirement

1 system is greater than the amount that would have accumulated
2 in the member's account if the employee had been a member of
3 the system, all excess funds shall be returned to the
4 employee within 90 days of the date on which such funds are
5 credited to the member's account in the system. Within 60
6 days of receipt of written notice that an employee has
7 elected to transfer credits under the provisions of this
8 subsection, the county or other municipal pension plans or
9 retirement systems shall be required to transfer to the
10 system an amount, excluding contributions due under section
11 5504(a), equal to the liability of the prior service in
12 accordance with county or other municipal pension plan or
13 retirement system benefit provisions, multiplied by the ratio
14 of system actuarial value of assets for active members to the
15 system actuarial accrued liability for active members. The
16 Public Employee Retirement Study Commission shall determine
17 the appropriate amount of employer contributions to be
18 transferred to the system by the county or other municipal
19 pension plans or retirement systems.

20 * * *

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

23 (1) Any employee of the Philadelphia Regional Port
24 Authority who becomes a State employee, as defined in section
25 5102 (relating to definitions), and an active member of the
26 system shall be eligible to obtain retirement credit for
27 prior uncredited service with the Philadelphia Port
28 Corporation, a Pennsylvania not-for-profit corporation
29 ("predecessor corporation"), provided that the Commonwealth
30 does not incur any liability for the funding of the annuities

1 attributable to the prior, uncredited "predecessor
2 corporation" service, the cost of which shall be determined
3 according to paragraph (2).

4 * * *

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

13 * * *

14 § 5303.2. Election to convert school service to State service.

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

1 transfer to the system all accumulated member contributions and
2 statutory interest credited in the members' savings account in
3 the Public School Employees' Retirement System as of June 30,
4 1999, plus statutory interest on that amount credited by the
5 Public School Employees' Retirement System from July 1, 1999, to
6 the date of transfer to the system.

7 * * *

8 § 5304. Creditable nonstate service.

9 (a) Eligibility.--

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

27 (2) An active member who first becomes an active member
28 on or after January 1, 2011, or on or after December 1, 2010,
29 as a member of the General Assembly and is an active member
30 of a class of service other than Class A-5 or Class A-6, or a

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

17 (3) An active member of Class A-5 or Class A-6 or a
18 multiple service member who has service credited only as
19 Class A-5 or Class A-6 and is a school employee and an active
20 member of the Public School Employees' Retirement System
21 shall be eligible for Class A-5 service credit if a Class A-5
22 member and Class A-6 service credit if a Class A-6 member for
23 creditable nonstate service as set forth in subsections (b)
24 and (c) for which the member makes the required contributions
25 to the fund.

26 * * *

27 (b) Limitations on eligibility.--An active member or a
28 multiple service member who is a school employee and an active
29 member of the Public School Employees' Retirement System shall
30 be eligible as provided under subsection (a) to receive credit

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

15 * * *

16 § 5305. Social security integration credits.

17 * * *

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

1 contributions), and he:

2 (1) continues subsequent to March 1, 1974, as an active
3 member in either the [State or school] system or, if a
4 multiple service member, as an active member in the Public
5 School Employees' Retirement System;

6 (2) terminates such continuous service in the [State or
7 school] system or the Public School Employees' Retirement
8 System and returns to active membership in the [State] system
9 within six months; or

10 (3) terminates his status as a vestee or an annuitant
11 and returns to State service as an active member of the
12 system.

13 * * *

14 § 5305.1. Eligibility for actuarial increase factor.

15 A person who is:

16 (1) an active member;

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

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

21 (4) an active participant or an inactive participant on
22 leave without pay;

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

30 Section 307. Section 5306(a), (a.1), (a.2), (a.3) and (b)(2)

1 of Title 71 are amended, subsection (a) is amended by adding a
2 paragraph and the section is amended by adding subsections to
3 read:

4 § 5306. Classes of service.

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

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

16 (2) A State employee who first becomes a member of the
17 system on or after January 1, 2011, or on or after December
18 1, 2010, as a member of the General Assembly and before
19 January 1, 2018, shall be classified as a Class A-3 member
20 and receive credit for Class A-3 service upon payment of
21 regular member contributions and shared-risk member
22 contributions for Class A-3 service provided that the State
23 employee does not become a member of Class A-4 pursuant to
24 subsection (a.3), except that a member of the judiciary shall
25 be classified as a member of such other class of service for
26 which the member of the judiciary is eligible, shall elect
27 and make regular member contributions.

28 (3) A State employee who first becomes a member of the
29 system on or after January 1, 2011, or on or after December
30 1, 2010, as a member of the General Assembly, and a Class A-5

1 exempt employee on or after January 1, 2018, shall receive
2 credit for all service as a Class A-5 exempt employee as a
3 member of Class A-3 upon payment of the required member
4 contributions and shall not be eligible to be a member of
5 Class A-5 or Class A-6 or a participant in the plan for such
6 service. All other State service shall be credited in the
7 system or in the plan as otherwise provided under this part.
8 Class A-3 service provided for under this paragraph shall be
9 subject to an election to be credited as Class A-4 provided
10 that the State employee has not previously had the
11 opportunity to elect Class A-3 service and failed to do so.

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

13 (1) A person who becomes a State employee and an active
14 member of the system after June 30, 2001, and who first
15 became an active member before January 1, 2011, or before
16 December 1, 2010, as a member of the General Assembly, and
17 who is not a State police officer and not employed in a
18 position for which a class of service other than Class A is
19 credited or could be elected shall be classified as a Class
20 AA member and receive credit for Class AA State service upon
21 payment of regular member contributions for Class AA service
22 and, subject to the limitations contained in paragraph (7),
23 if previously a member of Class A or previously employed in a
24 position for which Class A service could have been earned,
25 shall have all Class A State service (other than State
26 service performed as a State police officer or for which a
27 class of service other than Class A was earned or could have
28 been elected) classified as Class AA service.

29 (2) A person who is a State employee on June 30, 2001,
30 and July 1, 2001, but is not an active member of the system

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

19 (3) Provided that an election to become a Class AA
20 member is made pursuant to section 5306.1 (relating to
21 election to become a Class AA member), a State employee,
22 other than a State employee who is a State police officer on
23 or after July 1, 1989, who on June 30, 2001, and July 1,
24 2001, is:

25 (i) a member of Class A, other than a member of
26 Class A who could have elected membership in a Class C,
27 Class D-3, Class E-1 or Class E-2; or

28 (ii) an inactive member on a leave without pay from
29 a position in which the State employee would be a Class A
30 active member if the employee was not on leave without

1 pay, other than a position in which the State employee
2 could elect membership in Class C, Class D-3, Class E-1
3 or Class E-2;

4 shall be classified as a Class AA member and receive
5 credit for Class AA State service performed after June 30,
6 2001, upon payment of regular member contributions for Class
7 AA service and, subject to the limitations contained in
8 paragraph (7), shall receive Class AA service credit for all
9 Class A State service, other than State service performed as
10 a State police officer or as a State employee in a position
11 for which the member could have elected membership in Class
12 C, Class D-3, Class E-1 or Class E-2, performed before July
13 1, 2001.

14 (4) Provided that an election to become a Class AA
15 member is made pursuant to section 5306.1, a former State
16 employee, other than a former State employee who was a State
17 police officer on or after July 1, 1989, who on June 30,
18 2001, and July 1, 2001, is a multiple service member and a
19 school employee and a member of the Public School Employees'
20 Retirement System, subject to the limitations contained in
21 paragraph (7), shall receive Class AA service credit for all
22 Class A State service, other than State service performed as
23 a State police officer or as a State employee in a position
24 in which the former State employee could have elected a class
25 of service other than Class A, performed before July 1, 2001.

26 (5) A former State employee who first becomes a member
27 before January 1, 2011, or before December 1, 2010, as a
28 member of the General Assembly, other than a former State
29 employee who was a State police officer on or after July 1,
30 1989, who is a school employee and who on or after July 1,

1 2001, becomes a multiple service member, subject to the
2 limitations contained in paragraph (7), shall receive Class
3 AA service credit for all Class A State service other than
4 State service performed as a State employee in a position in
5 which the former State employee could have elected a class of
6 service other than Class A.

7 (6) A State employee who after June 30, 2001, becomes a
8 State police officer or [who is employed in a position in
9 which the member could elect membership in a class of service
10 other than Class AA or Class D-4] a member of the judiciary
11 shall retain any Class AA service credited prior to becoming
12 a State police officer or being so employed but shall be
13 ineligible to receive Class AA credit thereafter and instead
14 shall receive Class A credit for service as a member of the
15 judiciary if the State employee first becomes a member of the
16 system before January 1, 2018, or if he first became a member
17 before January 1, 2011, or December 1, 2010, as a member of
18 the General Assembly, or Class A-3 credit for service other
19 than as a member of the judiciary and he first became a
20 member on or after January 1, 2011, or December 1, 2010, as a
21 member of the General Assembly, if the nonjudicial service is
22 service as a Class A-5 exempt employee, or Class A-5 service
23 credit, Class A-6 service credit or solely as a participant
24 in the plan if the State employee first became a member on or
25 after January 1, 2018, and the service is not as a Class A-5
26 exempt employee, unless a class of membership other than
27 Class A is elected.

28 (7) (i) State service performed as Class A service
29 before July 1, 2001, and State service for which Class A
30 service could have been credited but was not credited

1 because membership in the system was optional or
2 prohibited pursuant to section 5301 shall be credited as
3 Class AA service only upon the completion of all acts
4 necessary for the State service to be credited as Class A
5 service had this subsection not been enacted and upon
6 payment of required Class AA member contributions as
7 provided in section 5504 (relating to member
8 contributions for the purchase of credit for previous
9 State service or to become a full coverage member).

10 (ii) A person who is not a State employee or a
11 school employee on June 30, 2001, and July 1, 2001, and
12 who has previous State service (except a disability
13 annuitant who returns to State service after June 30,
14 2001, upon termination of the disability annuity) shall
15 not receive Class AA service credit for State service
16 performed before July 1, 2001, until such person becomes
17 an active member, or an active member of the Public
18 School Employees' Retirement System and a multiple
19 service member, and earns three eligibility points by
20 performing credited State service or credited school
21 service after June 30, 2001.

22 (a.2) Class of membership for members of the General
23 Assembly.--

24 (1) A person who:

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

28 (ii) is a member of the General Assembly on July 1,
29 2001, but is not an active member of the system because
30 membership in the system is optional pursuant to section

1 5301 and who becomes an active member after June 30,
2 2001, and before December 1, 2010;
3 and who was not a State police officer on or after July 1,
4 1989, shall be classified as a Class D-4 member and receive
5 credit as a Class D-4 member for all State service as a
6 member of the system as a member of the General Assembly upon
7 payment of regular member contributions for Class D-4 service
8 and, subject to the limitations contained in subsection (a.1)
9 (7), if previously a member of Class A or employed in a
10 position for which Class A service could have been earned,
11 shall receive Class AA service credit for all Class A State
12 service, other than State service performed as a State police
13 officer or for which a class of service other than Class A or
14 Class D-4 was or could have been elected or credited.

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

1 A, performed before July 1, 2001.

2 (3) A member of the General Assembly who after June 30,
3 2001, becomes a State police officer shall retain any Class
4 AA service or Class D-4 service credited prior to becoming a
5 State police officer or being so employed but shall be
6 ineligible to receive Class AA or Class D-4 credit thereafter
7 and instead shall receive Class A credit or Class A-3 credit
8 if he first becomes a member of the system on or after
9 January 1, 2011[.], and before January 1, 2018, or as a Class
10 A-5 exempt employee, and Class A-5 or Class A-6 credit if he
11 first becomes a member of the system on or after January 1,
12 2018, and is not a Class A-5 exempt employee.

13 (4) Notwithstanding the provisions of this subsection,
14 no service as a member of the General Assembly performed
15 before December 1, 2010, that is not credited as Class D-4
16 service on November 30, 2010, shall be credited as Class D-4
17 service, unless such service was previously credited in the
18 system as Class D-4 service and the member withdrew his total
19 accumulated deductions as provided in section 5311 (relating
20 to eligibility for refunds) or 5701 (relating to return of
21 total accumulated deductions). No service as a member of the
22 General Assembly performed on or after December 1, 2010,
23 shall be credited as Class D-4 service unless the member
24 previously was credited with Class D-4 service credits.

25 (a.3) Class A-4 membership.--Provided that an election to
26 become a Class A-4 member is made pursuant to section 5306.3
27 (relating to election to become a Class A-4 member), a State
28 employee who first becomes a member before January 1, 2018, or
29 is a Class A-5 exempt employee who otherwise would be a member
30 of Class A-3 shall be classified as a Class A-4 member and

1 receive Class A-4 credit for all creditable State service
2 performed after the effective date of membership in the system,
3 except as a member of the judiciary, and for all creditable
4 State service performed as a Class A-5 exempt employee if the
5 employee first becomes a member on or after January 1, 2018,
6 upon payment of regular member contributions and shared-risk
7 member contributions for Class A-4 service.

8 (a.4) Class A-5 membership.--A State employee who first
9 becomes a member of the system on or after January 1, 2018,
10 other than as a Class A-5 exempt employee, and who does not make
11 an election to be a member of Class A-6 or an election to be
12 solely a participant in the plan under section 5306.4 (relating
13 to election to become a Class A-6 member or solely a participant
14 in the plan), shall be classified as a Class A-5 member and
15 receive credit for Class A-5 service for service other than as a
16 Class A-5 exempt employee upon payment of regular member
17 contributions and shared-risk member contributions for Class A-5
18 service. A Class A-5 exempt employee who first becomes a member
19 of the system on or after January 1, 2018, shall be classified
20 in the applicable class other than Class A-5 for service
21 performed as a Class A-5 exempt employee and classified as a
22 Class A-5 member for any service performed in a position or
23 office other than as a Class A-5 exempt employee.

24 (a.5) Class A-6 membership.--Provided that an election to
25 become a Class A-6 member is made pursuant to section 5306.4, a
26 State employee who otherwise would be a member of Class A-5
27 shall be classified as a Class A-6 member and receive Class A-6
28 credit for all creditable State service performed after the
29 effective date of membership in the system, except as a Class A-
30 5 exempt employee, upon payment of regular member contributions

1 and shared-risk member contributions for Class A-6 service.

2 (b) Other class membership.--

3 * * *

4 (2) Notwithstanding any other provision of this section,
5 a State employee [who] whose first period of State service
6 began before January 1, 2018, is appointed [bail
7 commissioner] an arraignment court magistrate of the
8 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
9 (relating to jurisdiction and venue) and is eligible to be a
10 member of the system as an arraignment court magistrate may,
11 within 30 days of the effective date of this sentence or
12 within 30 days of his initial appointment as [a bail
13 commissioner] an arraignment court magistrate, whichever is
14 later, elect Class E-2 service credit for service performed
15 as [a bail commissioner] an arraignment court magistrate
16 until the termination of State service. [This] The class of
17 service multiplier for E-2 service as [a bail commissioner]
18 an arraignment court magistrate shall be 1.5.

19 * * *

20 (e) Ineligibility for classes of service.--An individual who
21 is a State employee on January 1, 2018, but is not a member of
22 the system or who first becomes a State employee on or after
23 January 1, 2018, shall be ineligible for active membership in
24 the system other than as a member of Class A-5 or Class A-6, or
25 the several classes of State service for service performed as a
26 Class A-5 exempt employee as otherwise provided for under this
27 section. Any such State employee, if eligible, may be a
28 participant in the plan as a result of such State service.

29 Section 308. Sections 5306.1(c), 5306.2(b) and 5306.3(b),
30 (c) and (d) of Title 71 are amended to read:

1 § 5306.1. Election to become a Class AA member.

2 * * *

3 (c) Effect of election.--An election to become a Class AA
4 member shall become effective the later of July 1, 2001, or the
5 date when the election is filed with the board and shall remain
6 in effect until the termination of employment. Upon termination
7 and subsequent reemployment, the member's class of service shall
8 be credited in the class of service otherwise provided for in
9 this part and the State employee's eligibility for participation
10 in the plan shall be as provided in this part.

11 * * *

12 § 5306.2. Elections by members of the General Assembly.

13 * * *

14 (b) Effect of election.--Membership as a Class D-4 member
15 shall become effective on July 1, 2001, and shall remain in
16 effect until the termination of service as a member of the
17 General Assembly. Upon termination and a subsequent
18 reemployment, the member's class of service shall be credited in
19 the class of service otherwise provided for in this part and the
20 State employee's eligibility for participation in the plan shall
21 be as provided in this part.

22 * * *

23 § 5306.3. Election to become a Class A-4 member.

24 * * *

25 (b) Time for making election.--The election to become a
26 Class A-4 member must be made by the member filing written
27 notice with the board in a form and manner determined by the
28 board no later than 45 days after notice from the board of the
29 member's eligibility to elect Class A-4 membership. A State
30 employee who is eligible to elect to become a Class A-4 member

1 who begins USERRA leave during the election period without
2 having elected Class A-4 membership [may make the election
3 within 45 days after being reemployed from] shall have the
4 election period extended by the number of days on USERRA leave.

5 (c) Effect of election.--An election to become a Class A-4
6 member shall be irrevocable and shall become effective on the
7 effective date of membership in the system and shall remain in
8 effect for all future [creditable] State service creditable to
9 the system, other than service performed as a member of the
10 judiciary[.], but shall not apply to service not performed as a
11 Class A-5 exempt employee if the State employee first becomes a
12 member of the system on or after January 1, 2018. Payment of
13 regular member contributions and shared-risk member
14 contributions for Class A-4 State service performed prior to the
15 election of Class A-4 membership shall be made in a form, manner
16 and time determined by the board. Upon termination of State
17 service and subsequent reemployment, a member who elected Class
18 A-4 membership shall be credited as a Class A-4 member for
19 creditable State service performed after reemployment, except as
20 a member of the judiciary, provided that if the State employee
21 first becomes a member of the system on or after January 1,
22 2018, the reemployment is as a Class A-5 exempt employee,
23 regardless of termination of employment, termination of
24 membership by withdrawal of accumulated deductions or status as
25 an annuitant, vestee or inactive member after the termination of
26 service.

27 (d) Effect of failure to make election.--Failure to elect to
28 become a Class A-4 member within the election period set forth
29 in subsection (b) shall result in all of the member's State
30 service, other than service performed as a member of the

1 judiciary, or if the State employee first becomes a member of
2 the system on or after January 1, 2018, all service as a Class
3 A-5 exempt employee, being credited as Class A-3 service and not
4 subject to further election or crediting as Class A-4 service.
5 Upon termination and subsequent employment, a member who failed
6 to elect to become a Class A-4 member shall not be eligible to
7 make another election to become a Class A-4 member for either
8 past or future State service.

9 Section 309. Title 71 is amended by adding a section to
10 read:

11 § 5306.4. Election to become a Class A-6 member or solely a
12 participant in the plan.

13 (a) General rule.--A State employee who otherwise is
14 eligible for Class A-5 membership who has not previously elected
15 or declined to elect Class A-6 membership or to be solely a
16 participant in the plan may elect to become either a member of
17 Class A-6 or solely a participant in the plan.

18 (b) Time for making election.--The election to become a
19 Class A-6 member or solely a participant in the plan must be
20 made by the member filing written notice with the board in a
21 form and manner determined by the board no later than 45 days
22 after notice from the board of the member's eligibility to elect
23 Class A-6 membership or to be solely a participant in the plan.
24 This notice shall be given upon a State employee first beginning
25 State service in a position eligible to be a member of the
26 system that is not as a Class A-5 exempt employee. A State
27 employee who is eligible to elect to become a Class A-6 member
28 or solely a participant in the plan who begins USERRA leave
29 during the election period without having elected Class A-6
30 membership or to be solely a participant in the plan will have

1 the election period extended by the number of days on USERRA
2 leave.

3 (c) Effect of election to be a Class A-6 member.--An
4 election to become a Class A-6 member shall be irrevocable and
5 shall become effective on the effective date of membership in
6 the system and shall remain in effect for all future creditable
7 State service, other than service performed as a Class A-5
8 exempt employee. Payment of regular member contributions for
9 Class A-6 State service performed prior to the election of Class
10 A-6 membership shall be made in a form, manner and time
11 determined by the board. Upon termination and subsequent
12 reemployment, a member who elected Class A-6 membership shall be
13 credited as a Class A-6 member for creditable State service
14 performed after reemployment, except as a Class A-5 exempt
15 employee, regardless of termination of employment, termination
16 of membership by withdrawal of accumulated deductions or status
17 as an annuitant, vestee or inactive member after the termination
18 of service.

19 (d) Effect of election to be solely a participant in the
20 plan.--An election to become solely a participant in the plan
21 shall be irrevocable and shall become effective on the date that
22 membership in the system would have been effective had the
23 election not been made and shall remain in effect for all future
24 State service, other than service performed as a Class A-5
25 exempt employee. Payment of mandatory participant pickup
26 contributions for service solely as a participant in the plan
27 performed prior to the election shall be made in a form, manner
28 and time determined by the board. Upon termination and
29 subsequent reemployment, a State employee who elected to be
30 solely a participant in the plan shall resume active

1 participation for State service performed after reemployment,
2 except as a Class A-5 exempt employee, regardless of termination
3 of employment, termination of participation by a partial or
4 total distribution of vested total defined contributions or
5 status as an annuitant, vestee or inactive member of the system
6 as a Class A-5 exempt employee after the termination of service.

7 (e) Effect of failure to make election.--Failure to elect to
8 become a Class A-6 member or solely a participant in the plan
9 within the election period set forth in subsection (b) shall
10 result in all of the member's State service being credited as
11 Class A-5 service and not subject to further election or
12 crediting as Class A-6 service or solely as a participant in the
13 plan. Upon termination and subsequent employment, a member who
14 failed to elect to become a Class A-6 member or solely a
15 participant in the plan shall not be eligible to make another
16 election to become a Class A-6 member or solely a participant in
17 the plan for either past or future State service.

18 Section 310. Sections 5307, 5308, 5308.1 introductory
19 paragraph and (1), 5309, 5310, 5311(a), 5501.1, 5502, 5503.1(a)
20 and 5504 of Title 71 are amended to read:

21 § 5307. Eligibility points.

22 (a) General rule.--An active member of the system shall
23 accrue one eligibility point for each year of credited service
24 as a member of the [State or] system and if a multiple service
25 member as a member of the Public School Employees' Retirement
26 System. A member shall accrue an additional two-thirds of an
27 eligibility point for each year of Class D-3 credited service.
28 In the case of a fractional part of a year of credited service,
29 a member shall accrue the corresponding fractional portion of
30 eligibility points to which the class of service entitles him. A

1 State employee who is performing State service solely as a
2 participant in the plan shall accrue eligibility points at the
3 same rate and manner as if the State employee was performing
4 State service credited as a member of Class A-5. No eligibility
5 points shall accrue in the system or the plan for service as a
6 school employee credited as Class DC service in the Public
7 School Employees' Retirement System.

8 (a.1) USERRA leave.--A member of the system or participant
9 in the plan who is reemployed from USERRA leave or who dies
10 while performing USERRA leave shall be granted the eligibility
11 points that he would have accrued had he continued in his State
12 office or employment instead of performing USERRA leave. In the
13 event that a State employee who is reemployed from USERRA leave
14 makes the member contributions or mandatory pickup participant
15 contributions to be granted State service credit for the USERRA
16 leave, no additional eligibility points will be granted.

17 (b) Transitional rule.--

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

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

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

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

11 (ii) has Class G, Class H, Class I, Class J, Class
12 L, Class M or Class N service and has eight or more
13 eligibility points as determined pursuant to subsection
14 (a).

15 (c) Application of eligibility points.--Eligibility points
16 accrued for service as either member of the system or
17 participant in the plan may be used to determine the eligibility
18 for benefits from either the system or the plan unless the
19 provision is restricted to eligibility points accrued from
20 specific types of State service. Eligibility points accrued from
21 service as an active member of the Public School Employees'
22 Retirement System shall apply only if a State employee has
23 elected multiple service. Eligibility points accrued by a State
24 employee for service solely as a participant in the plan for
25 which he received a total distribution of accumulated total
26 defined contributions shall not apply when determining
27 eligibility for benefits from the system or the plan resulting
28 from any State service subsequently credited in the system or
29 performed after the total distribution.

30 § 5308. Eligibility for annuities.

1 (a) Superannuation annuity.--Attainment of superannuation
2 age by an active member [or], an inactive member on leave
3 without pay or a participant with service credited as a member
4 of the system with three or more eligibility points other than
5 eligibility points resulting from nonstate service or nonschool
6 service shall entitle him to receive a superannuation annuity
7 upon termination of State service and compliance with section
8 5907(f) (relating to rights and duties of State employees [and
9 members], members and participants).

10 (b) Withdrawal annuity.--

11 (1) Any vestee or any active member [or], inactive
12 member on leave without pay or participant with service
13 credited as a member of the system who terminates State
14 service having five or more eligibility points and who does
15 not have Class A-3 [or], Class A-4, Class A-5 or Class A-6
16 service credit or, if a multiple service member, Class T-E or
17 Class T-F service credit in the Public School Employees'
18 Retirement System, or who has Class G, Class H, Class I,
19 Class J, Class K, Class L, Class M or Class N service and
20 terminates State service having five or more eligibility
21 points, upon compliance with section 5907(f), (g) or (h)
22 shall be entitled to receive an annuity.

23 (2) Any vestee, active member [or], inactive member on
24 leave without pay or participant with service credited as a
25 member of the system who has Class A-3 [or], Class A-4, Class
26 A-5 or Class A-6 service credit or, if a multiple service
27 member, Class T-E or Class T-F service credit in the Public
28 School Employees' Retirement System who terminates State
29 service having ten or more eligibility points, upon
30 compliance with section 5907(f), (g) or (h), shall be

1 entitled to receive an annuity.

2 (3) Any vestee, active member or inactive member on
3 leave without pay or participant with service credited as a
4 member of the system who has either Class A-3 [or], Class A-
5 4, Class A-5 or Class A-6 service credit or, if a multiple
6 service member, Class T-E or Class T-F service credit in the
7 Public School Employees' Retirement System and also has
8 service credited in the system in one or more other classes
9 of service who has five or more, but fewer than ten,
10 eligibility points, upon compliance with section 5907(f), (g)
11 or (h), shall be eligible to receive an annuity calculated on
12 his service credited in classes of service other than Class
13 A-3 [or], Class A-4, Class A-5 or Class A-6, provided that
14 the member has five or more eligibility points resulting from
15 service in classes other than Class A-3 [or], Class A-4,
16 Class A-5 or Class A-6 or Class T-E or Class T-F service in
17 the Public School Employees' Retirement System.

18 (4) Notwithstanding paragraphs (2) and (3), no single
19 life annuity determined on service credited as Class A-5 or
20 Class A-6 shall be paid before a member attains age 62. In
21 the event that a member is eligible to receive an annuity on
22 service credited in classes other than Class A-5 or Class A-
23 6, the member may receive an annuity before attaining age 62
24 on classes of service other than Class A-5 and A-6, with
25 payment of an annuity on service credited in Class A-5 and
26 Class A-6, other than a payment of a lump sum under section
27 5705(a.1) (relating to member's options), deferred until the
28 annuitant attains age 62 as provided under sections 5702
29 (relating to maximum single life annuity) and 5705.

30 (c) Disability annuity.--An active member or inactive member

1 on leave without pay who has five or more eligibility points
2 other than eligibility points resulting from membership in the
3 Public School Employees' Retirement System or any active member
4 or inactive member on leave without pay who is an officer of the
5 Pennsylvania State Police or an enforcement officer shall, upon
6 compliance with section 5907(k), be entitled to a disability
7 annuity if he becomes mentally or physically incapable of
8 continuing to perform the duties for which he is employed and
9 qualifies in accordance with the provisions of section 5905(c)
10 (1) (relating to duties of the board regarding applications and
11 elections of members and participants).

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

15 § 5308.1. Eligibility for special early retirement.

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

19 (1) During the period of July 1, 1985, to September 30,
20 1991, an active member who has attained the age of at least
21 53 years and has accrued at least 30 eligibility points shall
22 be entitled, upon termination of State service and compliance
23 with section 5907(f) (relating to rights and duties of State
24 employees [and], members and participants), to receive a
25 maximum single life annuity calculated under section 5702
26 (relating to maximum single life annuity) without a reduction
27 by virtue of an effective date of retirement which is under
28 the superannuation age.

29 * * *

30 § 5309. Eligibility for vesting.

1 Any member who:

2 (1) Does not have Class A-3 [or], Class A-4, Class A-5
3 or Class A-6 service credit or, if a multiple service member,
4 Class T-E or Class T-F service credit in the Public School
5 Employees' Retirement System and terminates State service, or
6 if a multiple service member and an active member of the
7 Public School Employees' Retirement System terminates school
8 service, with five or more eligibility points, or any member
9 with Class G, Class H, Class I, Class J, Class K, Class L,
10 Class M or Class N service with five or more eligibility
11 points, shall be eligible until his required beginning date
12 to vest his retirement benefits.

13 (2) Has only Class A-3 [or], Class A-4, Class A-5 or
14 Class A-6 service credit [or] and, if a multiple service
15 member, only Class T-E or Class T-F service credit in the
16 Public School Employees' Retirement System and terminates
17 State service, or if a multiple service member and an active
18 member of the Public School Employees' Retirement System
19 terminates school service, with ten or more eligibility
20 points shall be eligible until his required beginning date to
21 vest his retirement benefits.

22 (3) Has either Class A-3 [or], Class A-4, Class A-5 or
23 Class A-6 service credit [or] and, if a multiple service
24 member, Class T-E or Class T-F service credit in the Public
25 School Employees' Retirement System, also has service
26 credited in the system in one or more other classes of
27 service and has five or more, but fewer than ten, eligibility
28 points and terminates State service, or if a multiple service
29 member and an active member of the Public School Employees'
30 Retirement System terminates school service, shall be

1 eligible until his required beginning date to vest his
2 retirement benefits calculated on his service credited in
3 classes of service other than Class A-3 [or], Class A-4,
4 Class A-5 or Class A-6 and to be credited with statutory
5 interest on total accumulated deductions, regardless of
6 whether or not any part of his accumulated deductions are a
7 result of Class A-3 [or], Class A-4, Class A-5 or Class A-6
8 service credit.

9 § 5310. Eligibility for death benefits.

10 In the event of the death of a member who is eligible for an
11 annuity in accordance with section 5308(a) or (b) (relating to
12 eligibility for annuities), his beneficiary shall be entitled to
13 a death benefit. For purposes of this section, a member with ten
14 or more eligibility points shall be considered eligible for an
15 annuity based on Class A-5 service or Class A-6 service even if
16 under superannuation age.

17 § 5311. Eligibility for refunds.

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

23 * * *

24 § 5501.1. Shared-risk member contributions [for Class A-3 and
25 Class A-4 service] and shared-gain adjustments to
26 regular member contributions.

27 (a) General.--Shared-risk member contributions shall be made
28 to the fund on behalf of each member of Class A-3 [or], Class A-
29 4, Class A-5 or Class A-6 for current service credited [as Class
30 A-3 or Class A-4] in each such class of service as provided

1 under this section, except for any period of current service in
2 which the making of the contributions has ceased solely by
3 reason of any provision of this part relating to the limitations
4 under IRC § 401(a)(17) or 415. Shared-risk member contributions
5 shall be credited to the members' savings account. A shared-gain
6 adjustment to regular member contributions for Class A-3, Class
7 A-4, Class A-5 and Class A-6 shall be made as provided under
8 this section.

9 (b) Determination of shared-risk contribution rate[.--] for
10 Class A-3, Class A-4, Class A-5 and Class A-6 service.--The
11 shared-risk contribution for Class A-3, Class A-4, Class A-5 and
12 Class A-6 service shall be determined as follows:

13 (1) For the period from the effective date of this
14 section until June 30, 2014, the shared-risk contribution
15 rate for Class A-3, Class A-4, Class A-5 and Class A-6 shall
16 be zero.

17 (2) For the period from July 1, 2014, to June 30, 2017,
18 if the annual interest rate adopted by the board for use
19 during the period from January 1, 2011, to December 31, 2013,
20 for the calculation of the normal contribution rate is more
21 than 1% greater than the actual rate of return, net of fees,
22 of the investments of the fund based on market value over the
23 period, the shared-risk contribution rate shall be .5%. In
24 all other situations, the shared-risk contribution rate shall
25 be zero.

26 (3) For each subsequent three-year period, if the
27 shared-gain adjustment to regular member contributions is
28 zero, the shared-risk contribution rate shall be increased by
29 .5% if the annual interest rate adopted by the board for use
30 during the previous ten-year period for the calculation of

1 the normal contribution rate is more than 1% greater than the
2 actual rate of return, net of fees, of the investments of the
3 fund based on market value over the period. The shared-risk
4 contribution rate shall be decreased by .5% if the annual
5 interest rate adopted by the board for use during the
6 previous ten-year period for the calculation of the normal
7 contribution rate is equal to or less than the actual rate of
8 return, net of fees, of the investments of the fund based on
9 market value over that period.

10 (4) Notwithstanding paragraphs (2) and (3), the shared-
11 risk contribution rate shall not be less than zero and shall
12 not be more than the experience adjustment factor resulting
13 from investment gains or losses during the determination
14 period in effect on the first day when the new rate would be
15 applied, expressed as a percentage of member compensation,
16 and shall not be more than 2%. For the determination of the
17 shared-risk contribution rate to be effective July 1, 2017,
18 the determination period shall be January 1, 2011, through
19 December 31, 2016. For the determination of the shared-risk
20 contribution rate to be effective July 1, 2020, the
21 determination period shall be January 1, 2011, through
22 December 31, 2019.

23 (5) The shared-risk contribution rate and the factors
24 entering into its calculation shall be certified by the
25 actuary as part of the annual valuations and the actuarial
26 investigation and evaluation of the system conducted every
27 five years under section 5902(j) (relating to administrative
28 duties of the board).

29 (6) In the event that the annual interest rate adopted
30 by the board for the calculation is changed during the period

1 used to determine the shared-risk contribution rate, the
2 board, with the advice of the actuary, shall determine the
3 applicable rate during the entire period, expressed as an
4 annual rate.

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

14 (8) If the actuary certifies that the accrued liability
15 contributions calculated in accordance with the actuarial
16 cost method provided in section 5508(b) (relating to
17 actuarial cost method), as adjusted by the experience
18 adjustment factor, are zero or less, then the shared-risk
19 contribution rate for the next fiscal year shall be zero and
20 shall not subsequently be increased, except as otherwise
21 provided in this section.

22 (c) Determination of shared-gain adjustment to regular
23 member contributions for Class A-3, Class A-4, Class A-5 and
24 Class A-6 service.--The regular member contributions for Class
25 A-3, Class A-4, Class A-5 and Class A-6 service shall be
26 determined as follows:

27 (1) For the period from the effective date of this
28 section until June 30, 2017, the regular member contributions
29 for Class A-3, Class A-4, Class A-5 and Class A-6 service
30 shall be determined as otherwise provided in this part.

1 (2) For the period from July 1, 2017, to June 30, 2020,
2 if the shared-risk contribution rate for Class A-3, Class A-
3 4, Class A-5 and Class A-6 service is zero and annual
4 interest rate adopted by the board for use during the period
5 from January 1, 2011, to December 31, 2016, for the
6 calculation of the normal contribution rate is more than 1%
7 lower than the actual rate of return, net of fees, of the
8 investments of the fund based on market value over the
9 period, then the regular member contribution rate of each
10 member for Class A-3, Class A-4, Class A-5 or Class A-6
11 service shall be reduced by .5%. In all other situations, the
12 regular member contributions shall be determined as otherwise
13 provided in this part.

14 (3) For each subsequent three-year period, the regular
15 member contribution rate shall be decreased by .5% if the
16 annual interest rate adopted by the board for use during the
17 previous ten-year period for the calculation of the normal
18 contribution rate is more than 1% lower than the actual rate
19 of return, net of fees, of the investments of the fund based
20 on market value over the period. The regular member
21 contribution rate shall be increased by .5% if the annual
22 interest rate adopted by the board for use during the
23 previous ten-year period for the calculation of the normal
24 contribution rate is equal to or greater than the actual rate
25 of return, net of fees, of the investments of the fund based
26 on market value over that period.

27 (4) Notwithstanding paragraphs (2) and (3), the regular
28 member contribution rate may not be greater than the product
29 of the basic contribution rate and the class of service
30 multiplier; and the amount of the adjustment to a lower

1 regular member contribution rate may not be greater than the
2 reduction in the actuarially required contribution rate by
3 the experience adjustment factor resulting from investment
4 gains or losses during the determination period in effect on
5 the first day when the new rate would be applied, expressed
6 as a percentage of member compensation. In no event may the
7 adjustment to the regular member contribution rate be more
8 than 2%. For the determination of the regular member
9 contribution rate to be effective July 1, 2020, the
10 determination period shall be January 1, 2011, through
11 December 31, 2019.

12 (5) The shared-gain adjustment to the regular member
13 contribution rate and the factors entering into its
14 calculation shall be certified by the actuary as part of the
15 annual valuations and the actuarial investigation and
16 evaluation of the system conducted every five years under
17 section 5902(j).

18 (6) If the annual interest rate adopted by the board for
19 the calculation is changed during the period used to
20 determine the shared-gain adjustment to the regular member
21 contribution rate, the board, with the advice of the actuary,
22 shall determine the applicable rate during the entire period,
23 expressed as an annual rate.

24 (d) Calculation of regular member contribution rate.--For
25 purposes of this section, the regular member contribution rate
26 for each member is the product of the basic contribution rate
27 and the class of service multiplier used to determine the
28 regular member contributions for each member.

29 § 5502. Social Security integration member contributions.

30 Except for any period of current service in which the making

1 of regular member contributions has ceased solely by reason of
2 section 5502.1 (relating to waiver of regular member
3 contributions and Social Security integration member
4 contributions) or any provision of this part relating to
5 limitations under IRC § 401(a)(17) or 415, contributions shall
6 be made on behalf of [a] an active member of any class who prior
7 to March 1, 1974, has elected Social Security integration
8 coverage. The amount of such contributions shall be 6 1/4% of
9 that portion of his compensation as an active member in excess
10 of the maximum wages taxable under the provisions of the Social
11 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
12 addition to the regular member contributions which, after such
13 election, shall be determined on the basis of the basic
14 contribution rate of 5% and the additional member contribution
15 of 1 1/4%: Provided, That a member may elect to discontinue
16 Social Security integration coverage and shall thereafter be
17 ineligible to accrue any further Social Security integration
18 credits or any additional benefits on account of Social Security
19 integration membership.

20 § 5503.1. Pickup contributions.

21 (a) Treatment for purposes of IRC § 414(h).--All
22 contributions to the fund required to be made under sections
23 5501 (relating to regular member contributions for current
24 service), 5501.1 (relating to shared-risk member contributions
25 [for Class A-3 and Class A-4 service] and shared-gain
26 adjustments to regular member contributions), 5502 (relating to
27 Social Security integration member contributions), 5503
28 (relating to joint coverage member contributions) and [section]
29 5505.1 (relating to additional member contributions), with
30 respect to current State service rendered by an active member on

1 or after January 1, 1982, shall be picked up by the Commonwealth
2 or other employer and shall be treated as the employer's
3 contribution for purposes of IRC § 414(h).

4 * * *

5 § 5504. Member contributions for the purchase of credit for
6 previous State service or to become a full coverage
7 member.

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

10 (1) The contributions to be paid by an active member or
11 eligible school employee for credit in the system for the
12 portion of total previous State service other than service in
13 Class G, Class H, Class I, Class J, Class K, Class L, Class M
14 and Class N that a member is eligible to have credited or to
15 become a full coverage member shall be sufficient to provide
16 an amount equal to the regular accumulated deductions,
17 shared-risk accumulated deductions and additional accumulated
18 deductions which would have been standing to the credit of
19 the member for such service had regular accumulated
20 deductions, shared-risk accumulated deductions and additional
21 member contributions been made with full coverage in the
22 class of service and at the rate of contribution applicable
23 during such period of previous service and had his regular
24 and additional accumulated deductions been credited with
25 statutory interest during all periods of subsequent State and
26 school service up to the date of purchase.

27 (2) Notwithstanding paragraph (1), members [with Class
28 A-3 State service] who are performing State service credited
29 in Class A-3, Class A-4, Class A-5 or Class A-6 shall make
30 contributions and receive credit as if [the previous]

1 previously uncredited State service was [Class A-3 service,
2 and members with Class A-4 State service shall make
3 contributions and receive credit as if the previous State
4 service was Class A-4 service,] performed in the class in
5 which they are an active member at the time the service is
6 credited even if it would have been credited as a different
7 class of service had the State employee been a member of the
8 system at the time the service was performed unless it was
9 mandatory that the State employee be an active member of the
10 system and the previous State service is being credited as
11 the result of a mandatory active membership requirement.

12 Notwithstanding section 5303(b) (relating to retention and
13 reinstatement of service credits) a State employee who is an
14 active member of the system as a result of concurrently
15 performing service in more than one position or office at the
16 time previously uncredited State service is credited shall
17 elect which position or office is used for the determination
18 of required contributions and crediting and classification of
19 the previously uncredited service.

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

26 (b) Certification and method of payment.--

27 (1) The amount payable shall be certified in each case
28 by the board in accordance with methods approved by the
29 actuary and shall be paid in a lump sum within 30 days or in
30 the case of an active member or eligible school employee who

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

16 (2) No payments for service or coverage shall be allowed
17 for which the required contributions would cause a violation
18 of the limitation related to contributions applicable to
19 governmental plans contained in IRC § 415. In the event that
20 any service credit or coverage based on such disallowed
21 contributions is granted after the effective date of this
22 paragraph, then such service credit shall be canceled and
23 benefits calculated without regard to such service or
24 contributions and any member contributions in excess of the
25 limitations and statutory interest credited on those
26 contributions shall be refunded to the member by the board.

27 Section 311. Section 5505(b), (c), (d) and (i)(2) and (4) of
28 Title 71 are amended and the section is amended by adding a
29 subsection to read:

30 § 5505. Contributions for the purchase of credit for creditable

1 nonstate service.

2 * * *

3 (b) Nonintervening military service.--

4 (1) The amount due for the purchase of credit for
5 military service other than intervening military service
6 shall be determined by applying the member's basic
7 contribution rate, the additional contribution rate plus the
8 Commonwealth normal contribution rate for active members at
9 the time of entry, subsequent to such military service, of
10 the member into State service to his average annual rate of
11 compensation as a member of the system over the first three
12 years of such subsequent State service and multiplying the
13 result by the number of years and fractional part of a year
14 of creditable nonintervening military service being purchased
15 together with statutory interest during all periods of
16 subsequent State and school service to date of purchase. Upon
17 application for credit for such service, payment shall be
18 made in a lump sum within 30 days or in the case of an active
19 member or eligible school employee who is an active member of
20 the Public School Employees' Retirement System it may be
21 amortized with statutory interest through salary deductions
22 to the system in amounts agreed upon by the member and the
23 board. The salary deduction amortization plans agreed to by
24 members and the board may include a deferral of payment
25 amounts and statutory interest until the termination of
26 school service or State service as the board in its sole
27 discretion decides to allow. The board may limit salary
28 deduction amortization plans to such terms as the board in
29 its sole discretion determines. In the case of an eligible
30 school employee who is an active member of the Public School

1 Employees' Retirement System, the agreed upon salary
2 deductions shall be remitted to the Public School Employees'
3 Retirement Board, which shall certify and transfer to the
4 board the amounts paid. Application may be filed for all such
5 military service credit upon completion of three years of
6 subsequent State service as a member of the system and shall
7 be credited as Class A service except as provided in section
8 5304(a).

9 (1.1) In the case of an active member who is purchasing
10 the military service as Class A-3 service, for purposes of
11 paragraph (1), the Commonwealth normal contribution rate for
12 active members at the time of entry, subsequent to the
13 military service, shall be determined using only the average
14 new Class A-3 member.

15 (1.2) In the case of an active member who is purchasing
16 the military service as Class A-5 service, for purposes of
17 paragraph (1), the Commonwealth normal contribution rate for
18 active members at the time of entry, subsequent to the
19 military service, shall be determined using only the average
20 new Class A-5 member, and the member's basic contribution
21 rate shall be multiplied by the class of service multiplier
22 used to calculated regular member contributions for Class A-5
23 service.

24 (1.3) In the case of an active member who is purchasing
25 the military service as Class A-6 service, for purposes of
26 paragraph (1), the Commonwealth normal contribution rate for
27 active members at the time of entry, subsequent to the
28 military service, shall be determined using only the average
29 new Class A-6 member, and the member's basic contribution
30 rate shall be multiplied by the class of service multiplier

1 used to calculate regular member contributions for Class A-6
2 service.

3 (2) Applicants may purchase credit as follows:

4 (i) one purchase of the total amount of creditable
5 nonintervening military service; or

6 (ii) one purchase per 12-month period of a portion
7 of creditable nonintervening military service.

8 The amount of each purchase shall be not less than one year
9 of creditable nonintervening military service.

10 (c) Intervening military service.--Contributions on account
11 of credit for intervening military service shall be determined
12 by the member's regular contribution rate, shared-risk
13 contribution rate, Social Security integration contribution
14 rate, the additional contribution rate which shall be applied
15 only to those members who began service on or after the
16 effective date of this amendatory act and compensation as a
17 member of the system at the time of entry of the member into
18 active military service, together with statutory interest during
19 all periods of subsequent State and school service to date of
20 purchase. Upon application for such credit the amount due shall
21 be certified in the case of each member by the board in
22 accordance with methods approved by the actuary, and
23 contributions may be made by:

24 (1) regular monthly payments during active military
25 service; or

26 (2) a lump sum payment within 30 days of certification;
27 or

28 (3) salary deductions to the system in amounts agreed
29 upon by the member or eligible school employee who is an
30 active member of the Public School Employees' Retirement

1 System and the board.

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

13 (d) Nonmilitary and nonmagisterial service.--Contributions
14 on account of credit for creditable nonstate service other than
15 military and magisterial service by State employees who first
16 become members of the system before January 1, 2011, or before
17 December 1, 2010, as a member of the General Assembly shall be
18 determined by applying the member's basic contribution rate, the
19 additional contribution rate plus the Commonwealth normal
20 contribution rate for active members at the time of entry
21 subsequent to such creditable nonstate service of the member
22 into State service to his compensation as a member of the system
23 at the time of entry into State service and multiplying the
24 result by the number of years and fractional part of a year of
25 creditable nonstate service being purchased together with
26 statutory interest during all periods of subsequent State and
27 school service to the date of purchase. Upon application for
28 credit for such service payment shall be made in a lump sum
29 within 30 days or in the case of an active member or eligible
30 school employee who is an active member of the Public School

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

15 * * *

16 (i) Purchases of nonstate service credit by State employees
17 who first became members of the system on or after December 1,
18 2010.--

19 * * *

20 (2) The full actuarial cost of the increased benefit
21 attributable to the purchased nonstate service credit shall
22 be the difference between:

23 (i) the present value of a standard single life
24 annuity, beginning at the earliest possible
25 superannuation age assuming Class A-3 service credit for
26 the nonstate service to be purchased[; and] by a member
27 of Class A-3 or Class A-4 who first becomes a member of
28 the system before January 1, 2018, and assuming Class A-5
29 service credit for the nonstate service to be purchased
30 by a member of Class A-5 and assuming Class A-6 service

1 credit for the nonstate service to be purchased by a
2 member of Class A-6; and

3 (ii) the present value of a standard single life
4 annuity, beginning at the earliest possible
5 superannuation age, excluding the nonstate service credit
6 to be purchased.

7 * * *

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

28 * * *

29 (k) Inapplicability of election and adjustments.--If a
30 member is purchasing creditable nonstate service, the regular

1 member contribution rate used to determine the contributions
2 necessary to purchase such credit shall be determined without
3 regard to any adjustments applicable under section 5501.1(c)
4 (relating to shared-risk member contributions and shared-gain
5 adjustments to regular member contributions).

6 Section 312. Section 5506.1(a) of Title 71 is amended to
7 read:

8 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

29 * * *

30 Section 313. Section 5507(a), (b) and (d) of Title 71 are

1 amended and the section is amended by adding subsections to
2 read:

3 § 5507. Contributions to the system by the Commonwealth and
4 other employers.

5 (a) Contributions on behalf of active members.--The
6 Commonwealth and other employers whose employees are members of
7 the system or participants in the plan shall make contributions
8 to the fund on behalf of all active members in such amounts as
9 shall be certified by the board as necessary to provide,
10 together with the members' total accumulated deductions, annuity
11 reserves on account of prospective annuities other than those
12 provided in sections 5708 (relating to supplemental annuities),
13 5708.1 (relating to additional supplemental annuities), 5708.2
14 (relating to further additional supplemental annuities), 5708.3
15 (relating to supplemental annuities commencing 1994), 5708.4
16 (relating to special supplemental postretirement adjustment),
17 5708.5 (relating to supplemental annuities commencing 1998),
18 5708.6 (relating to supplemental annuities commencing 2002),
19 5708.7 (relating to supplemental annuities commencing 2003) and
20 5708.8 (relating to special supplemental postretirement
21 adjustment of 2002), in accordance with the actuarial cost
22 method provided in section 5508(a), (b), (c), (d) and (f)
23 (relating to actuarial cost method).

24 (b) Contributions on behalf of annuitants.--The Commonwealth
25 and other employers whose employees are members of the system or
26 participants in the plan shall make contributions on behalf of
27 annuitants in such amounts as shall be certified by the board as
28 necessary to fund the liabilities for supplemental annuities in
29 accordance with the actuarial cost method provided in section
30 5508(e) [(relating to actuarial cost method)].

1 (b.1) Payment of employer contributions to the system.--

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

4 (2) Payment of accrued liability contributions as
5 modified by the experience adjustment factor and supplemental
6 annuity contributions shall be as a percentage of
7 compensation of active members and active participants.

8 * * *

9 (d) Payment of final contribution rate.--Notwithstanding the
10 calculation of the actuarially required contribution rate and
11 the provisions of subsections (a) and (b), the Commonwealth and
12 other employers whose employees are members of the system or
13 participants in the plan shall make contributions to the fund on
14 behalf of all active members and annuitants in such amounts as
15 shall be certified by the board in accordance with section
16 5508(i).

17 * * *

18 (g) Payment of additional accrued liability contributions.--
19 In addition to all other contributions required under this
20 section and sections 5508 and 5941, the Commonwealth and other
21 employers whose employees are members of the system or
22 participants in the plan shall make contributions as certified
23 by the board as a percentage of the compensation of each member
24 and each participant as provided in this subsection, unless the
25 actuary certifies that the accrued liability contribution rate
26 determined under section 5508(c) is zero or less for that fiscal
27 year. Additional accrued liability contributions received by the
28 board as a result of this subsection shall be recognized as part
29 of the experience adjustment factor under section 5508(f).

30 Fiscal year

Additional accrued liability

	<u>beginning date</u>	<u>contribution rate</u>
2	<u>July 1, 2017</u>	<u>0.00%</u>
3	<u>July 1, 2018</u>	<u>0.68%</u>
4	<u>July 1, 2019</u>	<u>0.64%</u>
5	<u>July 1, 2020</u>	<u>0.61%</u>
6	<u>July 1, 2021</u>	<u>0.58%</u>
7	<u>July 1, 2022</u>	<u>0.00%</u>
8	<u>July 1, 2023</u>	<u>0.00%</u>
9	<u>July 1, 2024</u>	<u>0.00%</u>
10	<u>July 1, 2025</u>	<u>0.00%</u>
11	<u>July 1, 2026</u>	<u>0.00%</u>
12	<u>July 1, 2027</u>	<u>0.00%</u>
13	<u>July 1, 2028</u>	<u>0.00%</u>
14	<u>July 1, 2029</u>	<u>0.00%</u>
15	<u>July 1, 2030</u>	<u>0.06%</u>
16	<u>July 1, 2031</u>	<u>0.19%</u>
17	<u>July 1, 2032</u>	<u>0.31%</u>
18	<u>July 1, 2033</u>	<u>0.42%</u>
19	<u>July 1, 2034</u>	<u>0.53%</u>
20	<u>July 1, 2035</u>	<u>0.63%</u>
21	<u>July 1, 2036</u>	<u>0.73%</u>
22	<u>July 1, 2037</u>	<u>0.82%</u>
23	<u>July 1, 2038</u>	<u>0.90%</u>
24	<u>July 1, 2039</u>	<u>0.98%</u>
25	<u>July 1, 2040</u>	<u>1.05%</u>

26 Section 314. Section 5508(a), (b), (c)(1), (e)(2), (f) and
27 (h) of Title 71 are amended and subsection (c) is amended by
28 adding a paragraph to read:

29 § 5508. Actuarial cost method.

30 (a) Employer contribution rate on behalf of active

1 members.--[The] For each fiscal year, the amount of the
2 Commonwealth and other employer contributions on behalf of all
3 active members shall be computed by the actuary as a percentage
4 of the total compensation of all active members during the
5 period for which the amount is determined and shall be so
6 certified by the board. The actuarially required contribution
7 rate on behalf of all active members shall consist of the
8 employer normal contribution rate, as defined in subsection (b),
9 and the accrued liability contribution rate as defined in
10 subsection (c). The actuarially required contribution rate on
11 behalf of all active members shall be modified by the experience
12 adjustment factor as calculated in subsection (f).

13 (b) Employer normal contribution rate.--The employer normal
14 contribution rate shall be determined after each actuarial
15 valuation on the basis of an annual interest rate and such
16 mortality and other tables as shall be adopted by the board in
17 accordance with generally accepted actuarial principles. The
18 employer normal contribution rate shall be determined as [a
19 level percentage of the compensation of the average new active
20 member, which percentage, if contributed on the basis of his
21 prospective compensation through his entire period of active
22 State service, would be sufficient to fund the liability for any
23 prospective benefit payable to him in excess of that portion
24 funded by his prospective member contributions, excluding
25 shared-risk member contributions.] follows:

26 (1) For fiscal years through fiscal year 2021-2022, as a
27 level percentage of the compensation of the average new
28 active member, which percentage, if contributed on the basis
29 of his prospective compensation through his entire period of
30 active State service, would be sufficient to fund the

1 liability for any prospective benefit payable to him in
2 excess of that portion funded by his prospective member
3 contributions, excluding shared-risk member contributions and
4 shared-gain adjustments to regular member contributions. In
5 no case shall the employer normal contribution rate in the
6 aggregate or for each class of service separately be less
7 than zero.

8 (2) For fiscal year 2022-2023 and each fiscal year
9 thereafter, as a level percentage of the compensation of all
10 active members, which percentage, if contributed from the
11 start of their employment on the basis of their prospective
12 compensation through their entire period of active State
13 service, would be sufficient to fund the liability for any
14 prospective benefit payable to them in excess of that portion
15 funded by their prospective member contributions, excluding
16 shared-risk member contributions and shared-gain adjustments
17 to regular member contributions. In no case shall the
18 employer normal contribution rate in the aggregate or for
19 each class of service separately be less than zero.

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 the
16 system by the Commonwealth and other employers). The amount
17 of each annual accrued liability contribution shall be equal
18 to the amount of such contribution for the fiscal year
19 beginning July 1, 2002, except that, if the accrued liability
20 is increased by legislation enacted subsequent to June 30,
21 2002, but before July 1, 2003, such additional liability
22 shall be funded over a period of ten years from the first day
23 of July, coincident with or next following the effective date
24 of the increase. The amount of each annual accrued liability
25 contribution for such additional legislative liabilities
26 shall be equal to the amount of such contribution for the
27 first annual payment.

28 * * *

29 (4) For fiscal years beginning on or after July 1, 2017,
30 the accrued liability contribution rate shall be computed as

1 provided for under this section, except that the rate shall
2 be computed as a rate of total compensation of all active
3 members and active participants for the applicable period. If
4 the accrued liability is changed by legislation enacted
5 subsequent to December 31, 2015, such change in liability
6 shall be funded in equal dollar installments as a percentage
7 of compensation of all active members and active participants
8 over a period of ten years from the first day of July
9 following the valuation date coincident with or next
10 following the date such legislation is enacted. In addition
11 to any employer defined contributions made to the trust, the
12 Commonwealth and other employers of participants shall make
13 the accrued liability contributions to the fund certified by
14 the board.

15 * * *

16 (e) Supplemental annuity contribution rate.--

17 * * *

18 (2) For fiscal years beginning on or after July 1, 2010,
19 contributions from the Commonwealth and other employers whose
20 employees are members of the system required to provide for
21 the payment of supplemental annuities as provided in sections
22 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
23 and 5708.8 shall be paid as part of the accrued liability
24 contribution rate as provided for in subsection (c) (3), and
25 there shall not be a separate supplemental annuity
26 contribution rate attributable to those supplemental
27 annuities. In the event that supplemental annuities are
28 increased by legislation enacted subsequent to December 31,
29 2009, the additional liability for the increase in benefits
30 shall be funded in equal dollar installments as a percentage

1 of compensation of all active members and active participants
2 over a period of ten years from the first day of July
3 following the valuation date coincident with or next
4 following the date such legislation is enacted.

5 (f) Experience adjustment factor.--

6 (1) For each fiscal year after the establishment of the
7 accrued liability contribution rate and the supplemental
8 annuity contribution rate for the fiscal year beginning July
9 1, 2010, any increase or decrease in the unfunded accrued
10 liability and any increase or decrease in the liabilities and
11 funding for supplemental annuities, due to actual experience
12 differing from assumed experience (recognizing all realized
13 and unrealized investment gains and losses over a five-year
14 period), changes in contributions caused by the final
15 contribution rate being different from the actuarially
16 required contribution rate, State employees making shared-
17 risk member contributions or having shared-gain adjustments
18 to their regular member contributions, payment of additional
19 accrued liability contributions under section 5507 (g),
20 changes in actuarial assumptions or changes in the terms and
21 conditions of the benefits provided by the system by
22 judicial, administrative or other processes other than
23 legislation, including, but not limited to, reinterpretation
24 of the provisions of this part, shall be amortized in equal
25 dollar annual contributions as a percentage of compensation
26 of all active members and active participants over a period
27 of 30 years beginning with the July 1 succeeding the
28 actuarial valuation determining said increases or decreases.

29 (2) The actuarially required contribution rate shall be
30 the sum of the normal contribution rate, the accrued

1 liability contribution rate and the supplemental annuity
2 contribution rate, modified by the experience adjustment
3 factor as calculated in paragraph (1).

4 * * *

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

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

23 * * *

24 Section 315. Section 5509 of Title 71 is amended to read:

25 § 5509. Appropriations and assessments by the Commonwealth.

26 (a) Annual submission of budget.--The board shall prepare
27 and submit annually an itemized budget consisting of the amounts
28 necessary to be appropriated by the Commonwealth out of the
29 General Fund and special operating funds and the amounts to be
30 assessed the other employers required to meet the separate

1 obligations to the fund and the trust accruing during the fiscal
2 period beginning the first day of July of the following year.

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

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

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

11 Section 316. Title 71 is amended by adding a section to
12 read:

13 § 5510. Employer funding mandate protection.

14 (a) Limited expansion of contractual right to funding.--
15 Commencing on the July 1 following the actuarial valuation in
16 which the actuary certifies that the final contribution rate is
17 the actuarially required contribution, each active member shall
18 have a contractual right to the timely payment of the annual
19 actuarially required contributions under sections 5508 (relating
20 to actuarial cost method) and 5902(k) (relating to
21 administrative duties of the board) by such member's employer.

22 The following apply:

23 (1) The failure of a member's employer to make the
24 annually required contribution to the fund will be deemed to
25 be an impairment of the contractual right of such member.

26 (2) Any claim of contract impairment shall be brought
27 against the employer of the member for whom contributions
28 were not paid, and neither the board nor the system or their
29 employees or agents shall be a defendant in any such action
30 or liable for any payments or damages arising from such

1 impairment.

2 (b) Jurisdiction of Supreme Court.--Notwithstanding any
3 provision of 2 Pa.C.S. (relating to administrative law and
4 procedure), 42 Pa.C.S. (relating to judiciary and judicial
5 procedure) or any other provision of law, the Pennsylvania
6 Supreme Court shall have exclusive jurisdiction to do as
7 follows:

8 (1) hear any claim of contract impairment for failure to
9 pay certified contributions;

10 (2) render a declaratory judgment or take such other
11 action as it deems appropriate, consistent with the Supreme
12 Court retaining jurisdiction over such matter; and

13 (3) find facts or expedite a final judgment in
14 connection with such a challenge or request for declaratory
15 relief.

16 (c) Sovereign immunity waived.--Sovereign immunity is hereby
17 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to
18 matters affecting government units) or lack of jurisdiction by
19 the Supreme Court shall not be raised as a defense against a
20 claim brought against an employer under this section.

21 (d) Attorney fees.--A member who prevails in a claim brought
22 under this part may be awarded reasonable attorney fees.

23 (e) Limitation of contract right.--Nothing in this section
24 shall be construed to create a contract right or claim of
25 contract impairment in any member as to any benefit formula,
26 benefit payment option, or any other provision of this part
27 other than the funding mandate of the member's employer, or to
28 change the jurisdiction of the board or the courts regarding any
29 claim other than for payment of the annual actuarially required
30 contributions.

1 (f) Employer contributions.--Nothing in this section shall
2 be deemed to supersede or conflict with the rights and
3 obligations set forth in section 5509 (relating to
4 appropriations and assessments by the Commonwealth).

5 Section 317. Sections 5701 and 5701.1 of Title 71 are
6 amended to read:

7 § 5701. Return of total accumulated deductions.

8 Any member upon termination of service may, in lieu of all
9 benefits payable from the system under this chapter to which he
10 may be entitled, elect to receive his total accumulated
11 deductions by his required beginning date.

12 § 5701.1. Transfer of accumulated deductions.

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

21 Section 318. Sections 5702(a)(1), (4) and (6), (b) and (c),
22 5704(a), (c), (e) and (f) and 5705(a) of Title 71 are amended
23 and the sections are amended by adding subsections to read:

24 § 5702. Maximum single life annuity.

25 (a) General rule.--Any full coverage member who is eligible
26 to receive an annuity pursuant to the provisions of section
27 5308(a) or (b) (relating to eligibility for annuities) who
28 terminates State service, or if a multiple service member who is
29 a school employee who is an active member of the Public School
30 Employees' Retirement System who terminates school service,

1 before attaining age 70 shall be entitled to receive a maximum
2 single life annuity attributable to his credited service and
3 equal to the sum of the following single life annuities
4 beginning at the effective date of retirement:

5 (1) A single life annuity that is the sum of the
6 standard single life [annuity multiplied by the sum of the
7 products,] annuities determined separately for each class of
8 service[, obtained by multiplying] multiplied by the
9 appropriate class of service multiplier [by the ratio of
10 years of service credited in that class to the total credited
11 service] applicable to each standard single life annuity. In
12 case the member on the effective date of retirement is under
13 superannuation age for any service, a reduction factor
14 calculated to provide benefits actuarially equivalent to an
15 annuity starting at superannuation age shall be applied to
16 the product determined for that service[.]: Provided,
17 however, That any standard single life annuity resulting from
18 Class A-5 service or Class A-6 service shall be reduced by a
19 percentage determined by multiplying the number of months,
20 including a fraction of a month as a full month, by which the
21 effective date of retirement precedes superannuation age by
22 0.25% if the effective date of retirement is on or after the
23 date the member has attained age 62 and the member has 25 or
24 more eligibility points. The class of service multiplier for
25 any period of concurrent service shall be multiplied by the
26 proportion of total State and school compensation during such
27 period attributable to State service as a member of the
28 system. In the event a member has two multipliers for one
29 class of service [the class of service multiplier to be used
30 for calculating benefits for that class shall be the average

1 of the two multipliers weighted by the proportion of
2 compensation attributable to each multiplier during the three
3 years of highest annual compensation in that class of
4 service: Provided, That in the case of a member of Class E-1,
5 a portion but not all of whose three years of highest annual
6 judicial compensation is prior to January 1, 1973, two class
7 of service multipliers shall be calculated on the basis of
8 his entire judicial service, the one applying the judicial
9 class of service multipliers effective prior to January 1,
10 1973 and the second applying the class of service multipliers
11 effective subsequent to January 1, 1973. The average class of
12 service multiplier to be used for calculating benefits for
13 his judicial service shall be the average of the two
14 calculated multipliers weighted by the proportion of
15 compensation attributable to each of the calculated
16 multipliers during the three years of highest annual
17 compensation in that class of service.], separate standard
18 single life annuities shall be calculated for the portion of
19 service in such class applicable to each class of service
20 multiplier. In the case of a member with Class A-5 service
21 credit or Class A-6 service credit and credit in one or more
22 other classes of service who has not attained age 62 on the
23 effective date of retirement but who is otherwise eligible
24 for an annuity resulting from his Class A-5 service or Class
25 A-6 service, and who commences receipt of a superannuation
26 annuity or withdrawal annuity based on the other classes of
27 service, no annuity based on the member's Class A-5 service
28 credit or Class A-6 service credit shall be paid until the
29 attainment of age 62.

30 * * *

1 (4) If eligible, a single life annuity which is
2 actuarially equivalent to the amount by which his regular and
3 additional accumulated deductions attributable to any
4 credited service other than as a member of Class A-3, Class
5 A-4, Class A-5, Class A-6 and Class C are greater than one-
6 half of the actuarially equivalent value on the effective
7 date of retirement of the annuity as provided in paragraph
8 (1) attributable to service other than Class A-3, Class A-4,
9 Class A-5, Class A-6 and Class C for which regular or joint
10 coverage member contributions were made. [This paragraph
11 shall not apply to any member with State service credited as
12 Class A-3 or Class A-4.]

13 * * *

14 (6) If eligible, a single life annuity sufficient
15 together with the annuity provided for in paragraph (1) as a
16 Class A, Class AA, Class A-3 [and], Class A-4, Class A-5 or
17 Class A-6 member and the highest annuity provided for in
18 paragraph (2) to which he is entitled, or at his option could
19 have been entitled, to produce that percentage of [a] the
20 sums of the standard single life [annuity] annuities adjusted
21 by the application of the class of service multiplier for
22 Class A, Class AA, Class A-3 [or], Class A-4, Class A-5 or
23 Class A-6 as set forth in paragraph (1) in the case where any
24 service is credited as a member of Class A, Class AA, Class
25 A-3 [or], Class A-4, Class A-5 or Class A-6 on the effective
26 date of retirement as determined by his total years of
27 credited service as a member of Class A, Class AA, Class A-3
28 [and], Class A-4, Class A-5 or Class A-6 and by the following
29 table:

30 Total Years of Percentage of Sums of

1	Credited Service	Standard
2	as a Member of	Single Life
3	Class A,	[Annuity] <u>Annuities</u> Adjusted for
4	Class AA, Class A-3	Class A, Class AA,
5	[and], <u>Class A-4, Class A-5</u>	Class A-3 [and], <u>Class A-4,</u>
6	<u>and Class A-6</u>	<u>Class A-5 and Class A-6</u>
7		Class of
8		Service Multipliers
9	35-40	100%
10	41	102%
11	42	104%
12	43	106%
13	44	108%
14	45 or more	110%

15 * * *

16 (b) Present value of annuity.--The present value of the
17 maximum single life annuity as calculated in accordance with
18 subsection (a) of this section shall be determined by
19 multiplying the maximum single life annuity by the cost of a
20 dollar annuity on the effective date of retirement[.], which
21 shall take into account any delay in the receipt of the portion
22 of the annuity based on Class A-5 service or Class A-6 service
23 if the effective date of retirement is before the member attains
24 age 62. Such present value shall be decreased only as required
25 under the provisions of section 5506 (relating to incomplete
26 payments), 5509(c) (relating to appropriations and assessments
27 by the Commonwealth) or 5703 (relating to reduction of annuities
28 on account of social security old-age insurance benefits).

29 (c) Limitation on amount of annuity.--The annuity paid to a
30 member under subsection (a) and reduced in accordance with the

1 option elected under section 5705 (relating to member's options)
2 shall not exceed the highest compensation received as a member
3 of the system during any period of twelve consecutive months of
4 credited service. No limit on the total annuity paid to a member
5 with Class D-3 service shall be applied in the case of a member
6 who served as a constitutional officer of the General Assembly.

7 * * *

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

13 § 5704. Disability annuities.

14 (a) Amount of annuity.--A member who has made application
15 for a disability annuity and has been found to be eligible in
16 accordance with the provisions of section 5905(c)(1) (relating
17 to duties of the board regarding applications and elections of
18 members and participants) shall receive a disability annuity
19 payable from the effective date of disability as determined by
20 the board and continued until a subsequent determination by the
21 board that the annuitant is no longer entitled to a disability
22 annuity. [The] If the sum of the products of the number of years
23 and fractional part of a year of credited service in each class
24 and the appropriate class of service multiplier is greater than
25 16.667, the disability annuity shall be a single life annuity
26 that is equal to [a] the sum of the standard single life
27 [annuity] annuities determined separately for each class of
28 service multiplied by the appropriate class of service
29 multiplier [applicable to the class of service at the time of
30 disability if the product of such class of service multiplier

1 and the total number of years of credited service is greater
2 than 16.667, otherwise the], otherwise each standard single life
3 annuity shall be multiplied by the lesser of the following
4 ratios:

$$5 \qquad \qquad \qquad MY^*/Y \text{ or } 16.667/Y$$

6 [where] Where Y = total number of years of credited service[,];
7 Y* = total years of credited service if the member were to
8 continue as a State employee until attaining superannuation age
9 as applicable to that class of service at the time of
10 disability, or if the member has attained superannuation age, as
11 applicable to that class of service at the time of disability,
12 then the number of years of credited service and M = the class
13 of service multiplier as applicable to that class of service at
14 the effective date of disability. A member of Class C shall
15 receive, in addition, any annuity to which he may be eligible
16 under section 5702(a)(3) (relating to maximum single life
17 annuity). The member shall be entitled to the election of a
18 joint and survivor annuity on that portion of the disability
19 annuity to which he is entitled under section 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 a
30 [State employee] member of the system; and

1 [(ii)] (2) the ratio of the current monthly payment to
2 the monthly payment at the effective date of disability;
3 Provided, That the annuitant shall not receive less than his
4 member's annuity or the amount to which he may be entitled under
5 section 5702 whichever is greater.

6 * * *

7 (e) Termination of State service.--Upon termination of
8 disability annuity payments in excess of an annuity calculated
9 in accordance with section 5702, a disability annuitant who[:

10 (1) does not have Class A-3 or Class A-4 service credit;

11 or

12 (2) has Class A-3 or Class A-4 service credit and fewer
13 than ten eligibility points;

14 and who] does not return to State service may file an
15 application with the board for an amount equal to the excess, if
16 any, of the sum of the shared-risk accumulated deductions plus
17 the regular and additional accumulated deductions standing to
18 his credit at the effective date of disability over one-third of
19 the total disability annuity payments received. If the annuitant
20 on the date of termination of service was eligible for an
21 annuity as provided in section 5308(a) or (b) (relating to
22 eligibility for annuities), he may file an application with the
23 board for an election of an optional modification of his
24 annuity.

25 (f) Supplement for service connected disability.--

26 (1) If a member has been found to be eligible for a
27 disability annuity and if the disability has been found to be
28 a service connected disability and if the member is receiving
29 workers' compensation payments for other than medical
30 benefits, such member shall receive a supplement equal to

1 [70% of his final average salary] the amount determined under
2 paragraph (2) less the sum of the annuity as determined under
3 subsection (a) and any payments paid or payable on account of
4 such disability under the act of June 2, 1915 (P.L.736,
5 No.338), known as the Workers' Compensation Act, the act of
6 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
7 Occupational Disease Act, and the Social Security Act (49
8 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
9 continue as long as he is determined to be disabled and is
10 receiving workers' compensation payments for other than
11 medical benefits on account of his service connected
12 disability in accordance with the Workers' Compensation Act
13 or The Pennsylvania Occupational Disease Act. If the member
14 has received a lump sum workers' compensation payment in lieu
15 of future weekly compensation payments, the length in weeks
16 and calculation of the service connected disability
17 supplement shall be determined by dividing the lump sum
18 payment by the average weekly wage as determined by the
19 Workers' Compensation Board.

20 (2) For a member who does not have Class A-5 or Class A-
21 6 service, the amount to be used to determine eligibility for
22 the supplement under paragraph (1) shall be 70% of the
23 member's final average salary. For a member who has Class A-5
24 or Class A-6 service, the amount to be used to determine
25 eligibility for the supplement under paragraph (1) shall be
26 calculated according to the following formula:

$$27 \quad A = .7 \left[\frac{(Y^W \text{ MULTIPLIED BY FAS}^W)}{Y^T} + \frac{(Y^P \text{ MULTIPLIED BY FAS}^P)}{Y^T} \right]$$

28
29 (3) The following apply to the formula in paragraph (2):

30 (i) A equals the amount used to determine the

1 supplement;

2 (ii) Y^T equals total years of credited service;

3 (iii) Y^W equals years of credited service that are
4 not Class A-5 or Class A-6 service;

5 (iv) FAS^W equals final average salary calculated for
6 credited service other than Class A-5 or Class A-6
7 service;

8 (v) Y^P equals years of service credited as Class A-5
9 or Class A-6 service; and

10 (vi) FAS^P equals final average salary calculated for
11 service credited as Class A-5 or Class A-6 service.

12 * * *

13 (h) Coordination of benefits.--The determination and payment
14 of a disability annuity under this section is in addition to any
15 payments a member may be entitled to receive, has received or is
16 receiving as a result of being a participant in the plan.

17 § 5705. Member's options.

18 (a) General rule.--Any special vestee [who has attained
19 superannuation age, any vestee who does not have Class A-3 or
20 Class A-4 service credit having five or more eligibility points
21 for service other than Class T-E or Class T-F service in the
22 Public School Employees' Retirement System, or vestee who has
23 Class A-3 or Class A-4 service credit having ten or more
24 eligibility points, any member with Class G, Class H, Class I,
25 Class J, Class K, Class L, Class M or Class N service having
26 five or more eligibility points or any other eligible member
27 upon termination of State service who has not withdrawn his
28 total accumulated deductions as provided in section 5701
29 (relating to return of total accumulated deductions)], vestee or
30 any other member upon termination of State service who is

1 eligible to receive an annuity as provided in section 5308(a) or
2 (b) (relating to eligibility for annuities) may apply for and
3 elect to receive either a maximum single life annuity, as
4 calculated in accordance with the provisions of section 5702
5 (relating to maximum single life annuity), or a reduced annuity
6 certified by the actuary to be actuarially equivalent to the
7 maximum single life annuity payable after reduction under
8 subsection (a.1) and in accordance with one of the following
9 options; except that no member shall elect an annuity payable to
10 one or more survivor annuitants other than his spouse or
11 alternate payee of such a magnitude that the present value of
12 the annuity payable to him for life plus any lump sum payment
13 under this subsection and subsection (a.1) he may have elected
14 to receive is less than 50% of the present value of his maximum
15 single life annuity and no member may elect a payment option
16 that would provide benefits that do not satisfy the minimum
17 distribution requirements or would violate the incidental death
18 benefit rules of IRC § 401(a) (9):

19 (1) Option 1.--A life annuity to the member with a
20 guaranteed total payment equal to the present value of the
21 maximum single life annuity on the effective date of
22 retirement with the provision that, if, at his death, he has
23 received less than such present value, the unpaid balance
24 shall be payable to his beneficiary.

25 (2) Option 2.--A joint and survivor annuity payable
26 during the lifetime of the member with the full amount of
27 such annuity payable thereafter to his survivor annuitant, if
28 living at his death.

29 (3) Option 3.--A joint and fifty percent (50%) survivor
30 annuity payable during the lifetime of the member with one-

1 half of such annuity payable thereafter to his survivor
2 annuitant, if living at his death.

3 (4) Option 4.--Some other benefit which shall be
4 certified by the actuary to be actuarially equivalent to the
5 maximum single life annuity, subject to the following
6 restrictions:

7 (i) any annuity shall be payable without reduction
8 during the lifetime of the member;

9 (ii) the sum of all annuities payable to the
10 designated survivor annuitants shall not be greater than
11 one and one-half times the annuity payable to the member;
12 and

13 (iii) a portion of the benefit may be payable as a
14 lump sum, except that such lump sum payment shall not
15 exceed an amount equal to the total accumulated
16 deductions standing to the credit of the member that are
17 not the result of contributions and statutory interest
18 made or credited as a result of Class A-3 [or], Class A-
19 4, Class A-5 or Class A-6 service. The balance of the
20 present value of the maximum single life annuity adjusted
21 in accordance with section 5702(b) shall be paid in the
22 form of an annuity with a guaranteed total payment, a
23 single life annuity, or a joint and survivor annuity or
24 any combination thereof but subject to the restrictions
25 of subparagraphs (i) and (ii) under this option.

26 (a.1) Additional lump sum withdrawal.--The following shall
27 apply:

28 (1) If a member has an effective date of retirement
29 after December 31, 2017, and has elected to have the full
30 amount allowed under subsection (a)(4)(iii) paid in lump sum,

1 or is not eligible to have any money paid under subsection
2 (a) (4) (iii), then the member may elect to receive an
3 additional amount payable in a lump sum at the same time as
4 the payment elected under subsection (a) (4) (iii), if any.

5 (2) The additional amount payable in a lump sum may not
6 exceed an amount equal to total accumulated deductions
7 standing to the credit of the member on the effective date of
8 retirement related to service credited as Class A-3, Class A-
9 4, Class A-5 or Class A-6.

10 (3) If a member elects to be paid an additional lump sum
11 amount under this subsection, then the maximum single life
12 annuity calculated under section 5702 and payable under
13 subsection (a) shall be reduced by the additional amount
14 withdrawn divided by the cost of a dollar annuity on the
15 effective date of retirement computed on the basis of the
16 annual interest rate adopted for that fiscal year by the
17 board for the calculation of the employer normal contribution
18 rate under section 5508(b) (relating to actuarial cost
19 method) and the mortality tables adopted by the board for the
20 determination of actuarially equivalent benefits under this
21 part. The reduction in the maximum single life annuity under
22 this paragraph shall apply before the election and
23 calculation of any reduced annuities payable under subsection
24 (a).

25 * * *

26 Section 319. Sections 5705.1 and 5706(a), (a.2), (a.5), (b)
27 and (c.1) of Title 71 are amended to read:

28 § 5705.1. Payment of accumulated deductions resulting from
29 [Class A-3 and Class A-4] more than one class of
30 service.

1 Any superannuation or withdrawal annuitant who:

2 (1) has Class A-3 [or], Class A-4, Class A-5 or Class A-
3 6 service credit;

4 (2) has service credited in one or more classes of
5 service; and

6 (3) because he has five or more, but fewer than ten,
7 eligibility points is not eligible to receive an annuity on
8 his Class A-3 [or], Class A-4, Class A-5 or Class A-6 service
9 shall receive in a lump sum at the time of his retirement, in
10 addition to any other annuity or lump sum payment which he may
11 elect, his accumulated deductions resulting from his Class A-3
12 [or], Class A-4, Class A-5 or Class A-6 service credit. Payment
13 of these accumulated deductions resulting from Class A-3 [or], -
14 Class A-4, Class A-5 or Class A-6 service credit shall not be
15 eligible for installment payments pursuant to section 5905.1
16 (relating to installment payments of accumulated deductions) but
17 shall be considered a lump sum payment for purposes of section
18 5905.1(d).

19 § 5706. Termination of annuities.

20 (a) General rule.--

21 (1) If the annuitant returns to State service or enters
22 or has entered school service and elects multiple service
23 membership, any annuity payable to him under this part shall
24 cease effective upon the date of his return to State service
25 or entering school service without regard to whether he is a
26 mandatory, optional or prohibited member of the system or
27 participant in the plan or, if a multiple service member,
28 whether he is a mandatory, optional or prohibited member or
29 participant of the Public School Employees' Retirement System
30 or School Employees' Defined Contribution Plan; and, in the

1 case of an annuity other than a disability annuity the
2 present value of such annuity, adjusted for full coverage in
3 the case of a joint coverage member who makes the appropriate
4 back contributions for full coverage, shall be frozen as of
5 the date such annuity ceases. An annuitant who is credited
6 with an additional 10% of Class A and Class C service as
7 provided in section 5302(c) (relating to credited State
8 service) and who returns to State service shall forfeit such
9 credited service and shall have his frozen present value
10 adjusted as if his 10% retirement incentive had not been
11 applied to his account. In the event that the cost-of-living
12 increase enacted December 18, 1979 occurred during the period
13 of such State or school employment, the frozen present value
14 shall be increased, on or after the member attains
15 superannuation age, by the percent applicable had he not
16 returned to service.

17 (2) This subsection shall not apply in the case of any
18 annuitant who:

19 (i) may render services to the Commonwealth in the
20 capacity of an independent contractor; or

21 (ii) is over normal retirement age or who has been
22 an annuitant for more than one year and who may render
23 service to the Commonwealth:

24 (A) as a member of an independent board or
25 commission or as a member of a departmental
26 administrative or advisory board or commission when
27 such members of independent or departmental boards or
28 commissions are compensated on a per diem basis for
29 not more than 150 days per calendar year; or

30 (B) as a member of an independent board or

1 commission requiring appointment by the Governor,
2 with advice and consent of the Senate, where the
3 annual salary payable to the member does not exceed
4 \$35,000 and where the member has been an annuitant
5 for at least six months immediately preceding the
6 appointment.

7 * * *

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

1 certify and transfer to the board the amounts paid.

2 * * *

3 (a.5) No contributions or credited service.--The service of
4 an annuitant whose annuity does not cease upon his return to
5 State or school service shall not be subject to member
6 contributions or eligible for qualification as creditable State
7 service[.] and shall not be eligible for participation in the
8 plan, mandatory pickup participant contributions, voluntary
9 contributions or employer defined contributions.

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

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

25 (1) An annuitant who returns to State service as an
26 active member of the system and earns three eligibility
27 points as a member of the system by performing credited State
28 service following the most recent period of receipt of an
29 annuity under this part, or an annuitant who enters school
30 service other than as a Class DC participant and:

1 (i) is a multiple service member; or
2 (ii) who elects multiple service membership, and
3 earns three eligibility points by performing credited State
4 service as a member of the system or credited school service
5 following the most recent period of receipt of an annuity
6 under this part, and who had the present value of his annuity
7 frozen in accordance with subsection (a), shall qualify to
8 have the effect of the frozen present value resulting from
9 all previous periods of retirement eliminated, provided that
10 all lump sum payments under Option 4 or under section
11 5705(a.1) and annuity payments payable during previous
12 periods of retirement plus interest as set forth in paragraph
13 (3) shall be returned to the fund in the form of an actuarial
14 adjustment to his subsequent benefits or in such form as the
15 board may otherwise direct.

16 * * *

17 Section 320. Sections 5707(a), (b) and (f) and 5709 heading,
18 (a) and (b) of Title 71 are amended and the sections are amended
19 by adding subsections to read:

20 § 5707. Death benefits.

21 (a) Members eligible for annuities.--Any active member,
22 inactive member [on leave without pay], vestee or current or
23 former State employee performing USERRA leave who dies and was
24 eligible for an annuity in accordance with section 5308(a) or
25 (b) (relating to eligibility for annuities) or special vestee
26 who has attained superannuation age and dies before applying for
27 a superannuation annuity shall be considered as having applied
28 for an annuity to become effective the day before his death and
29 in the event he has not elected an option or such election has
30 not been approved prior to his death, it shall be assumed that

1 he elected Option 1. For purposes of this subsection, a member
2 with Class A-5 service or Class A-6 service who has ten or more
3 eligibility points shall be considered eligible for an annuity
4 based on Class A-5 or Class A-6 service even if the member had
5 not attained age 62.

6 (b) Members ineligible for annuities.--In the event of the
7 death of a special vestee, an active member, an inactive member
8 [on leave without pay] or a current or former State employee
9 performing USERRA leave who is not entitled to a death benefit
10 as provided in subsection (a), his designated beneficiary shall
11 be paid the full amount of his total accumulated deductions.

12 (b.1) Members eligible for annuities in some classes of
13 service and ineligible in other classes of service.--In the
14 event of the death of a member who is eligible for an annuity
15 based on service credited in some classes of service and
16 ineligible for an annuity for service credited in other classes
17 of service, a benefit shall be paid under subsection (a) based
18 on the service for which an annuity is deemed payable in
19 addition to payment under subsection (b) of the accumulated
20 deductions attributable to service for which the member was not
21 eligible for an annuity.

22 * * *

23 (f) Members subject to limitations under section 5702(c).--
24 Subject to the limitations contained in section 401(a)(9) of the
25 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
26 401(a)(9)), the present value of any annuity in excess of that
27 payable under section 5702 (relating to maximum single life
28 annuity) that is not subject to the limitations under section
29 415(b) of the Internal Revenue Code of 1986 shall be paid in a
30 lump sum to the beneficiary designated by the member after the

1 death of the member. A beneficiary receiving a benefit under
2 this subsection shall not be able to elect a payment method
3 otherwise allowed under section 5709(b)(2) and (3) (relating to
4 payment of benefits from the system).

5 * * *

6 § 5709. Payment of benefits from the system.

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

10 (b) Death benefits.--If the amount of a death benefit
11 payable from the fund to a beneficiary of a member under section
12 5707 (relating to death benefits) or under the provisions of
13 Option 1 of section 5705(a)(1) (relating to member's options) is
14 \$10,000 or more, such beneficiary may elect to receive payment
15 according to one of the following options:

16 (1) a lump sum payment;

17 (2) an annuity actuarially equivalent to the amount
18 payable; or

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

22 * * *

23 (e) Members with Class A-5 or Class A-6 service and service
24 in one or more other classes of service.--An annuitant whose
25 receipt of the portion of his annuity attributable to Class A-5
26 service or Class A-6 service has been delayed to the attainment
27 of age 62 shall have his annuity increased upon attainment of
28 the applicable superannuation age under the terms and conditions
29 of the annuity payment option selected at the time of retirement
30 or if applicable under section 5907(j) (relating to rights and

1 duties of State employees, members and participants). In the
2 event such a member selected a joint and survivor annuity and
3 died prior to attaining age 62, the annuity of his survivor
4 annuitant, if surviving, will be increased at the time the
5 member would have attained age 62.

6 Section 321. Title 71 is amended by adding a chapter to
7 read:

8 CHAPTER 58

9 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

10 Sec.

11 5801. Establishment.

12 5802. Plan document.

13 5803. Individual investment accounts.

14 5804. Participant contributions.

15 5805. Mandatory pickup participant contributions.

16 5806. Employer defined contributions.

17 5807. Eligibility for benefits.

18 5808. Death benefits.

19 5809. Vesting.

20 5810. Termination of distributions.

21 5811. (Reserved).

22 5812. Powers and duties of board.

23 5813. Responsibility for investment loss.

24 5814. Investments based on participant's investment allocation
25 choices.

26 5815. Expenses.

27 5816. Tax qualification.

28 § 5801. Establishment.

29 (a) State Employees' Defined Contribution Plan.--The State
30 Employees' Defined Contribution Plan is established. The board

1 shall administer and manage the plan which shall be a defined
2 contribution plan exclusively for the benefit of those State
3 employees who participate in the plan and their beneficiaries
4 within the meaning of and in conformity with IRC § 401(a). The
5 board shall determine the terms and provisions of the plan not
6 inconsistent with this part, the IRC or other applicable law and
7 shall provide for the plan's administration.

8 (b) State Employees' Defined Contribution Trust.--The State
9 Employees' Defined Contribution Trust is established as part of
10 the plan. The trust shall be comprised of the individual
11 investment accounts and all assets and money in those accounts,
12 and any assets and money held by the board as part of the plan
13 that are not allocated to individual investment accounts. The
14 members of the board shall be the trustees of the trust, which
15 shall be administered exclusively for the benefit of those State
16 employees who participate in the plan and their beneficiaries
17 within the meaning of and in conformity with IRC § 401(a). The
18 board shall determine the terms and provisions of the trust not
19 inconsistent with this part, the IRC or other applicable law and
20 shall provide for the investment and administration of the
21 trust.

22 (c) Assets held in trust.--All assets and income in the plan
23 that have been or shall be withheld or contributed by the
24 participants, the Commonwealth and other employers in accordance
25 with this part shall be held in trust in any funding vehicle
26 permitted by the applicable provisions of the IRC for the
27 exclusive benefit of the participants and their beneficiaries
28 until such time as the funds are distributed to the participants
29 or their beneficiaries in accordance with the terms of the plan
30 document. The assets of the plan held in trust for the exclusive

1 benefit of the participants and their beneficiaries may be used
2 for the payment of the fees, costs and expenses related to the
3 administration and investment of the plan and the trust.

4 (d) Name for transacting business.--All of the business of
5 the plan shall be transacted, the trust invested, all
6 requisitions for money drawn and payments made and all of its
7 cash and securities and other property shall be held by the name
8 of the "State Employees' Defined Contribution Plan."
9 Notwithstanding any other law to the contrary, the board may
10 establish a nominee registration procedure for the purpose of
11 registering securities to facilitate the purchase, sale or other
12 disposition of securities under the provisions of this part.
13 § 5802. Plan document.

14 The board shall set forth the terms and provisions of the
15 plan and trust in a document containing the terms and conditions
16 of the plan and in a trust declaration that shall be published
17 in the Pennsylvania Bulletin. Any amendments to the plan and
18 trust declaration also shall be published. The creation of the
19 document containing the terms and conditions of the plan and the
20 trust declaration and the establishment of the terms and
21 provisions of the plan and the trust need not be promulgated by
22 regulation or formal rulemaking and shall not be subject to the
23 act of July 31, 1968 (P.L.769, No.240), referred to as the
24 Commonwealth Documents Law. A reference in this part or other
25 law to the plan shall include the plan document unless the
26 context clearly indicates otherwise.
27 § 5803. Individual investment accounts.

28 The board shall establish in the trust an individual
29 investment account for each participant in the plan. All
30 contributions by a participant or an employer for or on behalf

1 of a participant shall be credited to the participant's
2 individual investment account, together with all interest and
3 investment earnings and losses. Investment and administrative
4 fees, costs and expenses shall be charged to the participants'
5 individual investment accounts except as otherwise provided
6 under this part or as the General Assembly otherwise provides by
7 appropriations from the General Fund. Employer defined
8 contributions shall be recorded and accounted for separately
9 from participant contributions, but all interest, investment
10 earnings and losses, and investment and administrative fees,
11 costs and expenses shall be allocated proportionately.

12 § 5804. Participant contributions.

13 (a) Mandatory contributions.--A participant shall make
14 mandatory pickup participant contributions through payroll
15 deductions to the participant's individual investment account
16 equal to 3.5% of compensation for current State service credited
17 as a Class A-5 member or as a Class A-6 member and 7.5% of
18 compensation for current service performed solely as a
19 participant. The employer shall cause those contributions for
20 current service to be made and deducted from each payroll or on
21 such schedule as established by the board.

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

30 (c) Prohibited contributions.--No contributions may be

1 allowed that would cause a violation of the limitations related
2 to contributions applicable to governmental plans contained in
3 IRC § 415 or in other provisions of law. In the event that any
4 disallowed contributions are made, any participant contributions
5 in excess of the limitations and investment earnings on those
6 contributions, but minus investment fees and administrative
7 charges, shall be refunded to the participant by the board.

8 § 5805. Mandatory pickup participant contributions.

9 (a) Treatment for purposes of IRC § 414(h).--The
10 contributions to the trust required to be made under section
11 5804(a) (relating to participant contributions) with respect to
12 State service rendered by an active participant shall be picked
13 up by the Commonwealth or other employer and shall be treated as
14 the employer's contribution for purposes of IRC § 414(h). After
15 the effective date of this section, an employer employing a
16 participant in the plan shall pick up the required mandatory
17 participant contributions by a reduction in the compensation of
18 the participant.

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

25 § 5806. Employer defined contributions.

26 (a) Contributions for service.--The Commonwealth or other
27 employer of an active participant shall make employer defined
28 contributions for service of an active participant that shall be
29 credited to the active participant's individual investment
30 account. Employer defined contributions shall be recorded and

1 accounted for separately from participant contributions.

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

15 (c) Limitations on contributions.--No contributions may be
16 allowed that would cause a violation of the limitations related
17 to contributions applicable to governmental plans contained in
18 IRC § 415 or in other provisions of law. In the event that any
19 disallowed contributions are made, any employer defined
20 contributions in excess of the limitations and investment
21 earnings on the contributions, but minus investment fees and
22 administrative charges, shall be refunded to the employer by the
23 board.

24 § 5807. Eligibility for benefits.

25 (a) Termination of service.--A participant who terminates
26 State service shall be eligible to withdraw the vested
27 accumulated total defined contributions standing to the
28 participant's credit in the participant's individual investment
29 account or a lesser amount as the participant may request.
30 Payment shall be made in a lump sum unless the board has

1 established other forms of distribution in the plan document. A
2 participant who withdraws his vested accumulated total defined
3 contributions shall no longer be a participant in the plan,
4 notwithstanding that the former State employee may continue to
5 be a member of the system or may have contracted to receive an
6 annuity or other form of payment from a provider retained by the
7 board for such purposes.

8 (b) Required distributions.--All payments under this section
9 shall start and be made in compliance with the minimum
10 distribution requirements and incidental death benefit rules of
11 IRC § 401(a)(9). The board shall take any action and make any
12 distributions it may determine are necessary to comply with
13 those requirements.

14 (c) (Reserved).

15 (d) Prohibited distributions.--A State employee must be
16 terminated from all positions that result in either membership
17 in the system or participation in the plan to be eligible to
18 receive a distribution. No distribution shall be allowed that
19 would be an in-service distribution prohibited by the IRC.

20 (e) Loans.--Loans or other distributions, including hardship
21 or unforeseeable emergency distributions, from the plan to State
22 employees who have not terminated State service are not
23 permitted, except as required by law.

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

30 § 5808. Death benefits.

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

7 (b) Death of participant receiving distributions.--In the
8 event of the death of a participant receiving distributions, the
9 board shall pay to the participant's beneficiary the vested
10 balance in the participant's individual investment account in a
11 lump sum or in such other manner as the board may establish in
12 the plan document or, if the board has established alternative
13 methods of distribution in the plan document under which the
14 participant was receiving distributions, to the participant's
15 beneficiary or successor payee, as the case may be, as provided
16 in the plan document.

17 (c) Contracts.--The board may contract with financial
18 institutions, insurance companies or other types of third-party
19 providers to allow a participant, beneficiary or successor payee
20 who receives a lump sum distribution to receive payments and
21 death benefits in a form and manner as provided by the contract.
22 § 5809. Vesting.

23 (a) Participant and voluntary contributions.--Subject to the
24 forfeiture and attachment provisions of section 5953 (relating
25 to taxation, attachment and assignment of funds) or otherwise as
26 provided by law, a participant shall be vested immediately with
27 respect to all mandatory pickup participant contributions and
28 voluntary contributions paid by or on behalf of the participant
29 to the trust in addition to interest and investment gains or
30 losses on the participant contributions but minus investment

1 fees and administrative charges.

2 (b) Employer defined contributions.--

3 (1) Subject to the forfeiture and attachment provisions
4 of section 5953 or otherwise as provided by law, a
5 participant shall be vested with respect to all employer
6 defined contributions paid to the participant's individual
7 investment account in the trust in addition to interest and
8 investment gains and losses on the employer defined
9 contributions but minus investment fees and administrative
10 charges according to the following schedule:

11 (i) Until such time as a participant has earned
12 three eligibility points as a member of the system or
13 participant in the plan, 0%;

14 (ii) At and after the attainment of three
15 eligibility points as a member of the system or
16 participant in the plan, 100%.

17 (2) For purposes of this subsection, all eligibility
18 points credited to a member of the system in any class of
19 service shall be used for determining vested status in the
20 plan even if the employee was not a participant in the plan
21 at the time the eligibility points were earned.

22 (3) Nonvested employer defined contributions and the
23 interest and investment gains and losses on the nonvested
24 employer defined contributions that are forfeited when a
25 participant terminates State service before accruing three
26 eligibility points as provided under section 5307(c) (3)
27 (relating to eligibility points) are credited to the
28 participant's most recent employer's future obligation
29 assessed under section 5509 (relating to appropriations and
30 assessments by the Commonwealth).

1 (c) USERRA leave and eligibility points.--A participant in
2 the plan who is reemployed from USERRA leave or who dies while
3 performing USERRA leave shall receive eligibility points under
4 this section for the State service that would have been
5 performed had the member not performed USERRA leave.

6 § 5810. Termination of distributions.

7 (a) Return to State service.--

8 (1) A participant receiving distributions or an inactive
9 participant who returns to State service shall cease
10 receiving distributions and shall not be eligible to receive
11 distributions until the participant subsequently terminates
12 State service, without regard to whether the participant is a
13 mandatory, optional or prohibited member of the system or
14 participant in the plan.

15 (2) This subsection shall not apply to distributions
16 that the participant has received or used to purchase an
17 annuity from a provider contracted by the board.

18 (b) Return of benefits paid during USERRA leave.--

19 (1) If a former State employee is reemployed from USERRA
20 leave and received any distributions from the plan during the
21 USERRA leave, the employee shall return to the board the
22 amount so received plus interest as provided in the plan
23 document.

24 (2) The amount payable shall be certified in each case
25 by the board in accordance with methods approved by the
26 actuary and shall be paid in a lump sum within 30 days or in
27 the case of an active participant may be amortized with
28 interest as provided in the plan document through salary
29 deductions to the trust in amounts agreed upon by the active
30 participant and the board, but for not longer than a period

1 that starts with the date of reemployment and continues for
2 up to three times the length of the active participant's
3 immediate past period of USERRA leave. The repayment period
4 shall not exceed five years.

5 § 5811. (Reserved).

6 § 5812. Powers and duties of board.

7 The board, in addition to its powers and duties set forth in
8 Chapter 59 (relating to administration, funds, accounts, general
9 provisions), shall have the following powers and duties to
10 establish the plan and trust and administer the provisions of
11 this chapter and part:

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

14 (2) The board shall pay all administrative fees, costs
15 and expenses of managing, investing and administering the
16 plan, the trust and the individual investment accounts from
17 the balance of such individual investment accounts except as
18 otherwise provided under this part or as the General Assembly
19 otherwise provides by appropriations from the General Fund.

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

23 (4) The board shall have the power to change the terms
24 of the plan as may be necessary to maintain the tax-qualified
25 status of the plan.

26 (5) The board may establish a process for election to
27 participate in the plan by those State employees eligible to
28 do so for whom participation is not mandatory.

29 (6) The board may perform an annual or more frequent
30 review of any qualified fund manager for the purpose of

1 assuring that the fund manager continues to meet all
2 standards and criteria established.

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

7 (8) The board may allow an inactive participant to
8 maintain the participant's individual investment account
9 within the plan.

10 (9) The board shall administer or ensure the
11 administration of the plan in compliance with the
12 qualifications and other rules of the IRC.

13 (10) The board may establish procedures to provide for
14 the lawful payment of benefits, including, but not limited
15 to, alternate payees as set forth in sections 5953 (relating
16 to taxation, attachment and assignment of funds) through
17 5953.6 (relating to irrevocable successor payee).

18 (11) The board shall determine, after reviewing
19 applicable law, what constitutes a termination of State
20 service.

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

24 (13) The board may establish procedures in the plan
25 document or promulgate rules and regulations as it deems
26 necessary for the administration and management of the plan,
27 including, but not limited to, establishing:

28 (i) Procedures for eligible participants to change
29 voluntary contribution amounts or their investment
30 choices on a periodic basis or make other elections

1 regarding their participation in the plan.

2 (ii) Procedures for deducting mandatory pickup
3 participant contributions and voluntary contributions
4 from a participant's compensation.

5 (iii) Procedures for rollovers and trustee-to-
6 trustee transfers allowed under the IRC and permitted as
7 part of the plan.

8 (iv) Standards and criteria for providing not less
9 than ten options which are offered by three or more
10 providers of investment options to eligible individuals
11 regarding investments of amounts deferred under the plan.
12 The standards and criteria must provide for a variety of
13 investment options and shall be reviewed in accordance
14 with criteria established by the board.

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

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

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

29 (15) The board may contract any services and duties in
30 lieu of staff, except final adjudications and as prohibited

1 by law. Any duties or responsibilities of the board not
2 required by law to be performed by the board can be delegated
3 to a third-party provider subject to appeal to the board.

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

7 (17) The board shall ensure that participants are
8 provided with educational materials about investment options
9 and choices.

10 (18) The board may establish procedures in the plan
11 document for automatic increases in a participant's voluntary
12 contributions, whether or not the participant is then making
13 voluntary contributions, and procedures for a participant to
14 elect not to have increased voluntary contributions.

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

23 § 5813. Responsibility for investment loss.

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

1 § 5814. Investments based on participant's investment
2 allocation choices.

3 (a) Investment by participant.--All contributions, interest
4 and investment earnings shall be invested based on a
5 participant's investment allocation choices, provided that the
6 board may provide for a default investment option. All
7 investment allocation choices shall be credited proportionally
8 between participant contributions and employer defined
9 contributions. Each participant shall be credited individually
10 with the amount of contributions, interest and investment
11 earnings.

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

24 § 5815. Expenses.

25 All fees, costs and expenses of establishing and
26 administering the plan and the trust and investing the assets of
27 the trust shall be borne by the participants and paid from
28 assessments against the balances of the individual investment
29 accounts as established by the board, except that for fiscal
30 years 2016-2017, 2017-2018 and 2018-2019 and for any additional

1 fiscal years as the General Assembly may provide, the fees,
2 costs and expenses of establishing and administering the plan
3 and the trust shall be paid by the Commonwealth through annual
4 appropriations, made on the basis of estimates from the board.
5 § 5816. Tax qualification.

6 (a) Required distributions.--All payments under this chapter
7 shall start and be made in compliance with the required
8 beginning date, minimum distribution requirements and incidental
9 death benefit rules of IRC § 401(a).

10 (b) Limitations.--The following shall apply:

11 (1) (i) Except as provided under subparagraph (ii) and
12 notwithstanding a provision of this part, a contribution
13 or benefit related to the plan may not exceed any
14 limitation under IRC § 415 with respect to a governmental
15 plan which is in effect on the date the contribution or
16 benefit payment takes effect.

17 (ii) An increase in a limitation under IRC § 415
18 shall apply to all participants on and after the
19 effective date of this section.

20 (iii) For the purposes of this paragraph, the term
21 "governmental plan" shall have the same meaning as the
22 term has in IRC § 414(d).

23 (2) (i) Except as provided under subparagraph (ii), an
24 amendment of this part on or after the effective date of
25 this section that increases contributions or benefits for
26 active participants, inactive participants or
27 participants receiving distributions shall not be deemed
28 to provide for a contribution or benefit in excess of any
29 limitation, adjusted on or after the effective date of
30 this section, under IRC § 415 unless specifically

1 provided by legislation.

2 (ii) Notwithstanding subparagraph (i), an increase
3 in benefits on or after the effective date of this
4 section for a participant in the plan shall be authorized
5 and apply to the fullest extent allowed by law.

6 Section 322. Sections 5901(a), (c), (d) and (e), 5902(a)(2),
7 (a.1), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) and
8 5903 heading of Title 71 are amended and the sections are
9 amended by adding subsections to read:

10 § 5901. The State Employees' Retirement Board.

11 (a) Status and membership.--The board shall be an
12 independent administrative board and consist of 11 members: the
13 State Treasurer, ex officio, the Secretary of Banking and
14 Securities, ex officio, two Senators, two members of the House
15 of Representatives and [six] five members appointed by the
16 Governor, one of whom shall be an annuitant of the system or a
17 participant in the plan who has terminated State service and is
18 receiving or is eligible to receive distributions, for terms of
19 four years, subject to confirmation by the Senate. At least five
20 board members shall be active members of the system or active
21 participants in the plan, and at least two shall have ten or
22 more years of credited State service[.] or shall have been
23 active participants in the plan for ten calendar years or have a
24 combination of years of credited State service in the system and
25 calendar years as active participants in the plan equal to ten
26 or more years. The chairman of the board shall be designated by
27 the Governor from among the members of the board. Each member of
28 the board who is a member of the General Assembly may appoint a
29 duly authorized designee to act in his stead. In the event that
30 a board member, who is designated as an active participant or as

1 a participant in the plan who is receiving or is eligible to
2 receive distributions, receives a total distribution of his
3 interest in the plan, that board member may continue to serve on
4 the board for the remainder of his term.

5 * * *

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

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

26 (e) Corporate power and legal advisor.--For the purposes of
27 this part, the board shall possess the power and privileges of a
28 corporation. [The Attorney General of the Commonwealth shall be
29 the legal advisor of the board.] The board shall be an
30 independent agency under the act of October 15, 1980 (P.L.950,

1 No.164), known as the Commonwealth Attorneys Act. Legal counsel
2 to the board shall serve independently from the Governor's
3 Office of General Counsel, the General Assembly and the Attorney
4 General.

5 (f) Board training.--Each member of the board will be
6 required to obtain eight hours of mandatory training in
7 investment strategies, actuarial cost analysis and retirement
8 portfolio management on an annual basis.

9 § 5902. Administrative duties of the board.

10 (a) Employees.--

11 * * *

12 (2) Notwithstanding any other provisions of law, the
13 compensation of investment professionals and legal counsel
14 shall be established by the board. The compensation of all
15 other officers and employees of the board who are not covered
16 by a collective bargaining agreement shall be established by
17 the board consistent with the standards of compensation
18 established by the Executive Board of the Commonwealth.

19 (a.1) Secretary.--The secretary shall act as chief
20 administrative officer for the board with respect to both the
21 system and the plan. In addition to other powers and duties
22 conferred upon and delegated to the secretary by the board, the
23 secretary shall:

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

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

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

5 (4) Direct the maintenance of files and records and
6 preparation of periodic reports required for actuarial
7 evaluation studies.

8 (5) Receive inquiries and requests for information
9 concerning the system or the plan from the press,
10 Commonwealth officials, State employees, the general public,
11 research organizations, and officials and organizations from
12 other states, and provide information as authorized by the
13 board.

14 (6) (i) Supervise a staff of administrative, technical,
15 and clerical employees engaged in record-keeping and
16 clerical processing activities for both the system and
17 the plan in maintaining files of members and
18 participants, accounting for contributions, processing
19 payments to annuitants and terminated participants,
20 preparing required reports, and retirement counseling.

21 (ii) The board may utilize the staff of employees
22 provided for under this paragraph for both the system and
23 the plan but shall allocate the fees, costs and expenses
24 incurred under this paragraph between the system and the
25 plan as appropriate.

26 (b) Professional personnel.--

27 (1) The board shall contract for the services of a chief
28 medical examiner, an actuary, investment advisors and
29 counselors, and such other professional personnel as it deems
30 advisable. The board may[, with the approval of the Attorney

1 General,] contract for legal services.

2 (2) The board may utilize the same individuals and firms
3 contracted under this subsection for both the system and the
4 plan but shall allocate the fees, costs and expenses incurred
5 under this subsection between the system and the plan as
6 appropriate.

7 (c) Expenses.--

8 (1) The board shall, through the Governor, submit to the
9 General Assembly annually a budget covering the
10 administrative expenses of [this part.] the system and a
11 separate budget covering the administrative expenses of the
12 plan. Budgets under this paragraph shall include those
13 expenses necessary to establish the plan and trust.

14 (2) Such expenses of the system as approved by the
15 General Assembly in an appropriation bill shall be paid from
16 investment earnings of the fund.

17 (3) For fiscal years ending on or before June 30, 2019,
18 and for any additional fiscal years as the General Assembly
19 may provide, such expenses of the plan as approved by the
20 General Assembly in an appropriation bill shall be paid from
21 the General Fund. For fiscal years beginning on or after July
22 1, 2019, such expenses of the plan as approved by the General
23 Assembly shall be paid from interest under section 5814(b)
24 (relating to investments based on participants' investment
25 allocation choices) or assessments on the balances of the
26 participants' individual investment accounts or as otherwise
27 provided in this part except as the General Assembly
28 otherwise provides by appropriations from the General Fund.

29 (4) Concurrently with its administrative budget, the
30 board shall also submit to the General Assembly annually a

1 list of proposed expenditures which the board intends to pay
2 through the use of directed commissions, together with a list
3 of the actual expenditures from the past year actually paid
4 by the board through the use of directed commissions. All
5 such directed commission expenditures shall be made by the
6 board for the exclusive benefit of the system and its
7 members.

8 * * *

9 (e) Records.--

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

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

22 (i) in the case of an alternative investment or
23 alternative investment vehicle, involve the release of
24 sensitive investment or financial information relating to
25 the alternative investment or alternative investment
26 vehicle which the fund or trust was able to obtain only
27 upon agreeing to maintain its confidentiality;

28 (ii) cause substantial competitive harm to the
29 person from whom sensitive investment or financial
30 information relating to the investment was received; or

1 (iii) have a substantial detrimental impact on the
2 value of an investment to be acquired, held or disposed
3 of by the fund or trust or would cause a breach of the
4 standard of care or fiduciary duty set forth in this
5 part.

6 (3) The following apply:

7 (i) The sensitive investment or financial
8 information excluded from [inspection] access under
9 paragraph (2)(i), to the extent not otherwise excluded
10 from [inspection] access, shall constitute a public
11 record subject to public [inspection] access under the
12 Right-to-Know Law once the board is no longer required by
13 its agreement to maintain confidentiality.

14 (ii) The sensitive investment or financial
15 information excluded from [inspection] access under
16 paragraph (2)(ii), 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:

20 (A) the [inspection] access no longer causes
21 substantial competitive harm to the person from whom
22 the information was received; or

23 (B) the entity in which the investment was made
24 is liquidated;

25 whichever is later.

26 (iii) The sensitive investment or financial
27 information excluded from [inspection] access under
28 paragraph (2)(iii), to the extent not otherwise excluded
29 from [inspection] access, shall constitute a public
30 record subject to public [inspection] access under the

1 Right-to-Know Law once:

2 (A) the [inspection] access no longer has a
3 substantial detrimental impact on the value of an
4 investment of the fund or trust and would not cause a
5 breach of the standard of care or fiduciary duty set
6 forth in this part; or

7 (B) the entity in which the investment was made
8 is liquidated;

9 whichever is later.

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

16 (5) Any record, material or data received, prepared,
17 used or retained by the board or its employees, or agents
18 relating to the contributions, account value or benefits
19 payable to or on account of a participant shall not
20 constitute a public record subject to public access under the
21 Right-to-Know Law if, in the reasonable judgment of the
22 board, the access would disclose any of the following:

23 (i) The existence, date, amount and any other
24 information pertaining to the voluntary contributions,
25 including rollover contributions or trustee-to-trustee
26 transfers, of any participant.

27 (ii) The investment option selections of any
28 participant.

29 (iii) The balance of a participant's individual
30 investment account, including the amount distributed to

1 the participant, investment gains or losses or rates of
2 return.

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

5 (v) The form of distribution of a participant's
6 account.

7 (6) Nothing in this subsection shall be construed to
8 designate 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 as a public record
12 subject to public access under the Right-to-Know Law.

13 (7) The following apply:

14 (i) Nothing in this part shall be construed to mean
15 that the release or publicizing of a record, material or
16 data which would not constitute a public record under
17 this subsection shall be a violation of the board's
18 fiduciary duties.

19 (ii) This subsection shall apply to a record,
20 material or data under this subsection, notwithstanding
21 any of the following:

22 (A) Whether the record, material or data was
23 created, generated or stored before the effective
24 date of this paragraph.

25 (B) Whether the record, material or data was
26 previously released or made public.

27 (C) Whether a request for the record, material
28 or data was made or is pending final response under
29 the Right-to-Know Law.

30 * * *

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

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

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

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

17 (k) Certification of employer contributions to fund.--The
18 board shall, each year in addition to the itemized budget
19 required under section 5509 (relating to appropriations and
20 assessments by the Commonwealth), certify, as a percentage of
21 the members' payroll, the shared-risk contribution rate, the
22 shared-gain adjustment to the regular member contribution rate,
23 the employers' contributions as determined pursuant to section
24 5508 (relating to actuarial cost method) necessary for the
25 funding of prospective annuities for active members and the
26 annuities of annuitants and certify the rates and amounts of the
27 employers' normal contributions as determined pursuant to
28 section 5508(b), accrued liability contributions as determined
29 pursuant to section 5508(c), supplemental annuities contribution
30 rate as determined pursuant to section 5508(e), the experience

1 adjustment factor as determined pursuant to section 5508(f), the
2 collared contribution rate pursuant to section 5508(h) and the
3 final contribution rate pursuant to section 5508(i), which shall
4 be paid to the fund and credited to the appropriate accounts.
5 The board may allocate the final contribution rate and certify
6 various employer contribution rates and amounts based upon the
7 different benefit eligibility, class of service multiplier,
8 superannuation age, final average salary calculation,
9 compensation limits and other benefit differences resulting from
10 State service credited for individual members even though such
11 allocated employer contribution rate on behalf of any given
12 member may be more or less than 5% of the member's compensation
13 for the period from July 1, 2010, to June 30, 2011, or may
14 differ from the prior year's contribution for that member by
15 more or less than the percentages used to calculate the collared
16 contribution rate for that year and may be below any minimum
17 contribution rate established for the collared contribution rate
18 or final contribution rate. These certifications shall be
19 regarded as final and not subject to modification by the
20 Secretary of the Budget.

21 (1) Member contributions.--The board shall cause all pickup
22 contributions made on behalf of a member to be credited to the
23 account of the member and credit to his account any other
24 payment made by such member, including, but not limited to,
25 amounts collected by the Public School Employees' Retirement
26 System for the reinstatement of previous State service or
27 creditable nonstate service and amounts paid to return benefits
28 paid after the date of return to State service or entering
29 school service representing lump sum payments made pursuant to
30 section 5705(a)(4)(iii) or (a.1) (relating to member's options)

1 and member's annuity payments, but not including other benefits
2 returned pursuant to section 5706(a.2) or (a.3) (relating to
3 termination of annuities), and shall pay all such amounts into
4 the fund.

5 (m) Annual financial statement.--The board shall prepare and
6 have published, on or before July 1 of each year, [a financial
7 statement] financial statements as of the calendar year ending
8 December 31 of the previous year showing the condition of the
9 fund, the trust and the various accounts, including, but not
10 limited to, the board's accrual and expenditure of directed
11 commissions, and setting forth such other facts,
12 recommendations, and data as may be of use in the advancement of
13 knowledge concerning annuities and other benefits provided by
14 this part. The board shall submit said financial [statement]
15 statements to the Governor and shall file copies with the head
16 of each department for the use of the State employees and the
17 public.

18 (n) Independent [audit] audits.--The board shall provide for
19 [an annual audit] annual audits of the system and the plan by
20 [an] independent certified public [accountant, which audit]
21 accountants. The audits shall include the board's accrual and
22 expenditure of directed commissions. The board may use the same
23 independent certified public accountant for the audits of both
24 the system and the plan.

25 * * *

26 (p) Participant and employer contributions to trust.--The
27 board shall, each year in addition to any fees and itemized
28 budget required under section 5509, certify, as a percentage of
29 each participant's compensation, the employer defined
30 contributions, which shall be paid to the trust and credited to

1 each participant's individual investment account. Certifications
2 under this subsection shall be regarded as final and not subject
3 to modification by the Secretary of the Budget. The board shall
4 cause all mandatory pickup participant contributions made on
5 behalf of a participant and all voluntary contributions made by
6 a participant to be credited to the participant's individual
7 investment account.

8 § 5903. Duties of the board to advise and report to heads of
9 departments [and], members and participants.

10 * * *

11 (b.1) Participant status statements.--The board shall
12 furnish annually to each participant, on or before April 1 and
13 more frequently as the board may agree or as required by law, a
14 statement showing the accumulated total defined contributions
15 credited to the participant's individual investment account, the
16 nature and type of investments and the investment allocation of
17 future contributions as of December 31 of the previous year, and
18 shall request the participant to make any necessary correction
19 or revision regarding the designated beneficiary.

20 * * *

21 Section 323. Section 5904(c) of Title 71 is amended to read:

22 § 5904. Duties of the board to report to the Public School
23 Employees' Retirement Board.

24 * * *

25 (c) Applications for benefits for school employees.--Upon
26 receipt of notification and the required data from the Public
27 School Employees' Retirement Board that a former State employee
28 who elected multiple service has applied for a public school
29 employees' retirement benefit or, in the event of his death, his
30 legally constituted representative has applied for such benefit,

1 the board shall:

2 (1) certify to the Public School Employees' Retirement
3 Board;

4 (i) the salary history as a member of the State
5 Employees' Retirement System and the final average salary
6 as calculated on the basis of the compensation received
7 as a [State and school employee] member of the system and
8 as a member of the Public School Employees' Retirement
9 System; and

10 (ii) the annuity or benefit to which the member or
11 his beneficiary is entitled as modified according to the
12 option selected; and

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

22 * * *

23 Section 324. Section 5905 heading, (c.1) and (g) of Title 71
24 are amended and the section is amended by adding subsections to
25 read:

26 § 5905. Duties of the board regarding applications and
27 elections of members and participants.

28 * * *

29 (c.1) Termination of service by a member.--In the case of
30 any member terminating State service who is entitled to an

1 annuity and who is not then a disability annuitant, the board
2 shall advise such member in writing of any benefits from the
3 system to which he may be entitled under the provisions of this
4 part and shall have the member prepare, on or before the date of
5 termination of State service, one of the following three forms,
6 a copy of which shall be given to the member and the original of
7 which shall be filed with the board:

8 (1) an application for the return of total accumulated
9 deductions;

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

15 (3) if eligible, an application for an immediate annuity
16 and, if he desires:

17 (i) an election to convert his medical, major
18 medical and hospitalization insurance coverage to the
19 plan for State annuitants; and

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

24 (c.2) Termination of service by participant.--In the case of
25 a participant terminating State service, the board shall advise
26 the participant in writing of the vested accumulated total
27 defined contributions credited to the participant's individual
28 investment account as of the date stated in the writing, any
29 notices regarding rollover or other matters required by IRC or
30 other law, the obligation of the participant to commence

1 distributions from the plan by the participant's required
2 beginning date and the ability to receive all or part of the
3 vested balance in the participant's individual investment
4 account in a lump sum or in such other form as the board may
5 authorize or as required by law.

6 * * *

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

15 * * *

16 (f.1) Initial payment to participants.--The board shall make
17 the initial payment to a participant who has applied for a
18 distribution within 60 days of the receipt of all information
19 necessary to process the application for a distribution.

20 (g) Death benefits.--Upon receipt of notification from the
21 head of a department of the death of an active member, a member
22 performing USERRA leave [or], a member on leave without pay, an
23 active participant, an inactive participant on leave without pay
24 or a former participant performing USERRA leave, the board shall
25 advise the designated beneficiary of the benefits to which he is
26 entitled, and shall make the first payment to the beneficiary
27 within 60 days of receipt of certification of death and other
28 necessary data. If no beneficiary designation is in effect at
29 the date of the member's death or no notice has been filed with
30 the board to pay the amount of the benefits to the member's

1 estate, the board is authorized to pay the benefits to the
2 executor, administrator, surviving spouse or next of kin of the
3 deceased member, and payment pursuant [hereto] to this
4 subsection shall fully discharge the fund from any further
5 liability to make payment of such benefits to any other person.
6 If no 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 may pay the benefits as established in the plan
10 document, and payment pursuant to this subsection shall fully
11 discharge the trust from any further liability to make payment
12 of such benefits to any other person.

13 * * *

14 Section 325. Section 5905.1(a), (b) and (d) of Title 71 are
15 amended to read:

16 § 5905.1. Installment payments of accumulated deductions.

17 (a) General rule.--Notwithstanding any other provision of
18 this part, whenever a member elects to withdraw his total
19 accumulated deductions pursuant to section 5311(a) (relating to
20 eligibility for refunds) or 5701 (relating to return of total
21 accumulated deductions) or elects to receive a portion of his
22 benefit payable as a lump sum pursuant to section 5705(a)(4)
23 (iii) or (a.1) (relating to member's options), the member may
24 elect to receive the amount in not more than four installments.

25 (b) Payment of first installment.--The payment of the first
26 installment shall be made in the amount and within seven days of
27 the date specified by the member, except as follows:

28 (1) Upon receipt of a member's application to withdraw
29 his total accumulated deductions as provided in section
30 5311(a) or 5701 and upon receipt of all required data from

1 the head of the department and, if the member has Class G,
2 Class H, Class I, Class J, Class K, Class L, Class M or Class
3 N service, any data required from the county retirement
4 system or pension plan to which the member was a contributor
5 before being transferred to State employment, the board shall
6 not be required to pay the first installment prior to 45 days
7 after the filing of the application and the receipt of the
8 data or the date of termination of service, whichever is
9 later.

10 (2) In the case of an election as provided in section
11 5705(a)(4)(iii) or (a.1) by a member terminating service
12 within 60 days prior to the end of a calendar year and upon
13 receipt of all required data from the head of the department
14 and, if the member has Class G, Class H, Class I, Class J,
15 Class K, Class L, Class M or Class N service, any data
16 required from the county retirement system or pension plan to
17 which the member was a contributor before being transferred
18 to State employment, the board shall not be required to pay
19 the first installment prior to 21 days after the later of the
20 filing of the application and the receipt of the data or the
21 date of termination of service, but, unless otherwise
22 directed by the member, the payment shall be made no later
23 than 45 days after the filing of the application and the
24 receipt of the data or the date of termination of service,
25 whichever is later.

26 (3) In the case of an election as provided in section
27 5705(a)(4)(iii) or (a.1) by a member who is not terminating
28 service within 60 days prior to the end of a calendar year
29 and upon receipt of all required data from the head of the
30 department and, if the member has Class G, Class H, Class I,

1 Class J, Class K, Class L, Class M or Class N service, any
2 data required from the county retirement system or pension
3 plan to which the member was a contributor before being
4 transferred to State employment, the board shall not be
5 required to pay the first installment prior to 45 days after
6 the filing of the application and the receipt of the data or
7 the date of termination of service, whichever is later.

8 * * *

9 (d) Statutory interest.--Any lump sum, including a lump sum
10 payable pursuant to section 5705.1 (relating to payment of
11 accumulated deductions resulting from [Class A-3 and Class A-4]
12 more than one class of service), or installment payable shall
13 include statutory interest credited to the date of payment,
14 except in the case of a member, other than a vestee or special
15 vestee, who has not filed his application prior to 90 days
16 following his termination of service.

17 Section 326. Section 5906(a), (b), (d), (e), (g), (h) (i)
18 and (l) of Title 71 are amended and the section is amended by
19 adding subsections to read:

20 § 5906. Duties of heads of departments.

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

29 (1) if the removal is due to leave without pay, he shall
30 furnish the board with the date of beginning leave and the

1 date of return to service, and the reason for leave; or

2 (2) if the removal is due to a transfer to another
3 department, he shall furnish such department and the board
4 with a complete State service record, including past State
5 service in other departments or agencies, or creditable
6 nonstate service; or

7 (3) if the removal is due to termination of State
8 service, he shall furnish the board with a complete State
9 service record, including service in other departments or
10 agencies, or creditable nonstate service and;

11 (i) in the case of death of the member or
12 participant, the head of the department shall so notify
13 the board;

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

27 (iii) in the case of a member terminating from The
28 Pennsylvania State University who is a member of the
29 system with five or more but less than ten eligibility
30 points and who has terminated State service on June 30,

1 1997, because of the transfer of his job position or
2 duties to a controlled organization of the Penn State
3 Geisinger Health System or because of the elimination of
4 his job position or duties due to the transfer of other
5 job positions or duties to a controlled organization of
6 the Penn State Geisinger Health System, the head of the
7 department shall so certify to the board.

8 (b) Records and information regarding members and
9 participants.--At any time at the request of the board and at
10 termination of service of a member or participant, the head of
11 department shall furnish service and compensation records and
12 such other information as the board may require and shall
13 maintain and preserve such records as the board may direct for
14 the expeditious discharge of its duties.

15 * * *

16 (c.1) Participant and employer defined contributions.--The
17 head of department shall:

18 (1) Cause to be made:

19 (i) the mandatory pickup participant contributions
20 on behalf of a participant;

21 (ii) the deduction of any voluntary contributions
22 authorized by a participant; and

23 (iii) the employer defined contributions on behalf
24 of a participant.

25 (2) Notify the board at times and in a manner prescribed
26 by the board of the compensation of any participant to whom
27 the limitation under IRC § 401(a)(17) either applies or is
28 expected to apply and cause the participant's contributions
29 to be deducted from payroll to cease at the limitation under
30 IRC § 401(a)(17) on the payroll date if and when such limit

1 shall be reached.

2 (3) Certify to the State Treasurer the amounts picked up
3 and deducted and the employer defined contributions being
4 made and send the total amount picked up, deducted and
5 contributed together with a duplicate of the voucher to the
6 secretary of the board every pay period or on such schedule
7 as established by the board.

8 (d) New employees subject to mandatory membership or
9 participation.--Upon the assumption of duties of each new State
10 employee whose membership in the system or plan is mandatory,
11 the head of department shall cause an application for membership
12 or participation and a nomination of beneficiary to be made by
13 such employee and filed with the board and shall make pickup
14 contributions or mandatory pickup participant contributions from
15 the effective date of State employment.

16 (e) New employees subject to optional membership or
17 participation.--The head of department shall, upon the
18 employment or entering into office of any State employee whose
19 membership in the system or participation in the plan is not
20 mandatory, inform such employee of his opportunity to become a
21 member of the system or a participant in the plan. If such
22 employee so elects, the head of department shall cause an
23 application for membership or participation and a nomination of
24 beneficiary to be made by him and filed with the board and shall
25 cause proper contributions to be made from the effective date of
26 membership or participation.

27 * * *

28 (g) Former school employee contributors.--The head of
29 department shall, upon the employment of a former contributor to
30 the Public School Employees' Retirement System who is not an

1 annuitant of the Public School Employees' Retirement System,
2 advise such employee [of his] if he has a right to elect within
3 365 days of entry into the system to become a multiple service
4 member, and in the case of any such employee who so elects and
5 has withdrawn his accumulated deductions, require him to
6 reinstate his credit in the Public School Employees' Retirement
7 System. The head of the department shall advise the board of
8 such election.

9 (h) Former school employee annuitants.--The head of
10 department shall, upon the employment of an annuitant of the
11 Public School Employees' Retirement System who applies for
12 membership in the system, advise such employee [that] if he may
13 elect multiple service membership within 365 days of entry into
14 the system and if he so elects his public school employee's
15 annuity will be discontinued effective upon the date of his
16 return to State service and, upon termination of State service
17 and application for an annuity, the annuity will be adjusted in
18 accordance with section 5706 (relating to termination of
19 annuities). The head of department shall advise the board of
20 such election.

21 (i) Annual statement to members.--Annually, upon receipt
22 from the board, the head of department shall furnish to each
23 member the statement specified in section 5903(b) (relating to
24 duties of the board to advise and report to heads of departments
25 [and], members and participants).

26 * * *

27 (l) State employees performing USERRA or military-related
28 leave of absence.--The head of department shall report to the
29 board any State employee who ceases to be an active member or
30 active participant to perform USERRA service, or who is granted

1 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
2 of absence for certain government employees) or a military leave
3 of absence under 51 Pa.C.S. § 7302 (relating to granting
4 military leaves of absence), the date on which the USERRA
5 service, leave of absence or military leave of absence began,
6 the date on which the State employee is reemployed from USERRA
7 leave or returns after the leave of absence or military leave of
8 absence, if the event occurs, and any other information the
9 board may require or direct.

10 * * *

11 (n) Employees receiving payments for overtime service or
12 duties.--The head of the department shall report to the board in
13 a form and manner established by the board any payments made to,
14 and hours worked by, a Class A-5 exempt employee for overtime
15 service or duties and identify which of those payments and hours
16 were for voluntary overtime.

17 Section 327. Section 5907 heading, (a), (b)(1), (d), (e),
18 (f), (g) and (h) of Title 71 are amended and the section is
19 amended by adding subsections to 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 (b) Application for membership.--

10 (1) In the case of a new employee who is not currently a
11 member of the system, and whose membership is mandatory or in
12 the case of a new employee whose membership in the system is
13 not mandatory but is permitted and who desires to become a
14 member of the system, the new employee shall execute an
15 application for membership and a nomination of beneficiary.

16 * * *

17 (b.1) Application for participation.--On or after January 1,
18 2018, the following types of employees shall execute an
19 application for participation and a nomination of a beneficiary:

20 (1) An employee who is not currently a participant in
21 the plan and whose participation is mandatory.

22 (2) An employee whose participation is not mandatory but
23 is permitted and who desires to become a participant in the
24 plan.

25 * * *

26 (d) Credit for previous service or change in membership
27 status.--Any active member or eligible school employee who
28 desires to receive credit for the portion of his total previous
29 State service or creditable nonstate service to which he is
30 entitled, or a joint coverage member who desires to become a

1 full coverage member, shall so notify the board and upon written
2 agreement by the member and the board as to the manner of
3 payment of the amount due, the member shall receive credit for
4 such service as of the date of such agreement subject to the
5 provisions in this part relating to the limitations under IRC §
6 415.

7 * * *

8 (d.2) Contributions for USERRA leave.--Any active
9 participant or inactive participant on leave without pay or
10 former participant who was reemployed from USERRA leave who
11 desires to make mandatory pickup participant contributions and
12 voluntary contributions for his USERRA leave shall notify the
13 board within the time period required under 38 U.S.C. Ch. 43
14 (relating to employment and reemployment rights of members of
15 the uniformed services) and IRC § 414(u) of his desire to make
16 such contributions. Upon the participant making the permitted
17 mandatory pickup participant contributions within the allowed
18 time period, the head of department shall make the corresponding
19 employer defined contributions at the same time.

20 (d.3) Voluntary contributions by a participant.--Any
21 participant who desires to make voluntary contributions to be
22 credited to his individual investment account shall notify the
23 board and, upon compliance with the requirements, procedures and
24 limitations established by the board in the plan document, may
25 do so subject to the limitations under IRC §§ 401(a) and 415 and
26 other applicable law.

27 (e) Beneficiary for death benefits from system.--Every
28 member shall nominate a beneficiary by written designation filed
29 with the board as provided in section 5906(d) or (e) (relating
30 to duties of heads of departments) to receive the death benefit

1 payable under section 5707 (relating to death benefits) or the
2 benefit payable under the provisions of Option 1 of section
3 5705(a) (1) (relating to member's options). Such nomination may
4 be changed at any time by the member by written designation
5 filed with the board. A member may also nominate a contingent
6 beneficiary or beneficiaries to receive the death benefit
7 provided under section 5707 or the benefit payable under the
8 provisions of Option 1 of section 5705(a) (1).

9 (e.1) Beneficiary for death benefits from the plan.--Every
10 participant shall nominate a beneficiary by written designation
11 filed with the board as provided in section 5906(d) or (e) to
12 receive the death benefit payable under section 5808 (relating
13 to death benefits). A participant may also nominate a contingent
14 beneficiary or beneficiaries to receive the death benefit
15 provided under section 5808. Such nominations may be changed at
16 any time by the participant by written designation filed with
17 the board.

18 (e.2) Beneficiaries for employees who are members and
19 participants.--A State employee who is both a member of the
20 system and a participant in the plan may designate or nominate
21 different persons to be beneficiaries, survivor annuitants and
22 successor payees for his benefits from the system and the plan.

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

- 28 (1) withdraw his total accumulated deductions; or
29 (2) if eligible, vest his retirement rights; and if he
30 is a joint coverage member, and so desires, elect to become a

1 full coverage member and agree to pay within 30 days of the
2 date of termination of service the lump sum required; or

3 (3) if eligible, receive an immediate annuity and may,

4 (i) if eligible, elect to convert his medical, major
5 medical, and hospitalization coverage to the plan for
6 State annuitants; and

7 (ii) if he is a joint coverage member, elect to
8 become a full coverage member and agree to pay within 30
9 days of date of termination of service the lump sum
10 required.

11 (g) Vesting of retirement rights.--If a member elects to
12 vest his retirement rights he shall nominate a beneficiary by
13 written designation filed with the board and he may anytime
14 thereafter, but no later than his required beginning date,
15 withdraw the total accumulated deductions standing to his credit
16 or apply for an annuity[.], provided, however, that no annuity
17 resulting from Class A-5 service or Class A-6 service shall be
18 paid before the member attains age 62.

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

26 (h) Vestees and special vestees attaining superannuation
27 age.--Upon attainment of superannuation age a vestee or special
28 vestee shall execute and file an application for an annuity. Any
29 such application filed within 90 days after attaining
30 superannuation age shall be effective as of the date of

1 attainment of superannuation age. Any application filed after
2 such period shall be filed by the member's required beginning
3 date and shall be effective as of the date it is filed with the
4 board, subject to the provisions of section 5905(f) (relating to
5 duties of the board regarding applications and elections of
6 members and participants).

7 * * *

8 Section 328. Sections 5931(b), 5932, 5933(a), 5934, 5935,
9 5936, 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
10 5953.4(a) of Title 71 are amended to read:

11 § 5931. Management of fund and accounts.

12 * * *

13 (b) Crediting of interest.--The board, annually, shall allow
14 the required interest on the mean amount for the preceding year
15 to the credit of each of the accounts other than the individual
16 investment accounts. The amount so allowed shall be credited
17 thereto by the board and transferred from the interest reserve
18 account.

19 * * *

20 § 5932. State Employees' Retirement Fund.

21 (a) General rule.--The fund shall consist of all balances in
22 the several separate accounts set apart to be used under the
23 direction of the board for the benefit of members of the system;
24 and the Treasury Department shall credit to the fund all moneys
25 received from the Department of Revenue arising from the
26 contributions relating to or on behalf of members of the system
27 required under the provisions of Chapter 55 (relating to
28 contributions), and any income earned by the investments or
29 moneys of said fund. There shall be established and maintained
30 by the board the several ledger accounts specified in sections

1 5933 (relating to members' savings account), 5934 (relating to
2 State accumulation account), 5935 (relating to annuity reserve
3 account), 5936 (relating to State Police benefit account), 5937
4 (relating to enforcement officers' benefit account), 5938
5 (relating to supplemental annuity account) and 5939 (relating to
6 interest reserve account).

7 (b) Individual investment accounts and trust.--The
8 individual investment accounts that are part of the trust shall
9 not be part of the fund. Mandatory pickup participant
10 contributions, voluntary contributions and employer defined
11 contributions made under this part and any income earned by the
12 investment of such contributions shall not be paid or credited
13 to the fund but shall be paid to the trust and credited to the
14 individual investment accounts.

15 § 5933. Members' savings account.

16 (a) Credits to account.--The members' savings account shall
17 be the ledger account to which shall be credited the amounts of
18 the pickup contributions made by the Commonwealth or other
19 employer and contributions or lump sum payments made by active
20 members in accordance with the provisions of sections 5501
21 (relating to regular member contributions for current service),
22 5501.1 (relating to shared-risk member contributions [for Class
23 A-3 and Class A-4 service] and shared-gain adjustments to
24 regular member contributions), 5502 (relating to social security
25 integration member contributions), 5503 (relating to joint
26 coverage member contributions), 5504 (relating to member
27 contributions for the purchase of credit for previous State
28 service or to become a full coverage member), 5505.1 (relating
29 to additional member contributions) and 5505 (relating to
30 contributions for the purchase of credit for creditable nonstate

1 service) and transferred from the members' savings account of
2 the Public School Employees' Retirement System in accordance
3 with the provisions of section 5303.2 (relating to election to
4 convert school service to State service).

5 * * *

6 § 5934. State accumulation account.

7 The State accumulation account shall be the ledger account to
8 which shall be credited all contributions of the Commonwealth or
9 other employers whose employees are members of the system and
10 made in accordance with the provisions of section 5507(a) or (d)
11 (relating to contributions to the system by the Commonwealth and
12 other employers) except that the amounts received under the
13 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
14 amounts received under the provisions of the Liquor Code, act of
15 April 12, 1951 (P.L.90, No.21), shall be credited to the State
16 Police benefit account or the enforcement officers' benefit
17 account as the case may be. All amounts transferred to the fund
18 by county retirement systems or pension plans in accordance with
19 the provisions of section 5507(c) also shall be credited to the
20 State accumulation account. All amounts transferred to the fund
21 by the Public School Employees' Retirement System in accordance
22 with section 5303.2(e) (relating to election to convert school
23 service to State service), except amounts credited to the
24 members' savings account, and all amounts paid by the Department
25 of Corrections in accordance with section 5303.2(f) also shall
26 be credited to the State accumulation account. The State
27 accumulation account shall be credited with valuation interest.
28 The reserves necessary for the payment of annuities and death
29 benefits resulting from membership in the system as approved by
30 the board and as provided in Chapter 57 (relating to benefits)

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

19 § 5935. Annuity reserve account.

20 (a) Credits and charges to account.--The annuity reserve
21 account shall be the ledger account to which shall be credited
22 the reserves held for payment of annuities and death benefits on
23 account of all annuitants except in the case of members who are
24 officers of the Pennsylvania State Police or enforcement
25 officers. The annuity reserve account shall be credited with
26 valuation interest. After the transfers provided in sections
27 5933 (relating to members' savings account), 5934 (relating to
28 State accumulation account) and 5938 (relating to supplemental
29 annuity account), all annuity and death benefit payments
30 resulting from membership in the system except those payable to

1 any member who retires as an officer of the Pennsylvania State
2 Police or an enforcement officer shall be charged to the annuity
3 reserve account and paid from the fund.

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

15 § 5936. State Police benefit account.

16 (a) Credits and charges to account.--The State Police
17 benefit account shall be the ledger account to which shall be
18 credited all contributions received under the provisions of the
19 act of May 12, 1943 (P.L.259, No.120), referred to as the
20 Foreign Casualty Insurance Premium Tax Allocation Law, and any
21 additional Commonwealth or other employer contributions provided
22 for in section 5507 (relating to contributions to the system by
23 the Commonwealth and other employers) which are creditable to
24 the State Police benefit account. The State Police benefit
25 account shall be credited with the required interest. In
26 addition, upon the filing of an application for an annuity by a
27 member who is an officer of the Pennsylvania State Police, the
28 total accumulated deductions standing to the credit of the
29 member in the members' savings account and the necessary
30 reserves from the State accumulation account shall be

1 transferred to the State Police benefit account. Thereafter, the
2 total annuity of such annuitant shall be charged to the State
3 Police benefit account and paid from the fund.

4 (b) Transfers from account.--Should the said annuitant be
5 subsequently restored to active service as a member of the
6 system or as a participant in the plan, the present value of the
7 member's annuity at the time of reentry into State service shall
8 be transferred from the State Police benefit account and placed
9 to his individual credit in the members' savings account. In
10 addition, the actuarial reserve for his annuity calculated as if
11 he had been a member of Class A if he has Class A or Class C
12 service credited; as if he had been a member of Class A-3 if the
13 annuitant has Class A-3 State service credited; [or] as if he
14 had been a member of Class A-4 if the annuitant has Class A-4
15 service credited; as if he had been a member of Class A-5 if the
16 annuitant has Class A-5 service credited; or as if he had been a
17 member of Class A-6 if the annuitant has Class A-6 service
18 credited, less the amount transferred to the members' savings
19 account shall be transferred from the State Police benefit
20 account to the State accumulation account. Upon subsequent
21 retirement other than as an officer of the Pennsylvania State
22 Police the actuarial reserve remaining in the State Police
23 benefit account shall be transferred to the appropriate reserve
24 account.

25 § 5937. Enforcement officers' benefit account.

26 (a) Credits and charges to account.--The enforcement
27 officers' benefit account shall be the ledger account to which
28 shall be credited moneys transferred from the enforcement
29 officers' retirement account in the State Stores Fund according
30 to the provisions of the act of April 12, 1951 (P.L.90, No.21),

1 known as the Liquor Code, and any additional Commonwealth or
2 other employer contributions provided for in section 5507
3 (relating to contributions to the system by the Commonwealth and
4 other employers) which are creditable to the enforcement
5 officers' benefit account. The enforcement officers' benefit
6 account shall be credited with the required interest. In
7 addition, upon the filing of an application for an annuity by a
8 member who is an enforcement officer of the Pennsylvania Liquor
9 Control Board, the total accumulated deductions standing to the
10 credit of the member in the members' savings account and the
11 necessary reserves from the State accumulation account shall be
12 transferred to the enforcement officers' benefit account.
13 Thereafter, the total annuity of such annuitant shall be charged
14 to the enforcement officers' benefit account and paid from the
15 fund.

16 (b) Transfers from account.--Should the said annuitant be
17 subsequently restored to active service as a member of the
18 system or as a participant in the plan, the present value of the
19 member's annuity at the time of reentry into State service shall
20 be transferred from the enforcement officers' benefit account
21 and placed to his individual credit in the members' savings
22 account. In addition, the actuarial reserve for his annuity
23 calculated as if he had been a member of Class A if the
24 annuitant does not have any Class AA, Class A-3 [or] Class A-4,
25 Class A-5 or Class A-6 service credited; as if he had been a
26 member of Class AA if the annuitant does have Class AA service
27 credited; as if he had been a member of Class A-3 if the
28 annuitant has Class A-3 State service credited; [or] as if he
29 had been a member of Class A-4 if the annuitant has Class A-4
30 service credited; as if he had been a member of Class A-5 if the

1 annuitant has Class A-5 service credited; or as if he had been a
2 member of Class A-6 if the annuitant has Class A-6 service
3 credited, less the amount transferred to the members' savings
4 account shall be transferred from the enforcement officers'
5 benefit account to the State accumulation account. Upon
6 subsequent retirement other than as an enforcement officer the
7 actuarial reserve remaining in the enforcement officers' benefit
8 account shall be transferred to the appropriate reserve account.
9 § 5938. Supplemental annuity account.

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

1 December 31, 2009. The supplemental annuity account shall be
2 credited with valuation interest. The reserves necessary for the
3 payment of such supplemental annuities shall be transferred from
4 the supplemental annuity account to the annuity reserve account
5 as provided in section 5935 (relating to annuity reserve
6 account).

7 § 5939. Interest reserve account.

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

23 § 5951. State guarantee regarding the system.

24 The required interest charges payable, the maintenance of
25 reserves in the fund, and the payment of all annuities and other
26 benefits granted by the board from the system under the
27 provisions of this part relating to the establishment and
28 administration of the system are hereby made obligations of the
29 Commonwealth. All income, interest, and dividends derived from
30 deposits and investments of the system authorized by this part

1 shall be used for the payment of the said obligations of the
2 Commonwealth and shall not be used for any obligation of the
3 plan or trust.

4 § 5953. Taxation, attachment and assignment of funds.

5 (a) General rule.--

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

28 (2) (i) Rights under this part shall be subject to
29 forfeiture as provided by the act of July 8, 1978
30 (P.L.752, No.140), known as the Public Employee Pension

1 Forfeiture Act, and by or pursuant to section 16(b) of
2 Article V of the Constitution of Pennsylvania.
3 Forfeitures under this subsection or under any other
4 provision of law may not be applied to increase the
5 benefits that any member would otherwise receive under
6 this part.

7 (ii) In accordance with section 16(b) of Article V
8 of the Constitution of Pennsylvania and notwithstanding
9 this paragraph, the act of July 8, 1978 (P.L.752,
10 No.140), known as the Public Employee Pension Forfeiture
11 Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
12 the accumulated mandatory participant contributions and
13 accumulated voluntary contributions standing to the
14 credit of a participant shall not be forfeited but shall
15 be available for payment of fines and restitution as
16 provided by law. In accordance with section 16(b) of
17 Article V of the Constitution of Pennsylvania, amounts in
18 the trust that have been ordered to be distributed to an
19 alternate payee as the result of an equitable
20 distribution of marital property as part of an approved
21 domestic relations order entered before the date of the
22 order or action in a court or other tribunal resulting in
23 a forfeiture of a participant's interest in the trust
24 shall not be subject to the provisions of the Public
25 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
26 accumulated employer defined contributions forfeited as a
27 result of this paragraph or other law shall be retained
28 by the board and notwithstanding sections 5812(2)
29 (relating to powers and duties of board), 5815 (relating
30 to expenses) and 5902(c) (relating to administrative

1 duties of the board) used for the payment of expenses of
2 the plan.

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

6 (4) Effective with distributions made on or after
7 January 1, 1993, and notwithstanding any other provision of
8 this part to the contrary, a distributee may elect, at the
9 time and in the manner prescribed by the board, to have any
10 portion of an eligible rollover distribution paid directly to
11 an eligible retirement plan by way of a direct rollover. For
12 purposes of this paragraph, a "distributee" includes a member
13 [and], a participant, a member's surviving spouse [and], a
14 participant's surviving spouse, a member's former spouse who
15 is an alternate payee under an approved domestic relations
16 order[.], a participant's former spouse who is an alternate
17 payee under an approved domestic relations order and anyone
18 else authorized under the IRC and the plan terms approved by
19 the board to have an eligible rollover distribution paid
20 directly to an eligible retirement plan by way of a direct
21 rollover. For purposes of this paragraph, the term "eligible
22 rollover distribution" has the meaning given such term by IRC
23 § 402(f)(2)(A), and "eligible retirement plan" has the
24 meaning given such term by IRC § 402(c)(8)(B), except that a
25 qualified trust shall be considered an eligible retirement
26 plan only if it accepts the distributee's eligible rollover
27 distribution; however, in the case of an eligible rollover
28 distribution to a surviving spouse, an eligible retirement
29 plan is an "individual retirement account" or an "individual
30 retirement annuity" as those terms are defined in IRC §

1 408(a) and (b).

2 (b) Authorized payments from fund and trust.--

3 (1) The board shall be authorized to pay from the fund
4 and the trust in the case of a member or participant who is
5 terminating service, the amount determined after
6 certification by the head of the department that the member
7 or participant is so obligated, and after review and approval
8 by the department or agency's legal representative or upon
9 receipt of an assignment from the member or participant in
10 the amount so certified[.], except that no payment shall be
11 made from the individual investment account of a participant
12 until the participant otherwise applies for and receives a
13 distribution and shall not exceed the amount of the
14 distribution.

15 (2) In the case of a participant whose former spouse is
16 an alternate payee of an equitable distribution of marital
17 assets under an approved domestic relations order, a lump sum
18 of the alternate payee's interest in the participant's vested
19 accumulated total defined contributions. This paragraph shall
20 apply without regard to whether the participant has not
21 terminated, is terminating or has terminated State service.

22 § 5953.1. Approval of domestic relations orders.

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

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

1 (2) Requires the system to provide no more than the
2 total amount of benefits than the member would otherwise
3 receive (determined on the basis of actuarial value) unless
4 increased benefits are paid to the member or alternate payee
5 based upon cost-of-living increases or increases based on
6 other than actuarial value.

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

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

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

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

22 (7) Requires the member to execute an authorization
23 allowing each alternate payee to monitor the member's
24 compliance with the terms of the domestic relations order
25 through access to information concerning the member
26 maintained by the system. An authorization granted under this
27 section shall be construed as an authorization for the
28 alternate payee to receive information concerning the
29 administration, calculation and payment of the alternate
30 payee's share of the benefits payable under this part and not

1 as an authorization to exercise the rights afforded to
2 members or obtain information which is not related to the
3 administration, calculation and payment of alternate payee's
4 share of the benefits payable under this part.

5 (a.1) Certification regarding participants.--A domestic
6 relations order pertaining to a participant shall be certified
7 as an approved domestic relations order by the secretary of the
8 board, or his designated representative, only if the order meets
9 all of the following:

10 (1) Does not require the plan to provide a type or form
11 of benefit or an option applicable to members of the system
12 or participants in the plan.

13 (2) Does not require the segregation of the alternate
14 payee's share of the participant's individual investment
15 account into a subaccount or newly established individual
16 account titled in the name of the alternate payee.

17 (3) Does not require the plan to recover or distribute
18 any funds that were distributed to the participant or at the
19 participant's direction prior to the approval of the domestic
20 relations order by the secretary of the board or his
21 designated representative.

22 (4) Requires the plan to pay to the alternate payee no
23 more than the lesser of the vested amount of the
24 participant's individual investment account specified by the
25 domestic relations order or the vested amount of the
26 participant's individual investment account as of the date of
27 the transfer of the alternate payee's share to the alternate
28 payee.

29 (5) States that the plan shall not be required to recoup
30 or make good for losses in value to the participant's

1 individual investment account incurred between the date of
2 the valuation of the account used for equitable distribution
3 purposes and the date of distribution to the alternate payee.

4 (6) Specifies the amount or percentage of the
5 participant's individual investment account to be paid to the
6 alternate payee and the date upon which the valuation is
7 based.

8 (7) Specifies the name and last known mailing address,
9 if any, of the participant and the name and last known
10 mailing address of each alternate payee covered by the order
11 and states that it is the responsibility of each alternate
12 payee to keep a current mailing address on file with the
13 plan.

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

16 (9) Requires the participant to execute an authorization
17 allowing each alternate payee to monitor the participant's
18 compliance with the terms of the domestic relations order
19 through access to information concerning the participant
20 maintained by the plan. An authorization granted under this
21 section shall be construed as an authorization for the
22 alternate payee to receive information concerning the
23 participant that relates to the administration, calculation
24 and payment of the alternate payee's share of the
25 participant's account and not as an authorization to exercise
26 the rights afforded to participants or obtain information
27 that is not related to the administration, calculation and
28 payment of alternate payee's share of the participant's
29 individual investment account.

30 (10) Requires the immediate distribution of the

1 alternate payee's share of the participant's individual
2 investment account, which may be made by direct payment,
3 eligible rollover or trustee-to-trustee transfer to another
4 eligible plan or qualified account owned by the alternate
5 payee.

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

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

30 (c) Other orders.--The requirements for approval identified

1 in [subsection (a)] subsections (a) and (a.1) shall not apply to
2 any domestic relations order which is an order for support as
3 the term is defined at 23 Pa.C.S. § 4302 (relating to
4 definitions) or an order for the enforcement of arrearages as
5 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
6 arrearages). These orders shall be approved to the extent that
7 they do not attach moneys in excess of the limits on attachments
8 as established by the laws of the United States and this
9 Commonwealth[.], require distributions of benefits in a manner
10 that would violate the laws of the United States, any other
11 state or this Commonwealth or require the distribution of funds
12 for support or enforcement of arrearages against a participant
13 who is not receiving distributions from the plan at the time the
14 order is entered. These orders may be approved notwithstanding
15 any other provision of this part or the plan that would require
16 a distribution of accumulated employer defined contributions in
17 the form of an annuity or to require the purchase of an annuity.

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

27 § 5953.2. Irrevocable beneficiary.

28 Notwithstanding any other provision of this part, a domestic
29 relations order may provide for an irrevocable beneficiary. A
30 domestic relations order requiring the nomination of an

1 irrevocable beneficiary shall be deemed to be one that requires
2 a member or participant to nominate an alternate payee as a
3 beneficiary and that prohibits the removal or change of that
4 beneficiary without approval of a court of competent
5 jurisdiction, except by operation of law. Such a domestic
6 relations order may be certified as an approved domestic
7 relations order by the secretary of the board, or his designated
8 representative, after the member or participant makes such
9 nomination, in which case the irrevocable beneficiary so ordered
10 by the court cannot be changed by the member or participant
11 without approval by the court.

12 § 5953.3. Irrevocable survivor annuitant.

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

28 § 5953.4. Amendment of approved domestic relations orders.

29 (a) Deceased alternate payee.--In the event that the
30 alternate payee predeceases the member or the participant and

1 there are benefits payable to the alternate payee, the divorce
2 court may amend the approved domestic relations order to
3 substitute a person for the deceased alternate payee to receive
4 any benefits payable to the deceased alternate payee.

5 * * *

6 Section 329. Title 71 is amended by adding a section to
7 read:

8 § 5953.6. Irrevocable successor payee.

9 (a) Condition.--Notwithstanding any other provision of this
10 part, a domestic relations order pertaining to a participant may
11 provide for an irrevocable successor payee if the participant is
12 receiving a payment under a payment option provided by the board
13 that allows for a successor payee.

14 (b) Determination.--A domestic relations order requiring the
15 designation of an irrevocable successor payee is an order which:

16 (1) requires a participant who is receiving payments
17 from an annuity or other distribution option to designate an
18 alternate payee as a successor payee; and

19 (2) except by operation of law, prohibits the removal or
20 change of the successor payee without approval of a court of
21 competent jurisdiction.

22 (c) Certification.--A domestic relations order under
23 subsection (b) may be certified as an approved domestic
24 relations order by the secretary of the board or his designated
25 representative. If a domestic relations order is certified under
26 this subsection, the irrevocable successor payee ordered by the
27 court shall not be changed by the participant without approval
28 by the court.

29 (d) Ineligibility.--A person ineligible to be designated as
30 a successor payee shall not be designated as an irrevocable

1 successor payee. A court shall not name an irrevocable successor
2 payee if the alternate payee is eligible to receive a lump sum
3 distribution of the alternate payee's portion of the marital
4 portion of the pension benefit.

5 Section 330. Sections 5954, 5955, 5955.2(d) and 5957 of
6 Title 71 are amended to read:

7 § 5954. Fraud and adjustment of errors.

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

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

27 § 5955. Construction of part.

28 (a) Exclusive source of rights and benefits.--Regardless of
29 any other provision of law, pension and benefit rights of State
30 employees shall be determined solely by this part or any

1 amendment thereto[,] or the plan document established by the
2 board; and no collective bargaining agreement nor any
3 arbitration award between the Commonwealth and [its] other
4 employers and the Commonwealth's and other employer's employees
5 or their collective bargaining representatives shall be
6 construed to change any of the provisions herein, to require the
7 board to administer pension or retirement benefits not set forth
8 in this part or not established by the board in the plan
9 document, to require the board to modify, amend or change any of
10 the terms and provisions of the plan document, or to otherwise
11 require action by any other government body pertaining to
12 pension or retirement benefits or rights of State employees.
13 Notwithstanding the foregoing, any pension or retirement
14 benefits or rights previously so established by or as a result
15 of an arbitration award shall remain in effect after the
16 expiration of the current collective bargaining agreement
17 between the State employees so affected and the Commonwealth
18 until the expiration of each of the collective bargaining
19 agreements in effect on January 1, 2011, at which time the
20 classes of membership and resulting member contribution rates
21 and contributions for creditable nonstate service, eligibility
22 for vesting, withdrawal and superannuation annuities, optional
23 modification of annuities and other terms and conditions related
24 to class of membership shall be as determined by this part for
25 employees covered by those and successor collective bargaining
26 agreements. For purposes of administering this part, for those
27 State employees who are members of each such collective
28 bargaining unit, the date January 1, 2011, contained in this
29 part, except in this section, shall be replaced with the date of
30 the day immediately following the expiration of each such

1 collective bargaining agreement. The provisions of this part
2 insofar as they are the same as those of existing law are
3 intended as a continuation of such laws and not as new
4 enactments. The provisions of this part shall not affect any act
5 done, liability incurred, right accrued or vested, or any suit
6 or prosecution pending or to be instituted to enforce any right
7 or penalty or to punish any offense under the authority of any
8 repealed laws.

9 (b) (Reserved).

10 (c) Officer or member of the Pennsylvania State Police.--

11 (1) Notwithstanding a provision of subsection (a) or
12 section 12.1 of the act of November 23, 2010 (P.L.1269,
13 No.120), regarding the continued effectiveness of pension or
14 retirement benefits or rights previously established by or as
15 a result of a binding arbitration award issued before July 1,
16 1989, under the act of June 24, 1968 (P.L.237, No.111),
17 referred to as the Policemen and Firemen Collective
18 Bargaining Act, and implemented by the board, the pension or
19 retirement benefits or rights of a State employee who is a
20 current or former State police officer or who becomes a State
21 police officer after the effective date of this subsection
22 shall be as provided in this part as if the binding
23 arbitration award was not issued, except as provided under
24 this subsection.

25 (2) A State employee who is a current or former State
26 police officer or who becomes a State police officer after
27 the effective date of this subsection who:

28 (i) terminates State service before January 1, 2018;

29 or

30 (ii) terminates State service on or after January 1,

1 2018, and does not have service credited in Class A-5 or
2 Class A-6 shall be eligible to receive the maximum single
3 life annuity, before optional modification under section
4 5705 (relating to member's options), that the State
5 employee would have been eligible to receive if paragraph
6 (1) had not been enacted.

7 (3) A State employee who is a current or former State
8 police officer or who becomes a State police officer after
9 the effective date of this subsection who has service
10 credited in Class A-5 or Class A-6, has 20 or more qualifying
11 eligibility points and who terminates State service on or
12 after January 1, 2018, shall be eligible to receive a maximum
13 single life annuity before optional modification under
14 section 5705 equal to the sum of:

15 (i) the maximum single life annuity that the State
16 employee would have been eligible to receive without
17 regard to any eligibility points, service credit,
18 compensation or contributions attributable to Class A-5
19 or Class A-6 service if paragraph (1) had not been
20 enacted except that service credit and eligibility points
21 for service other than as a member of Class A-5 or Class
22 A-6 shall be adjusted for any concurrent service as a
23 member of Class A-5 or Class A-6; and

24 (ii) if eligible, the maximum single life annuity
25 that the State employee is eligible to receive under this
26 part attributable to Class A-5 or Class A-6 service and,
27 if a multiple service member, service credited in the
28 Public School Employees' Retirement System.

29 (4) A State employee who is a current or former State
30 police officer or who becomes a State police officer after

1 the effective date of this subsection who has service
2 credited in Class A-5 or Class A-6, does not have 20 or more
3 qualifying eligibility points and who terminates State
4 service on or after January 1, 2018, shall be eligible to
5 receive a maximum single life annuity before optional
6 modification under section 5705 equal to the maximum single
7 life annuity that the State employee is eligible to receive
8 under this part attributable to all credited service,
9 compensation and eligibility points.

10 (5) Except as otherwise provided in this part, service
11 as a State police officer credited in the system shall not
12 operate to prevent any State employee from being a
13 participant in the plan for any State service that is not
14 service as a Class A-5 exempt employee that would otherwise
15 result in participation in the plan. Any benefit resulting
16 from participation in the plan shall be in addition to any
17 benefit a State police officer may be eligible to receive as
18 a member of the system.

19 (6) As used in this subsection, the following words and
20 phrases shall have the meanings given to them in this
21 paragraph unless the context clearly indicates otherwise:

22 "Binding arbitration award." A binding arbitration award
23 issued before July 1, 1989, under the act of June 24, 1968
24 (P.L.237, No.111), referred to as the Policemen and Firemen
25 Collective Bargaining Act, and implemented by the board.

26 "Qualifying eligibility points." Eligibility points as a
27 result of State service, nonstate service or being reemployed
28 from USERRA leave credited in classes of service other than
29 Class A-5.

30 (7) For the determination of the entire annuity under

1 this subsection, any salary or compensation for service as a
2 Class A-5 exempt employee by a State employee who first
3 became a member of the system on or after January 1, 2018,
4 shall not include remuneration received in any pay period for
5 voluntary overtime service or duty that exceeds 10% of the
6 State employee's base salary or wages in that pay period.

7 (d) Adverse inference.--Nothing in this part shall be
8 construed to mean that the limitations on benefits or other
9 requirements under IRC § 401(a) or other applicable provisions
10 of the IRC which are applicable to participants in the plan do
11 not apply to the participants or to members of the system and
12 the benefits payable under this part.

13 § 5955.2. Construction of part with respect to the Internal
14 Revenue Code.

15 * * *

16 (d) References to Internal Revenue Code of 1986 or the
17 Uniformed Services Employment and Reemployment Rights Act.--
18 References in this part to provisions of the Internal Revenue
19 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or the
20 Uniformed Services Employment and Reemployment Rights Act of
21 1994 (Public Law 103-353, 108 Stat. 3149), including for this
22 purpose administrative regulations promulgated under [that act]
23 the acts, are intended to include such laws and regulations as
24 are in effect on the effective date of this section and as they
25 may be amended or supplemented or supplanted by successor
26 provisions after the effective date of this section.

27 * * *

28 § 5957. Independent Fiscal Office study.

29 The Independent Fiscal Office shall study and analyze the
30 implementation of shared-risk contributions under section 5501.1

1 (relating to shared-risk member contributions [for Class A-3 and
2 Class A-4 service] and shared-gain adjustments to regular member
3 contributions) and its impact on the system. The study shall be
4 completed by December 31, 2015, and shall be transmitted to the
5 Appropriations Committee and the Finance Committee of the
6 Senate, the Appropriations Committee and the Finance Committee
7 of the House of Representatives and to the Governor.

8 Section 331. Title 71 is amended by adding a section to
9 read:

10 § 5958. Public Pension Management and Asset Investment Review
11 Commission.

12 (a) Establishment.--A Public Pension Management and Asset
13 Investment Review Commission shall be established, which shall
14 be composed of five appointees, one appointed by each of the
15 following:

16 (1) The Governor.

17 (2) The President pro tempore of the Senate.

18 (3) The Minority Leader of the Senate.

19 (4) The Speaker of the House of Representatives.

20 (5) The Minority Leader of the House of Representatives.

21 The appointees shall be investment professionals and retirement
22 advisors and shall be appointed within 90 days of the effective
23 date of this section.

24 (b) Duties.--The duties of the Public Pension Management and
25 Asset Investment Review Commission are as follows:

26 (1) Study the performance of current investment
27 strategies and procedures of the system, comparing realized
28 rates of return to established benchmarks and considering
29 associated fees paid for active and passive management.

30 (2) Study the costs and benefits of both active and

1 passive investment strategies in relation to future
2 investment activities of the State Employees' Retirement
3 System.

4 (3) Study alternative future investment strategies with
5 available assets of the State Employees' Retirement System
6 that will maximize future rates of return net of fees.

7 (3.1) The commission shall evaluate and make
8 recommendations on:

9 (i) Improving investment fee transparency on
10 alternative investments as specified in the Standardized
11 Reporting Guidelines of the Institutional Limited
12 Partners Association.

13 (ii) Implementing the recommendations of the Society
14 of Actuaries Blue Ribbon Panel on stress testing, to test
15 the ability of the plan to withstand a period of
16 investment returns above or below the level of assumed
17 return.

18 (4) Publish extensive and detailed findings online,
19 including findings about:

20 (i) assets;

21 (ii) returns;

22 (iii) financial managers;

23 (iv) consultants;

24 (v) requests for proposals; and

25 (vi) investment performance measured against
26 benchmarks.

27 (5) Report its findings and recommendations to the
28 Governor and the General Assembly within six months of its
29 first organizational meeting.

30 (c) Quorum.--A majority of appointed members shall

1 constitute a quorum for the purpose of conducting business. The
2 members shall select one of their number to be chairperson and
3 another to be the vice chairperson.

4 (d) Transparency and ethics.--The Public Pension Management
5 and Asset Investment Review Commission shall be subject to the
6 following laws:

7 (1) The act of July 19, 1957 (P.L.1017, No.451), known
8 as the State Adverse Interest Act.

9 (2) The act of February 14, 2008 (P.L.6, No.3), known as
10 the Right-to-Know Law.

11 (3) 65 Pa.C.S. Ch. 7 (relating to open meetings).

12 (4) 65 Pa.C.S. Ch. 11 (relating to ethics standards and
13 financial disclosure).

14 (e) Information gathering.--The Public Pension Management
15 and Asset Investment Review Commission may conduct hearings and
16 otherwise gather pertinent information and analysis that it
17 considers appropriate and necessary to fulfill its duties.

18 (f) Logistical and other support.--The Public Pension
19 Management and Asset Investment Review Commission shall receive
20 logistical and other support from the Joint State Government
21 Commission and may employ additional temporary staff as needed.

22 (g) Reimbursement.--The members of the Public Pension
23 Management and Asset Investment Review Commission shall be
24 reimbursed for reasonable expenses.

25 (h) Expiration.--The Public Pension Management and Asset
26 Investment Review Commission shall expire 60 days after delivery
27 of its report in accordance with subsection (b) (5). Any unspent
28 appropriation shall lapse back to the General Fund.

29 (i) Administrative costs and payment.--None of the
30 administrative costs and expenses of the Public Pension

1 Management and Asset Investment Review Commission, including,
2 but not limited to, member and employee salary, wages, benefits
3 and other forms of compensation or remuneration, shall be paid
4 or appropriated from the fund or the trust.

5 ARTICLE IV

6 Section 401. The following shall apply:

7 (1) The following provisions shall not create in a
8 member of the Public School Employees' Retirement System, a
9 participant in the School Employees' Defined Contribution
10 Plan or another person claiming an interest in the account of
11 a member or participant an express or implied contractual
12 right in the provisions nor in a construction of 24 Pa.C.S.
13 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
14 Pa.C.S. Pt. IV or 51 Pa.C.S.:

15 (i) A provision of this act which amends 51 Pa.C.S.
16 or 24 Pa.C.S. Pt. IV in relation to requirements for any
17 of the following:

18 (A) (Reserved).

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

26 (C) Contributions to, participation in or
27 benefits from the School Employees' Defined
28 Contribution Plan or School Employees' Defined
29 Contribution Trust.

30 (D) Domestic relations orders regarding

1 alternate payees of participants in the School
2 Employees' Defined Contribution Plan.

3 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
4 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
5 Pt. IV or 51 Pa.C.S. or a term or provision of the School
6 Employees' Defined Contribution Plan or School Employees'
7 Defined Contribution Trust, established by statute or in
8 the plan document or trust declaration.

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

21 (3) The following provisions shall not create in a
22 member of the State Employees' Retirement System, a
23 participant in the State Employees' Defined Contribution Plan
24 or another person claiming an interest in the account of a
25 member or participant an expressed or implied contractual
26 right in the provisions nor in a construction of 51 Pa.C.S. §
27 7306, 71 Pa.C.S. Pt. XXV, or rules or regulations adopted
28 under 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

29 (i) A provision of this act which amends 51 Pa.C.S.
30 § 7306 or 71 Pa.C.S. Pt. XXV, in relation to requirements

1 for any of the following:

2 (A) Qualification of the State Employees'
3 Defined Contribution Plan as a qualified pension plan
4 under the Internal Revenue Code of 1986 (Public Law
5 99-514, 26 U.S.C. § 401(a)).

6 (B) Compliance with the Uniformed Services
7 Employment and Reemployment Rights Act of 1994
8 (Public Law 103-353).

9 (C) Domestic relations orders regarding
10 alternate payees of participants in the State
11 Employees' Defined Contribution Plan.

12 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
13 XXV, or rules or regulation promulgated under 51 Pa.C.S.
14 or 71 Pa.C.S. Pt. XXV, or a term or provision of the
15 State Employees' Defined Contribution Plan or State
16 Employees' Defined Contribution Trust established by
17 statute or in the plan document or trust declaration or
18 by contract with providers of investment and
19 administrative services to the State Employees' Defined
20 Contribution Plan or State Employees' Defined
21 Contribution Trust.

22 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
23 subject to the Internal Revenue Code of 1986 and the
24 Uniformed Services Employment and Reemployment Rights Act of
25 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
26 promulgated under those statutes.

27 (5) The General Assembly reserves to itself the further
28 exercise of its legislative power to amend or supplement the
29 provisions of 71 Pa.C.S. Pt. XXV in order to maintain the
30 qualification of the State Employees' Retirement System and

1 the State Employees' Defined Contribution Plan as qualified
2 pension plans under section 401(a) and other applicable
3 provisions of the Internal Revenue Code of 1986 and the
4 Uniformed Services Employment and Reemployment Rights Act of
5 1994 (Public Law 103-353, 108 Stat. 3149).

6 Section 402. The following shall apply:

7 (1) Nothing in this act shall be construed to mean that
8 a calculation or actuarial method used by the Public School
9 Employees' Retirement Board, its actuaries or the Public
10 School Employees' Retirement System was not in accordance
11 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
12 law prior to the effective date of this paragraph.

13 (2) Nothing in this act shall be construed to mean that
14 a calculation or actuarial method used by the State
15 Employees' Retirement Board, its actuaries or the State
16 Employees' Retirement System was not in accordance with the
17 provisions of 71 Pa.C.S. Pt. XXV or other applicable law
18 prior to the effective date of this section.

19 Section 403. The following shall apply:

20 (1) Payments required to fund a change in accrued
21 liability resulting from this act shall be subject to limits
22 imposed under 24 Pa.C.S. § 8328(g) on employer contributions
23 to the Public School Employees' Retirement System.

24 (2) For purposes of 24 Pa.C.S. §§ 8326, 8327, and 8328,
25 changes under this section shall not be considered to be
26 costs added by legislation.

27 Section 404. The following shall apply:

28 (1) Notwithstanding any other provision of law:

29 (i) A change in accrued liability of the State

30 Employees' Retirement System created under this act shall

1 be funded in equal dollar installments over a period of
2 30 years beginning July 1, 2018.

3 (ii) A change in accrued liability of the State
4 Employees' Retirement System created under this act by
5 the amendment of 71 Pa.C.S. § 5508(b) shall be funded in
6 equal dollar installments over a period of 30 years
7 beginning July 1, 2022.

8 (2) Payments required to fund a change in accrued
9 liability resulting from this act shall be subject to limits
10 imposed under 71 Pa.C.S. § 5508(h) on employer contributions
11 to the State Employees' Retirement System.

12 (3) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
13 changes under this act shall not be considered to be costs
14 added by legislation.

15 Section 405. The following shall apply:

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

1 (2) Nothing in this act shall be construed or deemed to
2 imply that any member shall be required to make contributions
3 to the Public School Employees' Retirement System in excess
4 of the limits established by section 415(n)(3)(A)(iii) of the
5 Internal Revenue Code of 1986 (26 U.S.C. § 415(n)(3)(A)
6 (iii)). A contribution made by a member that is determined to
7 be in excess of the limits shall be refunded to the member in
8 a lump sum subject to withholding for all applicable taxes
9 and penalties as soon as administratively possible after the
10 determination is made. A refund under this subparagraph shall
11 not affect the benefit payable to the member and shall not be
12 treated as or deemed to be a withdrawal of the member's
13 accumulated deductions.

14 (3) Nothing in this act shall be construed to mean that
15 an interpretation or application of 24 Pa.C.S. Pt. IV or
16 benefits available to members of the Public School Employees'
17 Retirement System was not in accordance with 24 Pa.C.S. Pt.
18 IV or other applicable law, including the Internal Revenue
19 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
20 the Uniformed Services Employment and Reemployment Rights Act
21 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
22 effective date of this section.

23 Section 406. The following shall apply to construction
24 related to Federal law as to the State Employees' Retirement
25 System:

26 (1) This act shall be construed and administered in a
27 manner that the State Employees' Retirement System and the
28 State Employees' Defined Contribution Plan shall satisfy the
29 requirements necessary to qualify as a qualified pension plan
30 under section 401(a) of the Internal Revenue Code of 1986

1 (Public Law 99-514, 26 U.S.C. § 401(a)), other applicable
2 provisions of the Internal Revenue Code of 1986 and the
3 Uniformed Services Employment and Reemployment Rights Act of
4 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
5 regulations and procedures promulgated by the State
6 Employees' Retirement Board and the terms and conditions of
7 the plan document and trust declaration adopted by the State
8 Employees' Retirement Board may include provisions necessary
9 to accomplish the purpose of this section.

10 (2) Nothing in this act shall be construed or deemed to
11 imply that any member of Class A-5 or Class A-6 shall be
12 required to make contributions to the State Employees'
13 Retirement System in excess of the limits established by
14 section 415(n)(3)(A)(iii) of the Internal Revenue Code of
15 1986 (26 U.S.C. § 415(n)(3)(A)(iii)). A contribution made by
16 a member of Class A-5 or Class A-6 that is determined to be
17 in excess of the limits shall be refunded to the member in a
18 lump sum subject to withholding for all applicable taxes and
19 penalties as soon as administratively possible after the
20 determination is made. A refund under this subparagraph shall
21 not affect the benefit payable to the member and shall not be
22 treated as or deemed to be a withdrawal of the member's
23 accumulated deductions.

24 (3) Nothing in this act shall be construed to mean that
25 an interpretation or application of 71 Pa.C.S. Pt. XXV or
26 benefits available to members of the State Employees'
27 Retirement System was not in accordance with 71 Pa.C.S. Pt.
28 XXV or other applicable law, including the Internal Revenue
29 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
30 the Uniformed Services Employment and Reemployment Rights Act

1 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
2 effective date of this section.

3 Section 407. The following shall apply:

4 (1) Notwithstanding any other provision of law,
5 fiduciary requirement, actuarial standard of practice or
6 other requirement, the members of the Public School
7 Employees' Retirement Board, the actuary and employees and
8 officials of the Public School Employees' Retirement System
9 may not be held liable or in breach or violation of a law or
10 standard as individuals, in their official capacity or as a
11 governmental or corporate entity, for an action or
12 calculation related to calculating and certifying a final
13 contribution rate as provided under this act that is
14 different from the actuarially required contribution rate as
15 appropriately calculated under 24 Pa.C.S. Pt. IV.

16 (2) Notwithstanding any other provision of law,
17 fiduciary requirement, actuarial standard of practice or
18 other requirement, the members of the State Employees'
19 Retirement Board, the actuary and other employees and
20 officials of the State Employees' Retirement System may not
21 be held liable or in breach or violation of a law or standard
22 as individuals, in an official capacity or as a governmental
23 or corporate entity, for an action or calculation related to
24 calculating and certifying a final contribution rate as
25 provided under this act that is different from the
26 actuarially required contribution rate as appropriately
27 calculated under 71 Pa.C.S. Pt. XXV.

28 Section 408. Nothing in this act shall be deemed to permit
29 the restoration of service credit or retirement benefits that:

30 (1) were or are subject to section 16 of Article V of

1 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or
2 (2) were or are the subject of an order of forfeiture
3 under the act of July 8, 1978 (P.L.752, No.140), known as the
4 Public Employee Pension Forfeiture Act.

5 Section 409. Notwithstanding the amendment of 24 Pa.C.S. §
6 8501(e) and 71 Pa.C.S. § 5901(e), the Governor's Office of
7 General Counsel shall continue to provide legal counsel and
8 legal services to the board until such time as the board
9 appoints a chief counsel and such other counsel as it deems
10 necessary to provide it with legal services.

11 Section 410. No school employee otherwise a member of,
12 eligible to be a member of, or having school or nonschool
13 service credited in a class of service other than Class T-G may
14 cancel, decline or waive membership in such other class of
15 service in order to obtain Class T-G service credit, become a
16 member of Class T-G or elect Class T-G membership.

17 Section 411. No State employee otherwise a member of,
18 eligible to be a member of or having State or nonstate service
19 credited in a class of service other than Class A-5 or Class A-6
20 may cancel, decline or waive membership in such other class of
21 service in order to obtain Class A-5 or Class A-6 service
22 credit, become a member of Class A-5 or Class A-6 or elect Class
23 A-5 or Class A-6 membership.

24 Section 412. Notwithstanding any regulation promulgated by
25 the Public School Employees' Retirement Board, application or
26 interpretation of 24 Pa.C.S. Pt. IV, or administrative practice
27 to the contrary, a member's eligibility deriving from Class T-G
28 service credit for a superannuation annuity or other rights and
29 benefits based upon attaining superannuation age shall be
30 determined by including only those eligibility points actually

1 accrued.

2 Section 413. The following shall apply:

3 (1) Except as provided under paragraph (2), if a
4 provision of this act or its application to any person or
5 circumstance is held invalid, the invalidity shall not affect
6 other provisions or applications of this act that can be
7 given effect without the invalid provision or application.

8 (2) The following shall apply:

9 (i) If the application of the shared-risk provisions
10 of 71 Pa.C.S. Pt. XXV is declared inapplicable to any
11 person by a court or administrative tribunal of competent
12 jurisdiction, the provisions of Pt. XXV relating to
13 shared-gain adjustments to regular member contributions
14 shall be inapplicable to that person.

15 (ii) The following shall apply:

16 (A) If the application of any provision of this
17 act relating to membership in Class A-5 or Class A-6
18 or participation in the State Employees' Defined
19 Contribution Plan is declared invalid to any person
20 for any period of State service, the invalidity shall
21 not affect the application of this act to any other
22 person. The provisions of this act relating to both
23 membership in Class A-5 and participation in the
24 State Employees' Defined Contribution Plan shall be
25 invalid as to the person for the period of State
26 service for which part of the State service was
27 invalid and that person shall be considered a Class
28 A-5 exempt employee for the service at issue. If a
29 State employee's participation in the State
30 Employees' Defined Contribution Plan is declared

1 invalid for any period of State service, the affected
2 State employee shall return to the State Employees'
3 Defined Contribution Trust any distributions related
4 to the period of State service at issue, shall be
5 granted the status and service credit in the State
6 Employees' Retirement System as if he was a Class A-5
7 exempt employee and shall be required to make all
8 contributions to the State Employees' Retirement Fund
9 as if he was a Class A-5 exempt employee for the
10 period of State service at issue.

11 (B) The affected State employee's accumulated
12 mandatory participant contributions and accumulated
13 voluntary contributions shall be transferred to the
14 affected employee's member savings account to the
15 extent necessary to fund that account with the member
16 contributions and interest that would have been
17 standing to the member's account had the State
18 employee been a Class A-5 exempt employee for the
19 period of service at issue. Any remaining balance
20 shall be refunded to the State employee, who also
21 shall be responsible for paying to the fund in a
22 manner and time determined by the State Employees'
23 Retirement Board any additional funds required if the
24 accumulated mandatory participant contributions and
25 accumulated voluntary contributions were not
26 sufficient.

27 (C) The accumulated employer defined
28 contributions shall be transferred to the State
29 Accumulation Account and no further amount shall be
30 due from the employer or refund paid.

1 Section 414. Notwithstanding the provisions of 71 Pa.C.S. §
2 5903(b), the statement for each member prepared by the State
3 Employees' Retirement Board for the periods ending December 31,
4 2018, and any other statements or estimates of benefits prepared
5 by the board pursuant to the State Employees' Retirement Code
6 from the effective date of this section to December 31, 2018,
7 need not reflect the provisions of this act and in the case of
8 the statements for each member for the periods ending on or
9 before December 31, 2018, need not include a projection of the
10 benefit to which the member is entitled upon attainment of
11 superannuation age.

12 Section 415. Notwithstanding the provisions of 71 Pa.C.S.
13 Pt. XXV, the obligation of the State Employees' Retirement Board
14 to make payments within specified time periods of the receipt of
15 applications for benefits or other information shall not apply
16 from the effective date of this section to December 31, 2018.

17 Section 416. This act shall take effect as follows:

18 (1) The appointment of the Secretary of Banking and
19 Securities to the membership of the Public School Employees'
20 Retirement Board in the amendment of 24 Pa.C.S. § 8501(a)
21 shall take effect when the first of the two positions
22 currently appointed by the Governor becomes vacant or an
23 incumbent member's term expires. Notification of the
24 expiration or vacancy shall be submitted by the Public School
25 Employees' Retirement Board to the Legislative Reference
26 Bureau for publication in the Pennsylvania Bulletin.

27 (2) The appointment of the Secretary of Banking and
28 Securities to the membership of the State Employees'
29 Retirement Board and reduction of the number of members
30 appointed by the Governor from six to five in 71 Pa.C.S. §

1 5901(a) shall take effect when the first of the six positions
2 currently appointed by the Governor that is not held by an
3 annuitant becomes vacant or an incumbent member's term
4 expires. Notification of the expiration or vacancy shall be
5 submitted by the State Employees' Retirement System to the
6 Legislative Reference Bureau for publication in the
7 Pennsylvania Bulletin.

8 (3) The following provisions shall take effect
9 immediately:

10 (i) This section.

11 (ii) The remainder of this act.