
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1074 Session of
2017

INTRODUCED BY TOBASH, KAMPF, MILLARD, FEE, GREINER, IRVIN,
BLOOM, CUTLER, DUNBAR, CHARLTON, A. HARRIS AND HELM,
APRIL 7, 2017

REFERRED TO COMMITTEE ON STATE GOVERNMENT, APRIL 7, 2017

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: for the Public
4 School Employees' Retirement System, in the areas of
5 preliminary provisions, of membership, contributions and
6 benefits, of School Employees' Defined Contribution Plan, of
7 administration and miscellaneous provisions and of health
8 insurance for retired school employees; for military
9 pensions, in the area of military leave of absence; for the
10 State Employees' Retirement System, in the areas of
11 preliminary provisions, of membership, credited service,
12 classes of service and eligibility for benefits, of
13 contributions, of benefits, of State Employees' Defined
14 Contribution Plan, of administration, funds, accounts,
15 general provisions; providing, as to the revisions, for
16 reservation of legislative authority, for construction, for
17 accrued liability, for construction related to Federal law,
18 for immunity from personal liability, for restoration of
19 service credit or a retirement benefit, for recertification
20 of contribution rates, for transfer of assets and for
21 severability; and making editorial changes.

22 The General Assembly of the Commonwealth of Pennsylvania
23 hereby enacts as follows:

24 ARTICLE I

25 Section 101. The definitions of "active member," "alternate
26 payee," "basic contribution rate," "beneficiary," "class of
27 service multiplier," "compensation," "creditable nonschool

1 service," "credited service," "date of termination of service,"
2 "distribution," "domestic relations order," "final average
3 salary," "inactive member," "intervening military service,"
4 "irrevocable beneficiary," "leave for service with a collective
5 bargaining organization," "member's annuity," "multiple
6 service," "reemployed from USERRA leave," "required beginning
7 date," "salary deductions," "shared risk contribution rate,"
8 "standard single life annuity," "superannuation or normal
9 retirement age," "valuation interest" and "vestee" in section
10 8102 of Title 24 of the Pennsylvania Consolidated Statutes are
11 amended and the section is amended by adding definitions to
12 read:

13 § 8102. Definitions.

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

17 * * *

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

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

28 "Accumulated total defined contributions." The total of the
29 accumulated mandatory participant contributions, accumulated
30 employer-defined contributions and accumulated voluntary

1 contributions, reduced by any distributions, standing to the
2 credit of a participant in an individual investment account in
3 the trust.

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

9 * * *

10 "Active member." A school employee for whom pickup
11 contributions are being made to the fund or for whom such
12 contributions otherwise required for current school service are
13 not being made solely by reason of any provision of this part
14 relating to the limitations under section 401(a)(17) or 415 of
15 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
16 § 401(a)(17) or 415)[.], or limitations on contributions to the
17 system applicable to Class T-G members when the Class T-G member
18 is making mandatory pickup participant contributions to the
19 trust.

20 "Active participant." A school employee for whom mandatory
21 pickup participant contributions are being made to the trust or
22 for whom such contributions otherwise required for school
23 service required to be credited in the plan are not being made
24 solely by reason of 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.

27 * * *

28 "Alternate payee." Any spouse, former spouse, child or
29 dependent of a member or participant who is recognized by a
30 domestic relations order as having a right to receive all or a

1 portion of the moneys payable to that member or participant
2 under this part.

3 * * *

4 "Basic contribution rate." For Class T-A, T-B and T-C
5 service, the rate of 6 1/4%. For Class T-D service, the rate of
6 7 1/2%. For all active members on the effective date of this
7 provision who are currently paying 5 1/4% and elect Class T-D
8 service, the rate of 6 1/2%. For Class T-E service, the rate of
9 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
10 service for members with less than 25 eligibility points accrued
11 as a Class T-G member, the rate of 6%, up to the defined benefit
12 compensation limit. For Class T-G service for members with more
13 than 25 eligibility points accrued as a Class T-G member, the
14 rate of zero.

15 "Beneficiary." [The] In the case of the system, the person
16 or persons last designated in writing to the board by a member
17 to receive his accumulated deductions or a lump sum benefit upon
18 the death of such member. In the case of the plan, the person or
19 persons last designated in writing to the board by a participant
20 to receive the participant's vested accumulated total defined
21 contributions or a lump sum benefit upon the death of the
22 participant.

23 * * *

24 "Class of service multiplier."

25	Class of service	Multiplier
26	T-A	.714
27		
28	T-B	.625
29	T-C	1.000

30

1	T-D	1.000
2	T-E	1.000
3	T-F	1.000
4	<u>T-G</u>	<u>1.000</u>

5 * * *

6 "Compensation." Pickup contributions and mandatory pickup
7 participant contributions plus any remuneration received as a
8 school employee excluding reimbursements for expenses incidental
9 to employment and excluding any bonus, severance payments, any
10 other remuneration or other emolument received by a school
11 employee during his school service which is not based on the
12 standard salary schedule under which he is rendering service,
13 payments for unused sick leave or vacation leave, bonuses or
14 other compensation for attending school seminars and
15 conventions, payments under health and welfare plans based on
16 hours of employment or any other payment or emolument which may
17 be provided for in a collective bargaining agreement which may
18 be determined by the Public School Employees' Retirement Board
19 to be for the purpose of enhancing compensation as a factor in
20 the determination of final average salary, and excluding
21 payments for military leave and any other payments made by an
22 employer while on USERRA leave, leave of absence granted under
23 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
24 government employees), military leave of absence granted under
25 51 Pa.C.S. § 7302 (relating to granting military leaves of
26 absence), leave granted under section 1178 of the act of March
27 10, 1949 (P.L.30, No.14), known as the Public School Code of
28 1949, or other types of military leave, including other types of
29 leave payments, stipends, differential wage payments as defined
30 in IRC § 414(u)(12) and any other payments, provided, however,

1 that the limitation under section 401(a)(17) of the Internal
2 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
3 taken into account for the purpose of member contributions,
4 including regular or joint coverage member contributions,
5 regardless of class of service, shall apply to each member who
6 first became a member of the Public School Employees' Retirement
7 System on or after July 1, 1996, and who by reason of such fact
8 is a noneligible member subject to the application of the
9 provisions of section 8325.1 (relating to annual compensation
10 limit under IRC § 401(a)(17)), and shall apply to each
11 participant pertaining to his participation in the plan.

12 * * *

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

16 "Credited service." School or creditable nonschool service
17 for which the required contributions have been made to the fund,
18 or for which the contributions otherwise required for such
19 service were not made solely by reason of any provision of this
20 part relating to the limitations under section 401(a)(17) or 415
21 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
22 U.S.C. § 401(a)(17) or 415), or limitations on contributions to
23 the system applicable to a Class T-G member when the Class T-G
24 member is making mandatory pickup participant contributions to
25 the trust or for which salary deductions or lump sum payments to
26 the system have been agreed upon in writing.

27 "Date of termination of service." The latest of the
28 following dates:

29 (1) the last [date] day of service for which pickup
30 contributions are made for an active member or[,] for which

1 the contributions otherwise required for such service were
2 not made solely by reason of any provision of this part
3 relating to the limitations under section 401(a)(17) or 415
4 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
5 U.S.C. § 401(a)(17) or 415), or limitations on contributions
6 applicable to a Class T-G member;

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

12 (3) the last day of service for which mandatory pickup
13 participant contributions are made for an active participant.

14 "Defined benefit compensation limit." For fiscal year 2018-
15 2019, the amount of \$50,000. For each subsequent fiscal year,
16 this amount shall be increased by 3% per year, compounded
17 annually, rounded to the nearest \$100.

18 * * *

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

23 "Domestic relations order." Any judgment, decree or order,
24 including approval of a property settlement agreement, entered
25 on or after the effective date of this definition by a court of
26 competent jurisdiction pursuant to a domestic relations law
27 which relates to the marital property rights of the spouse or
28 former spouse of a member or participant, including the right to
29 receive all or a portion of the moneys payable to that member or
30 participant under this part in furtherance of the equitable

1 distribution of marital assets. The term includes orders of
2 support as that term is defined by 23 Pa.C.S. § 4302 (relating
3 to definitions) and orders for the enforcement of arrearages as
4 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
5 arrearages).

6 * * *

7 "Employer defined contributions." Contributions made to an
8 active participant's account by an employer to the trust to be
9 credited in the active participant's individual investment
10 account as follows:

11 (1) For participants who have less than 25 eligibility
12 points credited as a member of Class T-G, or if a multiple
13 service member in Class A-5 of the State Employees'
14 Retirement System, contributions shall equal to 0.5% of
15 compensation up to the defined benefit compensation limit and
16 4% of compensation above such limit.

17 (2) For participants who have more than 25 eligibility
18 points credited as a member of Class T-G, or if a multiple
19 service member in Class A-5 of the State Employees'
20 Retirement System, contributions shall equal to 4% of
21 compensation.

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

23 (1) For purposes of calculating all annuities and
24 benefits from the system attributable to a class of service
25 other than Class T-G, the highest average compensation
26 received as an active member during any three nonoverlapping
27 periods of 12 consecutive months months, excluding
28 compensation received from school service credited as a
29 member of Class T-G, with the compensation for part-time
30 service being annualized on the basis of the fractional

1 portion of the school year for which credit is received;
2 except, if the employee was not a member in a class of
3 service other than Class T-G for three such periods, the
4 total compensation received as an active member in a class of
5 service other than Class T-G annualized in the case of part-
6 time service divided by the number of such periods of
7 membership in a class of service other than Class T-G; in the
8 case of a member with multiple service credit, the final
9 average salary, for purposes of calculating all annuities and
10 benefits from the system attributable to a class of service
11 other than Class T-G, shall be determined by reference to
12 compensation received by him as a school employee or a State
13 employee or both, excluding compensation received for service
14 performed as a member of Class T-G or Class A-5 in the State
15 Employees' Retirement System; and, in the case of a
16 noneligible member, subject to the application of the
17 provisions of section 8325.1 (relating to annual compensation
18 limit under IRC § 401(a)(17)). [Final]

19 (2) For purposes of calculating all annuities and
20 benefits from the system attributable to service as a member
21 of Class T-G, the highest average compensation received as an
22 active member of Class T-G during any five fiscal years, as
23 limited each fiscal year by the defined benefit compensation
24 limit, with the limited compensation for part-time service
25 being annualized on the basis of the fractional portion of
26 the school year for which credit is received; except, if the
27 employee was not a member of Class T-G for five such periods,
28 the total compensation received as an active member of Class
29 T-G annualized in the case of part-time service divided by
30 the number of such periods of membership in Class T-G; in the

1 case of a member with multiple service credit, the final
2 average salary, for purposes of calculating all annuities and
3 benefits from the system attributable to Class T-G service,
4 shall be determined by reference to compensation received by
5 him as a school employee for service credited as Class T-G or
6 as a State employee for service credited as Class A-5, or
7 both; and, in the case of a noneligible member, subject to
8 the application of the provisions of section 8325.1.

9 (3) For all members, final average salary shall be
10 determined by including in compensation, payments deemed to
11 have been made to a member reemployed from USERRA leave to
12 the extent member contributions have been made as provided in
13 section 8302(d)(2) (relating to credited school service) and
14 payments made to a member on leave of absence under 51
15 Pa.C.S. § 4102 (relating to leaves of absence for certain
16 government employees) as provided in section 8302(d)(6).

17 * * *

18 "Holding vehicle trust." The School Employees' Defined
19 Contribution Holding Vehicle Trust.

20 "Inactive member." A member for whom no pickup contributions
21 are being made to the fund, except in the case of an active
22 member for whom such contributions otherwise required for
23 current school service are not being made solely by reason of
24 any provision of this part relating to the limitations under
25 section 401(a)(17) or 415 of the Internal Revenue Code of 1986
26 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415) or because
27 the member is on USERRA leave, or limitations on contributions
28 to the system applicable to a Class T-G member who is making
29 mandatory pickup participant contributions to the trust, but who
30 has accumulated deductions standing to his credit in the fund

1 and for whom contributions have been made within the last two
2 school years or a multiple service member who is active in the
3 State Employees' Retirement System.

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

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

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

28 * * *

29 "Irrevocable beneficiary." The person or persons permanently
30 designated by a member or participant in writing to the board

1 pursuant to an approved domestic relations order to receive all
2 or a portion of the accumulated deductions, vested accumulated
3 total defined contributions or lump sum benefit payable upon the
4 death of such member or participant.

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

10 * * *

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

28 "Mandatory pickup participant contributions." Either of the
29 following:

30 (1) For participants who have accrued less than 25

1 eligibility points credited as a member of Class T-G or, if a
2 multiple service member, of Class A-5 in the State Employees'
3 Retirement System, contributions shall equal 1.5% of
4 compensation required to be credited in the plan up to the
5 defined benefit compensation limit and 7.5% of compensation
6 above such limit.

7 (2) For participants who have accrued more than 25
8 eligibility points credited as a member of Class T-G or, if a
9 multiple service member, of Class A-5 in the State Employees'
10 Retirement System, contributions shall equal 7.5% of
11 compensation required to be credited in the plan.

12 * * *

13 "Member's annuity." The single life annuity which is
14 actuarially equivalent on the effective date of retirement and
15 taking into account any delay in the receipt of the portion of
16 the annuity based on Class T-G service, if the effective date of
17 retirement is under superannuation age applicable to Class T-G
18 service, to the sum of the accumulated deductions and the
19 shared-risk member contributions and statutory interest credited
20 on the deductions and contributions standing to the member's
21 credit in the members' savings account.

22 * * *

23 "Multiple service." Credited service of a member who has
24 elected to combine his credited service in both the Public
25 School Employees' Retirement System and the State Employees'
26 Retirement System. A Class T-G member is eligible to elect
27 multiple service membership only for service credited as Class
28 A-5 service in the State Employees' Retirement System.

29 * * *

30 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

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

7 * * *

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

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

15 * * *

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

24 * * *

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

30 * * *

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

6 * * *

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

11 "Standard single life annuity." For Class T-A, T-B and T-C
12 credited service of a member, an annuity equal to 2% of the
13 final average salary, multiplied by the total number of years
14 and fractional part of a year of credited service of a member.
15 For Class T-D credited service of a member, an annuity equal to
16 2.5% of the final average salary, multiplied by the total number
17 of years and fractional part of a year of credited service. For
18 Class T-E credited service of a member, an annuity equal to 2%
19 of the final average salary, multiplied by the total number of
20 years and fractional part of a year of credited service of a
21 member. For Class T-F credited service of a member, an annuity
22 equal to 2.5% of the final average salary, multiplied by the
23 total number of years and fractional part of a year of credited
24 service of a member. For Class T-G credited service of a member,
25 an annuity equal to 2% of the final average salary, multiplied
26 by the total number of years and fractional part of a year of
27 credited service of a member, except that such total number of
28 years shall not exceed 25.

29 "State Employees' Defined Contribution Plan." The defined
30 contribution plan for State employees established by 71 Pa.C.S.

1 Pt. XXV (relating to retirement for State employees and
2 officers).

3 * * *

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

8 * * *

9 "Superannuation or normal retirement age."

10	Class of service	Age
11	T-A	62 or any age upon accrual of
12		35 eligibility points
13	T-B	62
14	T-C and T-D	62 or age 60 provided the
15		member has at least 30
16		eligibility points or any
17		age upon accrual of 35
18		eligibility points, <u>and</u>
19		<u>excluding any eligibility</u>
20		<u>points accrued as a</u>
21		<u>member of Class T-G, and</u>
22		<u>if a multiple service</u>
23		<u>member, Class A-5</u>
24	T-E [and], <u>T-F and T-G</u>	65 with accrual of at least
25		three eligibility points
26		or a combination of age
27		and eligibility points
28		totaling 92, provided the
29		member has accrued at
30		least 35 eligibility

1 points, excluding any
2 eligibility points
3 accrued as a member of
4 Class T-G, and if a
5 multiple service member,
6 Class A-5

7 * * *

8 "Trust." The School Employees' Defined Contribution Trust
9 established under Chapter 84 (relating to School Employees'
10 Defined Contribution Plan).

11 * * *

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

15 "Vestee." A member with five or more eligibility points in a
16 class of service other than Class T-E, Class T-F, Class T-G or
17 Class A-5 in the State Employees' Retirement System who has
18 terminated school service, has left his accumulated deductions
19 in the fund and is deferring filing of an application for
20 receipt of an annuity. For Class T-E [and], Class T-F and Class
21 T-G members, a member with ten or more eligibility points who
22 has terminated school service, has left his accumulated
23 deductions in the fund and is deferring filing of an application
24 for 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 by an eligible rollover or direct trustee-to-
29 trustee transfer.

30 Section 102. Section 8103 of Title 24 is amended by adding

1 subsections to read:

2 § 8103. Construction of part.

3 * * *

4 (f) Exclusive source of rights and benefits.--Regardless of
5 any other provision of law, pension and benefit rights of school
6 employees shall be determined solely by this part, or the plan
7 document established by the board, and no collective bargaining
8 agreement nor any arbitration award between the employer and its
9 employees or their collective bargaining representatives shall
10 be construed to change any of the provisions in this part, to
11 require the board to administer pension or retirement benefits
12 not set forth in this part or not established by the board in
13 the plan document, to require the board to modify, amend or
14 change any of the terms and provisions of the plan document or
15 otherwise require action by any other government body pertaining
16 to pension or retirement benefits or rights of school employees.

17 (g) References to certain Federal statutes.--References in
18 this part to the IRC or the Uniformed Services Employment and
19 Reemployment Rights Act of 1994 (Public Law 103-353, 38 U.S.C. §
20 4301-4333, including administrative regulations promulgated
21 under the IRC or the Uniformed Services Employment and
22 Reemployment Rights Act of 1994, are intended to include laws
23 and regulations in effect on or after the effective date of this
24 subsection.

25 (h) Construction.--

26 (1) This part may not be construed to mean that the
27 limitations on benefits or other requirements under IRC §
28 401(a) or other applicable provisions of the IRC that are
29 applicable to participants in the plan do not apply to the
30 participants or to the members of the system and the benefits

1 payable under this part.

2 (2) This part may not be construed to mean that an
3 interpretation or application of a provision of this part or
4 benefits available to members of the Public School Employees'
5 Retirement System was not in accordance with the provisions
6 of Part IV or other applicable law, including the IRC and the
7 Uniformed Services Employment and Reemployment Rights Act of
8 1994 before the effective date of this subsection.

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

14 (i) Applicability.--The following shall apply:

15 (1) The provisions of this part regarding the
16 establishment of and participation in the plan shall apply to
17 current and former members of the system who return to school
18 service on or after July 1, 2018, after a termination of
19 school service, notwithstanding the following:

20 (i) Whether the termination occurred before, on or
21 after July 1, 2018.

22 (ii) Whether the school employee was an annuitant,
23 inactive member or vestee or withdrew accumulated
24 deductions during the period of termination.

25 (2) A terminated school employee who returns to school
26 service on or after July 1, 2018, is subject to the
27 provisions of this part regarding participation in the plan
28 or membership in the system that are in effect on the
29 effective date of reemployment, including, but not limited
30 to, benefit formulas and accrual rates, eligibility for

1 annuities and distributions, contribution rates, definitions,
2 purchase of creditable school and nonschool service
3 provisions, purchase of creditable State and nonstate service
4 provisions, and actuarial and funding assumptions.

5 Section 103. Section 8103.1 of Title 24 is amended to read:

6 § 8103.1. Notice to members.

7 Notice by publication, including, but not limited to,
8 newsletters, newspapers, forms, first class mail, letters,
9 manuals and electronic notice, including, but not limited to, e-
10 mail or publicly accessible Internet websites, distributed or
11 made available to members in a manner reasonably calculated to
12 give actual notice of the provisions of this part that require
13 notice to members and participants shall be deemed sufficient
14 notice for all purposes.

15 Section 104. Title 24 is amended by adding a section to
16 read:

17 § 8103.2. Reference to Public School Employees' Retirement
18 System.

19 (a) General rule.--Unless the context clearly indicates
20 otherwise, a reference to the Public School Employees'
21 Retirement System in a statutory provision, other than this part
22 and 71 Pa.C.S. Pt. XXV (relating to retirement for State
23 employees and officers), shall include a reference to the plan,
24 and a reference to the Public School Employees' Retirement Fund
25 shall include a reference to the trust.

26 (b) Certain agreements.--The agreement of an employer to
27 make contributions to the fund or to enroll its employees as
28 members in the system shall be deemed to be an agreement to make
29 contributions to the trust or to enroll its employees in the
30 plan.

1 Section 105. Section 8301 of Title 24 is amended to read:

2 § 8301. Mandatory and optional membership in the system and
3 participation in the plan.

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

7 (1) Any officer or employee of the [Department of
8 Education] department, State-owned educational institutions,
9 community colleges, area vocational-technical schools,
10 technical institutes, or [the] The Pennsylvania State
11 University and who is a member of the State Employees'
12 Retirement System or a member of another retirement program
13 approved by the employer.

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

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

25 (4) Any part-time school employee who has an individual
26 retirement account pursuant to the Federal act of September
27 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
28 Employee Retirement Income Security Act of 1974.

29 (b) Prohibited membership in system.--The school employees
30 categorized in subsection (a) (1) and (2) shall not have the

1 right to elect membership in the system.

2 (c) Optional membership in system.--The school employees
3 categorized in subsection (a)(3) and, if otherwise eligible,
4 subsection (a)(4) shall have the right to elect membership in
5 the system. Once such election is exercised, membership shall
6 commence from the original date of eligibility and shall
7 continue until the termination of such service.

8 (d) Mandatory participation in plan.--The school employees
9 who are mandatory members of Class T-G shall be mandatory
10 participants in the plan as of the effective date of membership
11 in the system.

12 (e) Optional participation in plan.--The school employees
13 who are optional members of the system as members of Class T-G
14 shall be optional participants in the plan. The school employees
15 who elect membership in the system as members of Class T-G also
16 elect participation in the plan as of the effective date of
17 membership in the system.

18 Section 106. Section 8302(a), (b)(1) and (2), (c) and (d) of
19 Title 24 are amended and the section is amended by adding a
20 subsection to read:

21 § 8302. Credited school service.

22 (a) Computation of credited service.--In computing credited
23 school service of a member for the determination of benefits, a
24 full-time salaried school employee shall receive one year of
25 credit for each school year or the corresponding fraction
26 thereof, in accordance with the proportion of the full school
27 year for which the required regular member contributions have
28 been made to the fund, or for which such contributions otherwise
29 required for such service were not made to the fund solely by
30 reason of any provision of this part relating to the limitations

1 under IRC § 401(a) (17) or 415 or limitations on contributions
2 applicable to a Class T-G member. A per diem or hourly school
3 employee shall receive one year of credited service for each
4 nonoverlapping period of 12 consecutive months in which he is
5 employed and for which contributions are made to the fund, or
6 would have been made to the fund but for such limitations under
7 the IRC, or limitations on contributions applicable to a Class
8 T-G member for at least 180 full-day sessions or 1,100 hours of
9 employment. If such member was employed and contributions were
10 made to the fund for less than 180 full-day sessions or 1,100
11 hours, he shall be credited with a fractional portion of a year
12 determined by the ratio of the number of full-day sessions or
13 hours of service actually rendered to 180 full-day sessions or
14 1,100 hours, as the case may be. A part-time salaried employee
15 shall be credited with the fractional portion of the year which
16 corresponds to the service actually rendered and for which
17 contributions are or would have been made to the fund except for
18 the limitations under the IRC or limitations applicable to a
19 Class T-G member in relation to the service required as a
20 comparable full-time salaried employee. In no case shall a
21 member receive more than one year of credited service for any 12
22 consecutive months or a member who has elected multiple service
23 receive an aggregate in the two systems of more than one year of
24 credited service for any 12 consecutive months.

25 (b) Approved leaves of absence.--An active member shall
26 receive credit, and an active participant shall receive
27 eligibility points, for an approved leave of absence provided
28 that:

29 (1) the member returns for a period at least equal to
30 the length of the leave or one year as a member of the system

1 and, for Class T-G members, the participant returns to school
2 service as an active participant in the plan, whichever is
3 less, to the school district which granted his leave, unless
4 such condition is waived by the employer; and

5 (2) the proper contributions are made by the member and
6 the employer and, for Class T-G members, by the active
7 participant and the employer.

8 * * *

9 (c) Cancellation of credited service.--

10 (1) All credited service in the system shall be
11 [cancelled] canceled if a member withdraws his accumulated
12 deductions[.] except that:

13 (i) a member with Class T-G service credit and one
14 or more other classes of service credit shall not have
15 his service credit in the classes of service other than
16 Class T-G canceled when the member receives a lump sum
17 payment of accumulated deductions relating to the Class
18 T-G service; and

19 (ii) a member with Class T-G service credit and one
20 or more other classes of service credit shall not have
21 his service credit as a member of Class T-G canceled when
22 the member receives a lump sum payment of accumulated
23 deductions resulting from the other classes of service.

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

27 (d) Credit for military service.--A school employee who has
28 performed USERRA leave may receive credit in the system as
29 follows:

30 (1) For purposes of determining whether a member is

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

11 (1.1) School employees may not receive service credit or
12 exercise the options under 51 Pa.C.S. § 7306(a), (b) and (c)
13 (relating to retirement rights) for military leaves that
14 begin on or after the effective date of this subsection,
15 except otherwise provided under this subsection.

16 (2) A school employee who has performed USERRA leave may
17 receive credit as provided by this paragraph.

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

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

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

1 and Class T-F members from electing a form of payment
2 under section 8345(a)(4)(iii) shall be ignored.

3 (iii) A school employee who is reemployed from
4 USERRA leave as an active member of the system and who
5 does not make the required member contributions or makes
6 only part of the required member contributions within the
7 allowed payment period shall not be:

8 (A) Granted credited service for the period of
9 USERRA leave for which the required member
10 contributions were not timely made.

11 (B) Eligible to subsequently make contributions.

12 (C) Granted either school service credit or
13 nonschool service credit for the period of USERRA
14 leave for which the required member contributions
15 were not timely made.

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

26 (4) [A school employee] An active or inactive member
27 who, on or after the effective date of this subsection, is
28 granted a leave of absence under section 1178 of the Public
29 School Code, a leave of absence under 51 Pa.C.S. § 4102
30 (relating to leaves of absence for certain government

1 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
2 is not USERRA leave shall be able to receive creditable
3 nonschool service as nonintervening military service should
4 the employee return to school service as an active member of
5 the system and is otherwise eligible to purchase the service
6 as nonintervening military service.

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

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

25 (e) Military service by participant.--A participant who has
26 performed USERRA leave shall be treated and may make
27 contributions as follows:

28 (1) A participant who is reemployed from USERRA leave
29 shall be treated as not having incurred a break in school
30 service by reason of the USERRA leave and shall be granted

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

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

27 (3) A participant who performs USERRA leave from which
28 the employee could have been reemployed from USERRA leave had
29 the school employee returned to school service in the time
30 frames required by 38 U.S.C. Ch. 43 for reemployment rights,

1 but did not do so, shall not be eligible to make mandatory
2 pickup participant contributions or voluntary contributions
3 for the period of USERRA leave should the employee later
4 return to school service and be a participant in the plan.

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

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

24 Section 107. Section 8303(c) of Title 24 is amended and the
25 section is amended by adding a subsection to read:

26 § 8303. Eligibility points for retention and reinstatement of
27 service credits.

28 * * *

29 (c) Purchase of previous creditable service.--[Every]
30 Subject to the limitations in subsection (c.1), an active member

1 of the system or a multiple service member who is an active
2 member of the State Employees' Retirement System on or after the
3 effective date of this part may purchase credit and receive
4 eligibility points:

5 (1) as a member of Class T-C, Class T-E or Class T-F for
6 previous creditable school service or creditable nonschool
7 service; [or]

8 (2) as a member of Class T-D for previous creditable
9 school service, provided the member elects to become a Class
10 T-D member pursuant to section 8305.1 (relating to election
11 to become a Class T-D member); or

12 (3) as a member of Class T-G for previous creditable
13 school service performed as a Class T-G member;

14 upon written agreement by the member and the board as to the
15 manner of payment of the amount due for credit for such service;
16 except, that any purchase for reinstatement of service credit
17 shall be for all service previously credited.

18 (c.1) Ineligibility to purchase previous school service
19 credit.--An active member of Class T-G, or a multiple service
20 member who is an active member of Class A-5 in the State
21 Employees' Retirement System, shall not be eligible to purchase
22 service credit for previous school service, whether or not
23 previously credited in the system, except to reinstate
24 previously credited Class T-G service credit for which
25 accumulated deductions were withdrawn, and except to the extent
26 that any other provision of law requires or allows the crediting
27 of any period of leave to be purchased as school service after
28 the member returns from the leave to school service.

29 * * *

30 Section 108. Section 8304(a) of Title 24 is amended to read:

1 § 8304. Creditable nonschool service.

2 (a) Eligibility.--An active member in a class other than
3 Class T-G, or a multiple service member who is an active member
4 of the State Employees' Retirement System in a class other than
5 Class A-5, shall be eligible to receive Class T-C, Class T-E or
6 Class T-F service credit for creditable nonschool service and
7 Class T-D, Class T-E or Class T-F service for intervening
8 military service, provided the member becomes a Class T-D member
9 pursuant to section 8305.1 (relating to election to become a
10 Class T-D member) or Class T-F member pursuant to section 8305.2
11 (relating to election to become a Class T-F member) or 8305
12 (relating to classes of service), as set forth in subsection (b)
13 provided that he is not entitled to receive, eligible to receive
14 now or in the future, or is receiving retirement benefits for
15 such service under a retirement system administered and wholly
16 or partially paid for by any other governmental agency or by any
17 private employer, or a retirement program approved by the
18 employer in accordance with section 8301(a)(1) (relating to
19 mandatory and optional membership), and further provided that
20 such service is certified by the previous employer and the
21 manner of payment of the amount due is agreed upon by the
22 member, the employer, and the board. An active member who is a
23 member of Class T-G or a multiple service member who is a State
24 employee and an active member of the State Employees' Retirement
25 System as a member of Class A-5 shall be eligible for Class T-G
26 service credit for creditable nonschool service as set forth in
27 subsection (b)(2) for which the member makes the required
28 contributions to the fund.

29 * * *

30 Section 109. Section 8305(a), (b), (c)(1) and (4), (d) and

1 (e) of Title 24 are amended and the section is amended by adding
2 a subsection to read:

3 § 8305. Classes of service.

4 (a) Class T-C membership.--A school employee who is a member
5 of Class T-C on the effective date of this part or who becomes a
6 member of the system subsequent to the effective date of this
7 part shall be classified as a Class T-C member, provided the
8 school employee does not become a member of Class T-D pursuant
9 to subsection (c) and does not become a member of Class T-G
10 pursuant to subsection (f).

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

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

21 (1) A person who becomes a school employee and an active
22 member, or a person who becomes a multiple service member who
23 is a State employee and a member of the State Employees'
24 Retirement System, on or after the effective date of this
25 subsection shall be classified as a Class T-D member upon
26 payment of regular member contributions. Any prior school
27 service credited as Class T-C service shall be credited as
28 Class T-D service, subject to the limitations contained in
29 paragraph (4) and section 8303(c.1) (relating to eligibility
30 points for retention and reinstatement of service credits).

1 * * *

2 (4) (i) School service performed as Class T-C service
3 before the effective date of this subsection shall be
4 credited as Class T-D service only upon completion of all
5 acts necessary for the school service to be credited as
6 Class T-C service had this subsection not been enacted.

7 (ii) A person who is not a school employee or a
8 State employee on June 30, 2001, and July 1, 2001, and
9 who has previous school service shall not receive Class
10 T-D service credit for school service performed before
11 July 1, 2001, until the person becomes an active member
12 or an active member of the State Employees' Retirement
13 System and a multiple service member and earns three
14 eligibility points by performing credited school service
15 in a class other than Class T-G or State service in a
16 class other than Class A-5 after June 30, 2001. This
17 subparagraph does not apply to a disability annuitant who
18 returns to school service after June 30, 2001, upon
19 termination of the disability annuity.

20 (d) Class T-E membership.--Notwithstanding any other
21 provision, a person who first becomes a school employee and an
22 active member, or a person who first becomes a multiple service
23 member who is a State employee and a member of the State
24 Employees' Retirement System, on or after the effective date of
25 this subsection shall be classified as a Class T-E member upon
26 payment of regular member contributions and the shared-risk
27 contributions, provided the member does not terminate service
28 and then return to service on or after July 1, 2018.

29 (e) Class T-F membership.--Notwithstanding any other
30 provision, a person who first becomes a school employee and an

1 active member, or a person who first becomes a multiple service
2 member who is a State employee and a member of the State
3 Employees' Retirement System, on or after the effective date of
4 this subsection and who is eligible to become a Class T-E member
5 shall have the right to elect into Class T-F membership,
6 provided the person elects to become a Class T-F member pursuant
7 to section 8305.2 (relating to election to become a Class T-F
8 member), upon written election filed with the board and payment
9 of regular member contributions and the shared-risk
10 contributions, provided the member does not terminate service
11 and then return to service on or after July 1, 2018.

12 (f) Class T-G membership.--A person who first becomes a
13 school employee and an active member, or a person who first
14 becomes a multiple service member who is a State employee and a
15 member of the State Employees' Retirement System, on or after
16 July 1, 2018, shall be classified as a Class T-G member upon
17 payment of regular member contributions and the shared risk
18 contributions.

19 Section 110. Sections 8305.1(c) and 8305.2(c) of Title 24
20 are amended to read:

21 § 8305.1. Election to become a Class T-D member.

22 * * *

23 (c) Effect of election.--An election to become a Class T-D
24 member shall remain in effect until the termination of
25 employment. Those members who, on the effective date of this
26 section, contribute at the rate of 5 1/4% shall be deemed to
27 have accepted the basic contribution rate of 6 1/2% for all
28 Class T-D service performed on or after January 1, 2002. Those
29 members who, on the effective date of this section, contribute
30 at the rate of 6 1/4% shall be deemed to have accepted the basic

1 contribution rate of 7 1/2% for all Class T-D service performed
2 on or after January 1, 2002. Upon termination and a subsequent
3 reemployment that occurs before July 1, 2018, the class of
4 service of the school employee shall be credited in the class of
5 service otherwise provided for in this part. If the reemployment
6 occurs on or after July 1, 2018, the school employee's
7 eligibility for membership and class of service in the system or
8 participation in the plan shall be as provided in this part.

9 * * *

10 § 8305.2. Election to become a Class T-F member.

11 * * *

12 (c) Effect of election.--An election to become a Class T-F
13 member shall be irrevocable and shall commence from the original
14 date of eligibility[. A member who elects Class T-F membership
15 shall receive Class T-F service credit on any and all future
16 service, regardless of whether the member terminates service or
17 has a break in service.] and shall remain in effect for all
18 future school service creditable in the system that otherwise
19 would not be credited as Class T-G service.

20 * * *

21 Section 111. Title 24 is amended by adding a section to
22 read:

23 § 8305.3. Election to become a Class T-G member.

24 (a) General rule.--A member who returns to school service on
25 or after July 1, 2018, may make a one-time election to become a
26 member of Class T-G.

27 (b) Time for making election.--A member must elect to become
28 a Class T-G member by filing a written election with the board
29 within 45 days of notification by the board of the member's
30 eligibility to elect Class T-G membership and participation. A

1 school employee who is eligible to become a Class T-G member who
2 begins USERRA leave during the election period without having
3 elected Class T-G membership may make the election within 45
4 days after being reemployed from USERRA leave.

5 (c) Effect of election.--An election to become a Class T-G
6 member shall be irrevocable and shall commence from the original
7 date of the member's return to service. A member who elects
8 Class T-G membership shall receive Class T-G service credit on
9 any and all future service, regardless of whether the member
10 terminates service or has a break in service.

11 (d) Effect of failure to make election.--A member who fails
12 to timely file an election to become a Class T-G member shall
13 never be able to elect Class T-G service, regardless of whether
14 the member terminates service or has a break in service.

15 Section 112. Sections 8306, 8307(b) and (c) and 8308 of
16 Title 24 are amended to read:

17 § 8306. Eligibility points.

18 (a) General rule.--An active member of the system shall
19 accrue one eligibility point for each year of credited service
20 as a member of the [school or State retirement] system or, if a
21 multiple service member, as a member of the State Employees'
22 Retirement system. A member shall accrue an additional two-
23 thirds of an eligibility point for each year of Class D-3
24 credited service under the State Employees' Retirement System.
25 In the case of a fractional part of a year of credited service,
26 a member shall accrue the corresponding fractional portion of an
27 eligibility point.

28 (a.1) USERRA leave.--A member or participant who is
29 reemployed from USERRA leave or who dies while performing USERRA
30 leave shall be granted the eligibility points that he would have

1 accrued had he continued in his school office or employment
2 instead of performing USERRA leave. If a school employee who is
3 reemployed from USERRA leave makes the member or mandatory
4 pickup participant contributions to be granted school service
5 credit for the USERRA leave, no additional eligibility points
6 may be granted.

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

8 (1) In determining whether a member, other than a
9 disability annuitant who returns to school service after June
10 30, 2001, upon termination of the disability annuity, who is
11 not a school employee or a State employee on June 30, 2001,
12 and July 1, 2001, and who has previous school service, has
13 the five eligibility points required by the definition of
14 "vestee" in sections 8102 (relating to definitions), 8307
15 (relating to eligibility for annuities), 8308 (relating to
16 eligibility for vesting) and 8345 (relating to member's
17 options), only eligibility points earned by performing
18 credited school service, USERRA leave credited as an active
19 member of the system in a class of service other than Class
20 T-G or credited State service as an active member of the
21 State Employees' Retirement System in a class other than
22 Class A-5 after June 30, 2001, shall be counted until such
23 member earns one such eligibility point by performing
24 credited school service or credited State service after June
25 30, 2001, at which time all eligibility points, other than
26 eligibility points in classes of service other than Class T-G
27 or Class A-5, as determined under subsection (a) shall be
28 counted.

29 (2) A member subject to paragraph (1) shall be
30 considered to have satisfied any requirement for five

1 eligibility points contained in this part if the member has
2 at least ten eligibility points determined under subsection
3 (a).

4 (c) Transitional rule for members with Class T-G service
5 credit.--

6 (1) Any provision of this part pertaining to eligibility
7 points applicable to the eligibility for or calculation of
8 annuities or benefits attributable to classes of service
9 other than Class T-G shall not include any eligibility points
10 attributable to service credited in Class T-G or as a member
11 of Class A-5 in the State Employees' Retirement System.

12 (2) Any provision of this part pertaining to eligibility
13 points applicable to the eligibility for or calculation of
14 annuities or benefits attributable to service in Class T-G
15 shall include only eligibility points attributable to service
16 credited in Class T-G or, if a multiple service member as a
17 member of Class A-5, in the State Employees' Retirement
18 System.

19 (3) Only eligibility points earned as a member of Class
20 T-G or, if a multiple service member as a member of Class A-
21 5, in the State Employees' Retirement System, shall be
22 applicable to any provision in this part requiring
23 eligibility points for the determination or payment of
24 benefits from the plan.

25 § 8307. Eligibility for annuities.

26 * * *

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 in classes of service other than
2 Class T-G or, if a multiple service member, Class A-5, shall,
3 upon filing a proper application, be entitled to receive an
4 early annuity based on the service credited as a Class T-C or
5 T-D member.

6 (2) A vestee in Class T-E or Class T-F with ten or more
7 eligibility points or an active or inactive Class T-E or
8 Class T-F member who terminates school service having ten or
9 more eligibility points in classes of service other than
10 Class T-G or, if a multiple service member, Class A-5, shall,
11 upon filing a proper application, be entitled to receive an
12 early annuity based on the service credited as a Class T-E or
13 T-F member.

14 (3) A vestee in Class T-G with ten or more eligibility
15 points or an active or inactive Class T-G member who
16 terminates school service having ten or more eligibility
17 points credited as a Class T-G member or, if a multiple
18 service member, as Class A-5, shall, upon filing a proper
19 application, be entitled to receive an early annuity from the
20 system based on the eligibility points credited as a Class T-
21 G or Class A-5 member.

22 (4) A member who is vested with Class T-C, T-D, T-E, T-F
23 or T-G credited service, shall, upon filing a proper
24 application, be entitled to receive an early annuity based on
25 the credited service in each class.

26 (c) Disability annuity.--An active or inactive member who
27 has [credit for at least five years of service] five or more
28 eligibility points other than eligibility points resulting from
29 service as a member of Class T-G, or has five or more
30 eligibility points as a member of Class T-G, shall, upon filing

1 of a proper application, be entitled to a disability annuity
2 based on service and compensation in classes other than Class T-
3 G if he is eligible for a disability annuity on service and
4 compensation other than Class T-G or a disability annuity based
5 on service and compensation as a member of Class T-G if he is
6 eligible for a disability annuity on service and compensation as
7 a member of Class T-G if he becomes mentally or physically
8 incapable of continuing to perform the duties for which he is
9 employed and qualifies for an annuity in accordance with the
10 provisions of section 8505(c)(1) (relating to duties of board
11 regarding applications and elections of members).

12 § 8308. Eligibility for vesting.

13 Eligibility for vesting shall be as follows:

14 (1) Any Class T-C or Class T-D member who terminates
15 school service with five or more eligibility points shall be
16 entitled to vest his retirement benefits until the member's
17 required beginning date. Any Class T-E [or], Class T-F or
18 Class T-G member who terminates school service with ten or
19 more eligibility points shall be entitled to vest his
20 retirement benefits until his required beginning date.

21 (2) Any member who has Class T-G service credit and
22 service credited in one or more other classes of service and
23 terminates school service, or if a multiple service member
24 and an active member of the State Employees' Retirement
25 System terminates State service, shall be eligible to vest
26 his retirement benefits in each class in accordance with the
27 requirements for that class of service.

28 Section 113. Sections 8310, 8321, 8322.1(a), 8323(a), (c)
29 and (d)(1), 8324(a), (b), (c) and (d), 8325.1(a), 8326(a) and
30 (c) and 8327 of Title 24 are amended to read:

1 § 8310. Eligibility for refunds.

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

6 § 8321. Regular member contributions for current service.

7 (a) General.--Regular member contributions shall be made to
8 the fund on behalf of each active member for current service
9 except for any period of current service in which the making of
10 such contributions has ceased solely by reason of any provision
11 of this part relating to the limitations under IRC § 401(a)(17)
12 or 415[.] or limitations on contributions to the system
13 applicable to a Class T-G member when the Class T-G member is
14 making mandatory pickup participant contributions to the trust.

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

1 by .5%. Class T-E [and], Class T-F and Class T-G members will
2 contribute at the total member contribution rate in effect when
3 they are hired. The total member contribution rate for Class T-E
4 members shall not be less than 7.5%, nor more than 9.5%. The
5 total member contribution rate for Class T-F members shall not
6 be less than 10.3%, nor more than 12.3%. The total member
7 contribution rate for Class T-G members shall not be less than
8 6% nor more than 8%. Notwithstanding this subsection, if the
9 system's actuarial funded status is 100% or more as of the date
10 used for the comparison required under this subsection, as
11 determined in the current annual actuarial valuation, the
12 shared-risk contribution rate shall be zero. In the event that
13 the annual interest rate adopted by the board for the
14 calculation of the normal contribution rate is changed during
15 the period used to determine the shared-risk contribution rate,
16 the board, with the advice of the actuary, shall determine the
17 applicable rate during the entire period, expressed as an annual
18 rate. The following provisions shall apply:

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

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

29 (3) There shall be no increase in the member
30 contribution rate if there has not been an equivalent

1 increase to the employer contribution rate over the previous
2 three-year period.

3 § 8322.1. Pickup contributions.

4 (a) Treatment for purposes of IRC § 414(h).--All
5 contributions to the fund required to be made under sections
6 8321 (relating to regular member contributions for current
7 service), 8322 (relating to joint coverage member contributions)
8 and 8305 (relating to classes of service), with respect to
9 current school service rendered by an active member on or after
10 January 1, 1983, shall be picked up by the employer and shall be
11 treated as the employer's contribution for purposes of IRC §
12 414(h).

13 * * *

14 § 8323. Member contributions for creditable school service.

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

1 contributions would have been made and during all periods of
2 subsequent school service as an active member or inactive member
3 and State service as an active member or inactive member on
4 leave without pay up to the date of purchase.

5 * * *

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

28 * * *

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

30 (1) In all cases other than for the purchase of credit

1 for sabbatical leave and activated military service leave
2 beginning before the effective date of paragraph (2), the
3 amount payable shall be certified by the board in accordance
4 with methods approved by the actuary and may be paid in a
5 lump sum within 90 days or in the case of an active member or
6 an eligible State employee who is an active member of the
7 State Employees' Retirement System it may be amortized with
8 statutory interest through salary deductions to the system in
9 amounts agreed upon by the member and the board. The salary
10 deduction amortization plans agreed to by members and the
11 board may include a deferral of payment amounts and statutory
12 interest until the termination of school service or State
13 service as the board in its sole discretion decides to allow.
14 The board may limit salary deduction amortization plans to
15 such terms as the board in its sole discretion determines. In
16 the case of an eligible State employee who is an active
17 member of the State Employees' Retirement System, the agreed
18 upon salary deductions shall be remitted to the State
19 Employees' Retirement Board, which shall certify and transfer
20 to the board the amounts paid.

21 * * *

22 § 8324. Contributions for purchase of credit for creditable
23 nonschool service and noncreditable school service.

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

30 (b) Nonintervening military service.--

1 (1) The amount due for the purchase of credit for
2 military service other than intervening military service by a
3 member not in Class T-G shall be determined by applying the
4 member's basic contribution rate plus the normal contribution
5 rate as provided in section 8328 (relating to actuarial cost
6 method) at the time of entry of the member into school
7 service subsequent to such military service to one-third of
8 his total compensation received during the first three years
9 of such subsequent credited school service, excluding
10 compensation received for Class T-G service, and multiplying
11 the product by the number of years and fractional part of a
12 year of creditable nonintervening military service being
13 purchased together with statutory interest during all periods
14 of subsequent school service as an active member or inactive
15 member and State service as an active member or inactive
16 member on leave without pay to date of purchase.

17 (2) The amount due for the purchase of credit for
18 military service other than intervening military service by a
19 member who is eligible to make the purchase under section
20 8304 (relating to creditable nonschool service) shall be
21 determined by applying the member's basic contribution rate,
22 plus the Commonwealth's normal contribution rate for active
23 members at the time of entry, subsequent to such military
24 service, of the member into Class T-G service to his average
25 annual rate of compensation received for Class T-G service
26 subject to any limit each year by the application of the
27 Class T-G defined benefit compensation limit, over the first
28 three years of such subsequent Class T-G service and
29 multiplying the result by the number of years and fractional
30 part of a year of creditable nonintervening military service

1 being purchased together with statutory interest during all
2 periods of subsequent school service as an active member or
3 inactive member and State service as an active member or
4 inactive member on leave without pay of the State Employees'
5 Retirement System to date of purchase.

6 (3) Upon certification of the amount due, payment may be
7 made in a lump sum within 90 days or in the case of an active
8 member or an eligible State employee who is an active member
9 of the State Employees' Retirement System it may be amortized
10 with statutory interest through salary deductions to the
11 system in amounts agreed upon by the member and the board.
12 The salary deduction amortization plans agreed to by members
13 and the board may include a deferral of payment amounts and
14 statutory interest until the termination of school service or
15 State service as the board in its sole discretion decides to
16 allow. The board may limit salary deduction amortization
17 plans to such terms as the board in its sole discretion
18 determines. In the case of an eligible State employee who is
19 an active member of the State Employees' Retirement System,
20 the agreed upon salary deductions shall be remitted to the
21 State Employees' Retirement Board, which shall certify and
22 transfer to the board the amounts paid. Application may be
23 filed for all such military service credit upon completion of
24 three years of subsequent credited school service and shall
25 be credited as Class T-C service. In the event that a Class
26 T-E member makes a purchase of credit for such military
27 service, then such service shall be credited as Class T-E
28 service. In the event that a Class T-F member makes a
29 purchase of credit for such military service, then such
30 service shall be credited as Class T-F service.

1 (c) Intervening military service.--Contributions on account
2 of credit for intervening military service shall be determined
3 by the member's basic contribution rate and compensation at the
4 time of entry of the member into active military service,
5 together with statutory interest during all periods of
6 subsequent school service as an active member or inactive member
7 and State service as an active member or inactive member on
8 leave without pay to date of purchase. Upon application for such
9 credit the amount due shall be certified in the case of each
10 member by the board, in accordance with methods approved by the
11 actuary, and contributions may be made by one of the following
12 methods:

13 (1) Regular monthly payments during active military
14 service.

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

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

30 (d) Other creditable nonschool service and noncreditable

1 school service.--

2 (1) Contributions on account of Class T-C credit for
3 creditable nonschool service other than military service
4 shall be determined by applying the member's basic
5 contribution rate plus the normal contribution rate as
6 provided in section 8328 at the time of the member's entry
7 into school service subsequent to such creditable nonschool
8 service to his total compensation received during the first
9 year of subsequent credited school service and multiplying
10 the product by the number of years and fractional part of a
11 year of creditable nonschool service being purchased together
12 with statutory interest during all periods of subsequent
13 school service as an active member or inactive member or
14 State service service as an active member or inactive member
15 on leave without pay to the date of purchase, except that in
16 the case of purchase of credit for creditable nonschool
17 service as set forth in section 8304(b)(5) (relating to
18 creditable nonschool service) the member shall pay only the
19 employee's share unless otherwise provided by law. Upon
20 certification of the amount due, payment may be made in a
21 lump sum within 90 days or in the case of an active member or
22 an eligible State employee who is an active member of the
23 State Employees' Retirement System it may be amortized with
24 statutory interest through salary deductions to the system in
25 amounts agreed upon by the member and the board. The salary
26 deduction amortization plans agreed to by the members and the
27 board may include a deferral of payment amounts and statutory
28 interest until the termination of school service or State
29 service as the board in its sole discretion decides to allow.
30 The board may limit salary deduction amortization plans to

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

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

29 (3) Contributions on account of Class T-E or Class T-F
30 credit for noncreditable school service other than military

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

21 * * *

22 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

23 (a) General rule.--In addition to other applicable
24 limitations set forth in this part, and notwithstanding any
25 provision of this part to the contrary, the annual compensation
26 of each noneligible member and each participant taken into
27 account for benefit purposes under this subchapter shall not
28 exceed the limitation under IRC § 401(a)(17). On and after July
29 1, 1996, any reference in this part to the limitation under IRC
30 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of

1 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
2 compensation limit set forth in this subsection. The OBRA '93
3 annual compensation limit is \$150,000, as adjusted by the
4 commissioner for increases in the cost of living in accordance
5 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
6 effect for a calendar year applies to any determination period
7 which is a period, not exceeding 12 months, over which
8 compensation is determined, beginning in such calendar year. If
9 a determination period consists of fewer than 12 months, the
10 OBRA '93 compensation limit will be multiplied by a fraction,
11 the numerator of which is the number of months in the
12 determination period and the denominator of which is 12.

13 * * *

14 § 8326. Contributions by the Commonwealth.

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

29 * * *

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

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

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

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

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

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

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

23 * * *

24 § 8327. Payments by employers.

25 (a) [General rule.--Each] Timing of payments.--

26 (1) For payments prior to June 30, 2018, each employer,
27 including the Commonwealth as employer of employees of the
28 [Department of Education] department, State-owned colleges
29 and universities, Thaddeus Stevens College of Technology,
30 Western Pennsylvania School for the Deaf, Scotland School for

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

17 (2) For payments after June 30, 2018, each employer,
18 including the Commonwealth as employer of employees of the
19 department, State-owned colleges and universities, Thaddeus
20 Stevens College of Technology, Western Pennsylvania School
21 for the Deaf and The Pennsylvania State University, shall
22 make payments to the fund each month in an amount equal to
23 one-half the sum of the percentages, as determined under
24 section 8328, applied to the total compensation during the
25 pay periods in the preceding month of all its employees who
26 were members of the system during such period, including
27 members on activated or USERRA military service leave, plus
28 the accrued liability contribution rate applied to the total
29 compensation of all active participants in the plan. In the
30 event a member on activated or USERRA military service leave

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

7 (b) Deduction from appropriations.--

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

21 (2) To facilitate the payments of amounts due from any
22 charter school, as defined in Article XVII-A of the act of
23 March 10, 1949 (P.L.30, No.14), known as the Public School
24 Code of 1949, to the fund and the trust through the State
25 Treasurer and to permit the exchange of credits between the
26 State Treasurer and any employer, the Secretary of Education
27 and the State Treasurer shall cause to be deducted and paid
28 into the fund and the trust from any funds appropriated to
29 the [Department of Education] department for basic education
30 of the chartering school district of a charter school and

1 public school employees' retirement contributions amounts
2 equal to the employer and pickup contributions which a
3 charter school is required to pay to the fund and the trust,
4 as certified by the board, and as remains unpaid on the date
5 such appropriations would otherwise be paid to the chartering
6 school district or charter school. Such amounts shall be
7 credited to the appropriate accounts in the fund and the
8 trust. Any reduction in payments to a chartering school
9 district made pursuant to this section shall be deducted from
10 the amount due to the charter school district pursuant to the
11 Public School Code of 1949.

12 (c) Payments by employers after June 30, 1995, and before
13 July 1, 2018.--After June 30, 1995, and before July 1, 2018,
14 each employer, including the Commonwealth as employer of
15 employees of the [Department of Education] department, State-
16 owned colleges and universities, Thaddeus Stevens College of
17 Technology, Western Pennsylvania School for the Deaf[, Scotland
18 School for Veterans' Children] and The Pennsylvania State
19 University, shall make payments to the fund and the trust each
20 quarter in an amount computed in the following manner:

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

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

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

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

21 (d) Payments by employers after June 30, 2018.--After June
22 30, 2018, each employer, including the Commonwealth as employer
23 of employees of the department, State-owned colleges and
24 universities, Thaddeus Stevens College of Technology, Western
25 Pennsylvania School for the Deaf and The Pennsylvania State
26 University, shall make payments to the fund and the trust each
27 month in an amount computed in the following manner:

28 (1) For an employer that is a school entity, the amount
29 shall be the sum of the percentages as determined under
30 section 8328 applied to the total compensation during the pay

1 periods in the preceding month of all employees who were
2 active members of the system during such period, including
3 members on activated or USERRA military service leave, plus
4 the accrued liability contribution rate applied to the total
5 compensation of all active participants in the plan. In the
6 event a member on activated or USERRA military service leave
7 does not return to service for the necessary time or receives
8 an undesirable, bad conduct or dishonorable discharge or does
9 not elect to receive credit for activated or USERRA military
10 service under section 8302(b.1)(3), the contribution made by
11 the employer on behalf of such member shall be returned with
12 valuation interest upon application by the employer.

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

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

29 (e) Deemed agreed to.--The agreement of an employer listed
30 in the definition of school employee under section 8102

1 (relating to definitions) or any other law to make contributions
2 to the fund or to enroll its employees as members in the system
3 shall be deemed to be an agreement to make contributions to the
4 trust or enroll its employees in the plan.

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

8 (g) Contributions resulting from members reemployed from
9 USERRA leave.--When a school employee reemployed from USERRA
10 leave makes the member contributions required to be granted
11 school service credit for the USERRA leave after June 30, 2018,
12 either by actual payment or by actuarial debt under section 8325
13 (relating to incomplete payments), the employer that employed
14 the school employee when the member contributions were made or
15 the last employer before termination in the case of payment
16 under section 8325 shall make the employer contributions that
17 would have been made under this section if the employee making
18 the member contributions after he is reemployed from USERRA
19 leave continued to be employed in his school office or position
20 instead of performing USERRA leave.

21 Section 114. Section 8328(a), (b), (c) (4), (d) (2) and (e) of
22 Title 24 are amended and subsections (c), (d) and (g) are
23 amended by adding paragraphs to read:

24 § 8328. Actuarial cost method.

25 (a) Employer contribution rate.--The amount of the total
26 employer contributions shall be computed by the actuary as a
27 percentage of the total compensation of all active members and
28 active participants, as applicable, during the period for which
29 the amount is determined and shall be so certified by the board.
30 The total employer contribution rate shall be the sum of the

1 final contribution rate as computed in subsection (h) plus the
2 premium assistance contribution rate as computed in subsection
3 (f). The actuarially required contribution rate shall consist of
4 the normal contribution rate as defined in subsection (b), the
5 accrued liability contribution rate as defined in subsection (c)
6 and the supplemental annuity contribution rate as defined in
7 subsection (d). Beginning July 1, 2004, the actuarially required
8 contribution rate shall be modified by the experience adjustment
9 factors as calculated in subsection (e).

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

11 (1) For fiscal years ending before July 1, 2018, the
12 normal contribution rate shall be determined after each
13 actuarial valuation. Until all accrued liability
14 contributions have been completed, the normal contribution
15 rate shall be determined, on the basis of an annual interest
16 rate and such mortality and other tables as shall be adopted
17 by the board in accordance with generally accepted actuarial
18 principles, as a level percentage of the compensation of the
19 average new active member, which percentage, if contributed
20 on the basis of his prospective compensation through the
21 entire period of active school service, would be sufficient
22 to fund the liability for any prospective benefit payable to
23 him, in excess of that portion funded by his prospective
24 member contributions, excluding the shared-risk
25 contributions.

26 (2) For fiscal years beginning on or after July 1, 2018,
27 the normal contribution rate shall be determined after each
28 actuarial valuation. Until all accrued liability
29 contributions have been completed, the normal contribution
30 rate shall be determined, on the basis of an annual interest

1 rate and such mortality and other tables as shall be adopted
2 by the board in accordance with generally accepted actuarial
3 principles, as a level percentage of the compensation of all
4 active members in classes of service other than Class T-G,
5 and for Class T-G members, as limited:

6 (i) By the defined benefit compensation limit.

7 (ii) To Class T-G members who have less than 25
8 eligibility points as a member of Class T-G or, if a
9 multiple service member, as a member of Class A-5, which
10 percentage, if contributed on the basis of the member's
11 prospective compensation through the entire period of
12 active school service, as limited by the defined benefit
13 compensation limit, would be sufficient to fund the
14 liability for any prospective benefit payable to him in
15 excess of that portion funded by his prospective member
16 contributions, excluding the shared-risk contributions.
17 In no case shall the employer normal cost be less than
18 zero.

19 (c) Accrued liability contribution rate.--

20 * * *

21 (4) For the fiscal year beginning July 1, 2011, the
22 accrued liability contribution rate shall be computed as the
23 rate of total compensation of all active members which shall
24 be certified by the actuary as sufficient to fund as a level
25 percentage of compensation over a period of 24 years from
26 July 1, 2011, the present value of the liabilities for all
27 prospective benefits calculated as of June 30, 2010,
28 including the supplemental benefits as provided in sections
29 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
30 8348.7, in excess of the actuarially calculated assets in the

1 fund (calculated recognizing all realized and unrealized
2 investment gains and losses each year in level annual
3 installments over a ten-year period). In the event that the
4 accrued liability is increased by legislation enacted
5 subsequent to June 30, 2010, but before July 1, 2018, such
6 additional liability shall be funded as a level percentage of
7 compensation over a period of ten years from the July 1
8 second succeeding the date such legislation is enacted.

9 (5) For fiscal years beginning on or after July 1, 2018,
10 the actuarially calculated assets in the fund determined in
11 accordance with paragraph (4) shall be no less than 70% and
12 no more than 130% of market value. In the event that the
13 accrued liability is changed by legislation enacted
14 subsequent to June 30, 2016, such change in liability shall
15 be funded as a level percentage of compensation of all active
16 members and active participants, as applicable, over a period
17 of ten years from the July 1 second succeeding the date such
18 legislation is enacted.

19 (d) Supplemental annuity contribution rate.--

20 * * *

21 (2) For fiscal years beginning July 1, 2011, and ending
22 June 30, 2018, contributions from the Commonwealth and other
23 employers whose employees are members of the system required
24 to provide for the payment of supplemental annuities as
25 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,
26 8348.5, 8348.6 and 8348.7 shall be paid as part of the
27 accrued liability contribution rate as provided for in
28 subsection (c)(4), and there shall not be a separate
29 supplemental annuity contribution rate attributable to those
30 supplemental annuities. In the event that supplemental

1 annuities are increased by legislation enacted subsequent to
2 June 30, 2010, [the] but before July 1, 2016, such additional
3 liability for the increase in benefits shall be funded as a
4 level percentage of compensation over a period of ten years
5 from the July 1 second succeeding the date such legislation
6 is enacted.

7 (3) For fiscal years beginning on or after July 1, 2018,
8 contributions from employers whose employees are members of
9 the system required to provide for the payment of
10 supplemental annuities as provided in sections 8348, 8348.1,
11 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be
12 paid as part of the accrued liability contribution rate as
13 provided for in subsection (c)(4), and there shall not be a
14 separate supplemental annuity contribution rate attributable
15 to those supplemental annuities. In the event that
16 supplemental annuities are increased by legislation enacted
17 subsequent to June 30, 2016, the additional liability for the
18 increase in benefits shall be funded as a level percentage of
19 compensation of all active members and active participants
20 over a period of ten years from the July 1 second succeeding
21 the date such legislation is enacted.

22 (e) Experience adjustment factor.--

23 (1) For each year after the establishment of the accrued
24 liability contribution rate for the fiscal year beginning
25 July 1, 2011, and ending June 30, 2018, any increase or
26 decrease in the unfunded accrued liability, excluding the
27 gains or losses on the assets of the health insurance
28 account, due to actual experience differing from assumed
29 experience, changes in actuarial assumptions, changes in
30 contributions caused by the final contribution rate being

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

10 (2) [(Reserved).] For fiscal years beginning on or after
11 July 1, 2018, any increase or decrease in the unfunded
12 accrued liability, excluding the gains or losses on the
13 assets of the health insurance account due to actual
14 experience differing from assumed experience, changes in
15 actuarial assumptions, changes in contributions caused by the
16 final contribution rate being different from the actuarially
17 required contribution rate, active members making shared-risk
18 contributions or changes in the terms and conditions of the
19 benefits provided by the system by judicial, administrative
20 or other processes other than legislation, including, but not
21 limited to, reinterpretation of the provisions of this part,
22 shall be amortized as a level percentage of the compensation
23 of all active members and active participants over a period
24 of 24 years beginning with the July 1 second succeeding the
25 actuarial valuation determining such increases or decreases.

26 * * *

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

28 * * *

29 (3) For purposes of applying the collared contribution
30 rate, compensation for determining the normal contribution

1 rate shall be defined as the total compensation of all active
2 members and active participants, as applicable.

3 * * *

4 Section 115. Sections 8330 and 8341 of Title 24 are amended
5 to read:

6 § 8330. Appropriations by the Commonwealth.

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

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

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 116. 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 who has attained age 55 and has 25 or more
15 eligibility points such sum of single life annuities shall be
16 reduced by a percentage determined by multiplying the number of
17 months, including a fraction of a month as a full month, by
18 which the effective date of retirement precedes superannuation
19 age by 1/4%: Further provided, In no event shall a Class T-E or
20 Class T-F member receive an annual benefit, calculated as of the
21 effective date of retirement, greater than the member's final
22 average salary attributable to Class T-E or T-F service:

23 (1) A [standard single life annuity multiplied by the]
24 single life annuity that is the sum of annuities determined
25 separately for each class of service [multiplier] and
26 calculated on the basis of the number of years of credited
27 school service other than concurrent service.

28 (2) A standard single life annuity multiplied by the
29 class of service multiplier and calculated on the basis of
30 the number of years of concurrent service and multiplied by

1 the ratio of total compensation received in the school system
2 during the period of concurrent service to the total
3 compensation received during such period.

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

8 * * *

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

14 § 8344. Disability annuities.

15 (a) Amount of annuity.--A member who has made application
16 for a disability annuity as provided in section 8507(k)
17 (relating to rights and duties of school employees [and
18 members], members and participants) and has been found to be
19 eligible in accordance with the provisions of sections 8307(c)
20 (relating to eligibility for annuities) and 8505(c)(1) (relating
21 to duties of board regarding applications and elections of
22 members) shall receive a disability annuity payable from the
23 effective date of disability and continued until a subsequent
24 determination by the board that the annuitant is no longer
25 entitled to a disability annuity. The disability annuity shall
26 be a single life annuity that is equal to a sum of the standard
27 single life [annuity] annuities determined separately for each
28 class of service if the total number of years of credited
29 service is greater than 16.667, otherwise [the] each standard
30 single life annuity shall be multiplied by the lesser of the

1 following ratios:

2 Y^*/Y or $16.667/Y$

3 where $Y = \text{total}$ number of years of credited service and $Y^* =$
4 total years of credited service if the member were to continue
5 as a school employee until attaining superannuation age, or if
6 the member has attained superannuation age then the number of
7 years of credited service. In no event shall the disability
8 annuity plus any cost-of-living increases be less than \$100 for
9 each full year of credited service. The member shall be entitled
10 to the election of a joint and survivor annuity on that portion
11 of the disability annuity to which he is entitled under section
12 8342 (relating to maximum single life annuity).

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

23 * * *

24 (d) Withdrawal of accumulated deductions.--Upon termination
25 of disability annuity payments in excess of an annuity
26 calculated in accordance with section 8342, a disability
27 annuitant who:

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

29 (2) is a Class T-E [or], Class T-F or Class T-G member

30 with less than ten eligibility points and who does not return

1 to school service may file an application with the board for
2 an amount equal to the accumulated deductions, shared-risk
3 member contributions and statutory interest standing to his
4 credit at the effective date of disability less the total
5 payments received on account of his member's annuity.

6 * * *

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

12 Section 117. Sections 8345(a) and 8346 of Title 24 are
13 amended to read:

14 § 8345. Member's options.

15 (a) General rule.--Any Class T-C or Class T-D member who is
16 [a vestee with five or more eligibility points, any Class T-E
17 or], Class T-F or Class T-G member who is a vestee with ten or
18 more eligibility points, or any [other] eligible member upon
19 termination of school service [who has not withdrawn his
20 accumulated deductions as provided in section 8341 (relating to
21 return of accumulated deductions)] who is eligible to receive an
22 annuity may apply for and elect to receive either a maximum
23 single life annuity, as calculated in accordance with the
24 provisions of section 8342 (relating to maximum single life
25 annuity), or a reduced annuity certified by the actuary to be
26 actuarially equivalent to the maximum single life annuity and in
27 accordance with one of the following options, except that no
28 member shall elect an annuity payable to one or more survivor
29 annuitants other than his spouse or alternate payee of such a
30 magnitude that the present value of the annuity payable to him

1 for life plus any lump sum payment he may have elected to
2 receive is less than 50% of the present value of his maximum
3 single life annuity and no member may elect a payment option
4 that would provide benefits that do not satisfy the minimum
5 distribution requirements or would violate the incidental death
6 benefit rules of IRC § 401(a)(9). In no event shall a Class T-E
7 or Class T-F member receive an annual benefit, calculated as of
8 the effective date of retirement, greater than the member's
9 final average salary.

10 (1) Option 1.--A life annuity to the member with:
11 (i) a guaranteed total payment attributable to
12 classes of service other than Class T-G equal to the
13 present value of the maximum single life annuity
14 attributable to classes of service other than Class T-G
15 on the effective date of retirement with the provision
16 that, if, at his death, he has received less than such
17 present value, the unpaid balance shall be payable to his
18 beneficiary[.]; and

19 (ii) a guaranteed total payment attributable to
20 Class T-G service equal to the present value of the
21 maximum single life annuity attributable to Class T-G
22 service on the effective date of retirement with the
23 provision that, if, at his death, he has received less
24 than such present value, the unpaid balance shall be
25 payable to his beneficiary.

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

30 (3) Option 3.--A joint and fifty percent (50%) survivor

1 annuity payable during the lifetime of the member with one-
2 half of such annuity payable thereafter to his survivor
3 annuitant, if living at his death.

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

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

10 (ii) The sum of all annuities payable to the
11 designated survivor annuitants shall not be greater than
12 the annuity payable to the member.

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 accumulated deductions
16 standing to the credit of the member. The balance of the
17 present value of the maximum single life annuity adjusted
18 in accordance with section 8342(b) shall be paid in the
19 form of an annuity with a guaranteed total payment, a
20 single life annuity, or a joint and survivor annuity or
21 any combination thereof but subject to the restrictions
22 of subparagraphs (i) and (ii) of this paragraph. This
23 subparagraph shall not apply to a Class T-E [or], Class
24 T-F or Class T-G member.

25 * * *

26 § 8346. Termination of annuities.

27 (a) General rule.--If an annuitant returns to school service
28 or enters or has entered State service and elects multiple
29 service membership, any annuity payable to him under this part
30 shall cease effective upon the date of his return to school

1 service or entering State service without regard to whether he
2 is a mandatory, optional or prohibited member of the system or
3 participant in the plan or, if a multiple service member,
4 whether he is a mandatory, optional or prohibited member or
5 participant of the State Employees' Retirement System or State
6 Employees' Defined Contribution Plan and in the case of an
7 annuity other than a disability annuity the present value of
8 such annuity, adjusted for full coverage in the case of a joint
9 coverage member who makes the appropriate back contributions for
10 full coverage, shall be frozen as of the date such annuity
11 ceases. An annuitant who is credited with an additional 10% of
12 membership service as provided in section 8302(b.2) (relating to
13 credited school service) and who returns to school service,
14 except as provided in subsection (b), shall forfeit such
15 credited service and shall have his frozen present value
16 adjusted as if his 10% retirement incentive had not been applied
17 to his account. In the event that the cost-of-living increase
18 enacted December 18, 1979, occurred during the period of such
19 State or school employment, the frozen present value shall be
20 increased, on or after the member attains superannuation age, by
21 the percent applicable had he not returned to service.

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

1 90 days or in the case of an active member or a State employee
2 who is an active member of the State Employees' Retirement
3 System may be amortized with statutory interest through salary
4 deductions to the system in amounts agreed upon by the member
5 and the board. The salary deduction amortization plans agreed to
6 by the member and the board may include a deferral of payment
7 amounts and statutory interest until the termination of school
8 service or State service as the board in its sole discretion
9 decides to allow. The board may limit salary deduction
10 amortization plans to such terms as the board in its sole
11 discretion determines. In the case of a State employee who is an
12 active member of the State Employees' Retirement System, the
13 agreed upon salary deductions shall be remitted to the State
14 Employees' Retirement Board, which shall certify and transfer to
15 the board the amounts paid.

16 (a.2) Return of benefits paid during USERRA leave.--If a
17 former school employee is reemployed from USERRA leave who had
18 received any payments or annuity from the system during the
19 USERRA leave, the employee shall return to the board the amount
20 received plus statutory interest. The amount payable shall be
21 certified by the board in accordance with methods approved by
22 the actuary and:

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

24 (2) in the case of an active member, may be amortized
25 with statutory interest through salary deductions in amounts
26 agreed upon by the member and the board for not longer than a
27 period that starts with the date of reemployment and
28 continuing for up to three times the length of the member's
29 immediate past period of USERRA leave. A repayment period
30 under this paragraph may not exceed five years or a longer

1 time as agreed to between the board and the member.

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

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

21 (1) An annuitant or participant receiving distributions
22 may be employed under separate contract by a public school or
23 charter school in an extracurricular position performed
24 primarily outside regular instructional hours and not part of
25 mandated curriculum without loss of annuity, provided that
26 the annuitant meets the conditions set forth in subsection
27 (b.2). [Neither the annuitant nor] The annuitant, the
28 participant receiving distribution and the employer shall not
29 make contributions to the member's savings account, the
30 individual investment account or State accumulation account

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

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

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

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

22 (1) An annuitant may return to school service under
23 subsection (b) or (b.1), provided the annuitant otherwise
24 meets the requirements of subsection (b) or (b.1) and has
25 attained the age set forth in IRC § 401(a)(36) or the
26 applicable "normal retirement age" in 26 C.F.R. § 1.401(a)-
27 1(b)(2) (relating to post-ERISA qualified plans and qualified
28 trusts; in general).

29 (2) An annuitant who has not reached the age as set
30 forth in IRC § 401(a)(36), or the applicable "normal

1 retirement age" under 26 C.F.R. § 1.401(a)-1(b)(2), may
2 return to service under subsection (b) or (b.1) provided the
3 annuitant otherwise meets the requirements of subsection (b)
4 or (b.1) and has had a break in service, as set forth in
5 paragraph (3).

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

10 (i) whether the change in the employment
11 relationship is more than a formal or technical change,
12 requiring the severing of the employment connection with
13 the employer;

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

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

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

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

25 (c) Subsequent discontinuance of service.--Upon subsequent
26 discontinuance of service, such [member] terminating school
27 employee other than a former annuitant who had the effect of his
28 frozen present value eliminated in accordance with subsection
29 (d) or a former disability annuitant shall be entitled to an
30 annuity which is actuarially equivalent to [the sum of] the

1 present value as determined under subsection (a) [and the] to
2 which shall be added, if the service after reemployment was as a
3 member of the system:

4 (1) The present value of a maximum single life annuity
5 based on years of service credited in classes of service
6 other than Class T-G subsequent to reentry in the system and
7 his final average salary computed by reference to his
8 compensation for service credited in classes of service other
9 than Class T-G as a member of the system or as Class A-5 as a
10 member of the State Employees' Retirement System during his
11 entire period of school and State service.

12 (2) If eligible, the present value of a maximum single
13 life annuity based on years of service credited in Class T-G
14 subsequent to reentry in the system and his final average
15 salary computed by reference to his compensation for service
16 credited in Class T-G and Class A-5 during his entire period
17 of school and State service.

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

19 (1) An annuitant who returns to school service as an
20 active member of the system and earns three eligibility
21 points by performing credited school service or reemployment
22 from USERRA leave in a class of service other than Class T-G
23 following the most recent period of receipt of an annuity
24 under this part, or an annuitant who enters State service
25 and:

26 (i) is a multiple service member; or

27 (ii) who elects multiple service membership, and
28 earns three eligibility points by performing credited State
29 service, reemployment from USERRA leave in a class of service
30 other than Class A-5 or credited school service in a class of

1 service other than Class T-G following the most recent period
2 of receipt of an annuity under this part, and who had the
3 present value of his annuity frozen in accordance with
4 subsection (a), shall qualify to have the effect of the
5 frozen present value resulting from all previous periods of
6 retirement eliminated, provided that all payments under
7 Option 4 and annuity payments payable during previous periods
8 of retirement plus interest as set forth in paragraph (3)
9 shall be returned to the fund in the form of an actuarial
10 adjustment to his subsequent benefits or in such form as the
11 board may otherwise direct.

12 (2) Upon subsequent discontinuance of service and the
13 filing of an application for an annuity, a former annuitant
14 who qualifies to have the effect of a frozen present value
15 eliminated under this subsection shall be entitled to receive
16 the higher of either:

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

1 or

2 (ii) an annuity (prior to optional modification)
3 calculated as if the former annuitant did not qualify to
4 have the effect on the frozen present value eliminated,
5 unless the former annuitant notifies the board in writing by
6 the later of the date the application for annuity is filed or
7 the effective date of retirement that the former annuitant
8 wishes to receive the lower annuity.

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

21 Section 118. Section 8347(a) and (d) of Title 24 are amended
22 and the section is amended by adding subsections to read:

23 § 8347. Death benefits.

24 (a) Members eligible for annuities.--

25 (1) Any member or former member on USERRA leave, other
26 than an annuitant, who dies and was eligible for an annuity
27 in accordance with section 8307(a) or (b) (relating to
28 eligibility for annuities) shall be considered as having
29 applied for an annuity to become effective the day before his
30 death; and, in the event he has not elected an option, it

1 shall be assumed that he elected Option 1 and assigned as
2 beneficiary that person last designated in writing to the
3 board.

4 (2) This subsection shall also apply to a member with at
5 least ten eligibility points credited as a member of Class T-
6 G, or if a multiple service member, Class A-5, and who is
7 under superannuation age.

8 * * *

9 (b.1) Members eligible for annuities in some classes of
10 service and ineligible in other classes of service.--In the
11 event of the death of a member who is eligible for an annuity
12 based on service credited in some classes of service and not
13 eligible for an annuity for service credited in other classes of
14 service, a benefit shall be paid under subsection (a) based on
15 the service for which an annuity is deemed payable in addition
16 to payment under subsection (b) of the accumulated deductions
17 attributable to service for which the member was not eligible
18 for an annuity.

19 * * *

20 (c.1) Death of disability annuitant.--In the event of the
21 death of a disability annuitant:

22 (1) Who has elected to receive a maximum disability
23 annuity before he has received in annuity payments an amount
24 equal to the present value, on the effective date of
25 disability, of the benefits attributable to classes of
26 service other than Class T-G to which he would have been
27 entitled under subsection (a) had he died while in school
28 service, the balance of such amount shall be paid to his
29 designated beneficiary, except that, in the event of the
30 death of a disability annuitant who was not entitled to

1 receive benefits attributable to classes of service other
2 than Class T-G under subsection (a), his beneficiary shall be
3 paid the accumulated deductions standing to his credit on the
4 effective date of disability less the total payments received
5 on account of his member's annuity.

6 (2) Who has elected to receive a maximum disability
7 annuity before he has received in annuity payments an amount
8 equal to the present value, on the effective date of
9 disability, of the benefits attributable to Class T-G service
10 to which he would have been entitled under subsection (a) had
11 he died while in school service, the balance of such amount
12 shall be paid to his designated beneficiary, except that, in
13 the event of the death of a disability annuitant who was not
14 entitled to receive benefits attributable to Class T-G
15 service under subsection (a), his beneficiary shall be paid
16 the accumulated deductions standing to his credit on the
17 effective date of disability less the total payments received
18 on account of his member's annuity.

19 (d) Other annuitants.--In the event of the death of an
20 annuitant[who]:

21 (1) Who has elected to receive the maximum single life
22 annuity before he has received in total annuity payments an
23 amount equal to the full amount of the accumulated deductions
24 on service other than Class T-G service standing to his
25 credit on the effective date of retirement, the difference
26 between the total payments made to the date of death and the
27 accumulated deductions shall be paid to his designated
28 beneficiary[.] on service other than Class T-G service.

29 (2) Who has elected to receive the maximum single life
30 annuity before he has received in annuity payments the full

1 amount of the accumulated deductions attributable to Class T-
2 G service standing to his credit on the effective date of
3 retirement, the balance shall be paid to his designated
4 beneficiary.

5 * * *

6 Section 119. Section 8349(a) and (b) of Title 24 are amended
7 to read:

8 § 8349. Payment of benefits.

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

12 (b) Death benefits.--If the amount of a death benefit
13 payable from the fund to a beneficiary of a member under section
14 8347 (relating to death benefits) or under the provisions of
15 Option 1 of section 8345(a) (1) (relating to member's options) is
16 \$10,000 or more, such beneficiary may elect to receive payment
17 according to one of the following options:

18 (1) A lump sum payment.

19 (2) An annuity actuarially equivalent to the amount
20 payable.

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

24 * * *

25 Section 120. Title 24 is amended by adding a chapter to
26 read:

27 CHAPTER 84

28 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

29 Sec.

30 8401. Establishment.

- 1 8402. Plan document.
2 8403. Individual investment accounts.
3 8404. Participant contributions.
4 8405. Mandatory pickup participant contributions.
5 8406. Employer defined contributions.
6 8407. Use of plan savings.
7 8408. Eligibility for benefits.
8 8409. Death benefits.
9 8410. Vesting.
10 8411. Termination of distributions.
11 8412. Agreements with financial institutions and other
12 organizations.
13 8413. Relation of administrators of School Employees' Defined
14 Contribution Plan to providers of 403(b) plans.
15 8414. Powers and duties of board.
16 8415. Responsibility for investment loss.
17 8416. Investments based on participants' investment allocation
18 choices.
19 8417. Expenses.
20 8418. Tax qualification.
21 8419. Establishment of School Employees' Defined Contribution
22 Holding Vehicle Trust.

23 § 8401. Establishment.

24 (a) School Employees' Defined Contribution Plan.--The School
25 Employees' Defined Contribution Plan is established. The board
26 shall administer and manage the plan, which shall be a defined
27 contribution plan exclusively for the benefit of those school
28 employees who participate in the plan and their beneficiaries
29 within the meaning of and in conformity with IRC § 401(a). The
30 board shall determine the terms and provisions of the plan not

1 inconsistent with this part, the IRC and other applicable law
2 and shall provide for the plan's administration.

3 (b) School Employees' Defined Contribution Trust.--The
4 School Employees' Defined Contribution Trust is established as
5 part of the plan in accordance with this part. The trust shall
6 be comprised of the individual investment accounts and all
7 assets and money in those accounts. The members of the board
8 shall be the trustees of the trust, which shall be administered
9 exclusively for the benefit of those school employees who
10 participate in the plan and their beneficiaries within the
11 meaning of and in conformity with IRC § 401(a). The board shall
12 determine the terms and provisions of the trust not inconsistent
13 with this part, the IRC and other applicable law and shall
14 provide for the investment and administration of the trust.

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

27 (d) Name for transacting business.--By the name of "The
28 School Employees' Defined Contribution Plan," all of the
29 business of the plan shall be transacted, the trust invested,
30 all requisitions for money drawn and payments made and all of

1 its cash and securities and other property shall be held, except
2 that, any other law to the contrary notwithstanding, the board
3 may establish a nominee registration procedure for the purpose
4 of registering securities in order to facilitate the purchase,
5 sale or other disposition of securities pursuant to the
6 provisions of this part.

7 § 8402. Plan document.

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

20 § 8403. Individual investment accounts.

21 The board:

22 (1) Shall establish in the trust an individual
23 investment account for each participant in the plan. All
24 contributions by a participant or an employer for or on
25 behalf of a participant shall be credited to the
26 participant's individual investment account, together with
27 all interest and investment earnings and losses. Investment
28 and administrative fees, costs and expenses shall be charged
29 to the participant's individual investment accounts.

30 (2) Shall separately track participant contributions,

1 including investment gains and losses, and employer
2 contributions, including investment gains and losses, but all
3 interest, investment gains and losses and administrative
4 fees, costs and expenses shall be allocated proportionately.

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

10 § 8404. Participant contributions.

11 (a) Mandatory contributions.--A participant shall make
12 mandatory pickup participant contributions through payroll
13 deductions to the participant's individual investment account
14 for required school service. The employer shall cause the pickup
15 contributions for required service to be made and deducted from
16 each payroll or on a schedule established by the board.

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

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

1 contributions shall be refunded to the participant by the board.
2 § 8405. Mandatory pickup participant contributions.

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

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

19 § 8406. Employer defined contributions.

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

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

1 participant contributions are made shall make whatever employer
2 defined contributions would have been made under this section
3 had the employee making the participant contributions after
4 being reemployed from USERRA leave continued to be employed in
5 the employee's school position instead of performing USERRA
6 leave. The employer defined contributions shall be placed in the
7 participant's individual investment account as otherwise
8 provided by this part.

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

17 § 8407. Use of plan savings.

18 (a) Determination.--The system shall determine the
19 difference between:

20 (1) The current aggregate employer contributions and the
21 aggregate employer contributions that would have been
22 required by Act 120 of 2010.

23 (2) The current plan expenditures and the plan
24 expenditures that would have been required by Act 120 of
25 2010.

26 (b) Utilization.--Any savings realized based on the
27 implementation of the plan, as determined under subsection (a),
28 shall be utilized to pay down the accrued unfunded liability.

29 (c) Intent.--It is the intent of the General Assembly to
30 make an annual appropriation from the General Fund to the system

1 in the amount determined under subsection (a)(1).

2 (d) Definition.--As used in this section, the term "Act 120
3 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
4 No.120), entitled, "An act amending Titles 24 (Education) and 71
5 (State Government) of the Pennsylvania Consolidated Statutes, in
6 Title 24, further providing for definitions, for mandatory and
7 optional membership, for contributions by the Commonwealth, for
8 payments by employers, for actuarial cost method, for additional
9 supplemental annuities, for further additional supplemental
10 annuities, for supplemental annuities commencing 1994, for
11 supplemental annuities commencing 1998, for supplemental
12 annuities commencing 2002, for supplemental annuities commencing
13 2003, for administrative duties of board, for payments to school
14 entities by Commonwealth, for eligibility points for retention
15 and reinstatement of service credits and for creditable
16 nonschool service; providing for election to become a Class T-F
17 member; further providing for classes of service, for
18 eligibility for annuities, for eligibility for vesting, for
19 regular member contributions, for member contributions for
20 creditable school service, for contributions for purchase of
21 credit for creditable nonschool service, for maximum single life
22 annuity, for disability annuities, for member's options, for
23 duties of board regarding applications and elections of members
24 and for rights and duties of school employees and members;
25 providing for Independent Fiscal Office study; in Title 71,
26 establishing an independent fiscal office and making a related
27 repeal; further providing for definitions, for credited State
28 service, for retention and reinstatement of service credits, for
29 creditable nonstate service and for classes of service;
30 providing for election to become a Class A-4 member; further

1 providing for eligibility for annuities and for eligibility for
2 vesting; providing for shared-risk member contributions for
3 Class A-3 and Class A-4 service; further providing for waiver of
4 regular member contributions and Social Security integration
5 member contributions, for member contributions for purchase of
6 credit for previous State service or to become a full coverage
7 member, for contributions for the purchase of credit for
8 creditable nonstate service, for contributions by the
9 Commonwealth and other employers, for actuarial cost method, for
10 maximum single life annuity, for disability annuities and for
11 member's options; providing for payment of accumulated
12 deductions resulting from Class A-3 service; further providing
13 for additional supplemental annuities, for further additional
14 supplemental annuities, for supplemental annuities commencing
15 1994, for supplemental annuities commencing 1998, for
16 supplemental annuities commencing 2002, for supplemental
17 annuities commencing 2003, for special supplemental
18 postretirement adjustment of 2002, for administrative duties of
19 the board, for duties of board to advise and report to heads of
20 departments and members, for duties of board regarding
21 applications and elections of members, for installment payments
22 of accumulated deductions, for rights and duties of State
23 employees and members, for members' savings account, for State
24 accumulation account, for State Police Benefit Account, for
25 Enforcement Officers' Benefit Account, for supplemental annuity
26 account and for construction of part; and providing for
27 Independent Fiscal Office study, for retirement eligibility of
28 Pennsylvania State Police officers or members, for a prohibition
29 on the issuance of pension obligation bonds, for holding certain
30 public officials harmless, for construction of calculation or

1 actuarial method, for applicability and for certain operational
2 provisions."

3 § 8408. 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 service credit or may
15 contract to receive an annuity or other form of payment from a
16 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) (Reserved).

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

8 § 8409. Death benefits.

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

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

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

29 § 8410. Vesting.

30 (a) Participant and voluntary contributions.--Subject to the

1 forfeiture and attachment provisions of section 8533 (relating
2 to taxation, attachment and assignment of funds) or otherwise as
3 provided by law, a participant shall be vested with respect to
4 all mandatory pickup participant contributions and voluntary
5 contributions paid by or on behalf of the participant to the
6 trust plus interest and investment earnings on the participant
7 contributions but minus investment fees and administrative
8 charges.

9 (b) Employer defined contributions.--

10 (1) Subject to the forfeiture and attachment provisions
11 of section 8533 or otherwise as provided by law, a
12 participant shall be vested with respect to employer defined
13 contributions paid plus interest and investment earnings by
14 or on behalf of the participant to the trust after attaining
15 three eligibility points.

16 (2) Nonvested employer defined contributions, including
17 interest and investment gains and losses that are forfeited
18 by a participant, shall be applied to the participant's most
19 recent employer's obligations assessed in future years.

20 (c) USERRA leave and eligibility points.--A participant in
21 the plan who is reemployed from USERRA leave or who dies while
22 performing USERRA leave shall receive eligibility points under
23 this section for the school service that would have been
24 performed had the member not performed USERRA leave.

25 § 8411. Termination of distributions.

26 (a) Return to school service.--

27 (1) A participant receiving distributions or an inactive
28 participant who returns to school service shall cease
29 receiving distributions and shall not be eligible to receive
30 distributions until the participant subsequently terminates

1 school service, without regard to whether the participant is
2 a mandatory, optional or prohibited member of the system or
3 participant in the plan.

4 (2) This subsection shall not apply to a distribution of
5 accumulated employer defined contributions or other
6 distributions that the participant has received or used to
7 purchase an annuity from a provider contracted by the board.

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

9 (1) If a former school employee is reemployed from
10 USERRA leave and received any payments or annuity from the
11 plan during the USERRA leave, the employee shall return to
12 the board the amount so received plus interest as provided in
13 the plan document.

14 (2) The amount payable shall be certified in each case
15 by the board in accordance with methods approved by the
16 actuary and shall be paid in a lump sum within 30 days or, in
17 the case of an active participant, may be amortized with
18 interest as provided in the plan document through salary
19 deductions to the trust in amounts agreed upon by the active
20 participant and the board, but not longer than a period that
21 starts with the date of reemployment and continuing for up to
22 three times the length of the active participant's immediate
23 past period of USERRA leave. The repayment period shall not
24 exceed five years.

25 § 8412. Agreements with financial institutions and other
26 organizations.

27 (a) Written agreement.--To establish and administer the
28 plan, the board shall enter into a written agreement with one or
29 more financial institutions or pension management organizations
30 to administer the plan and the investment of funds held pursuant

1 to the plan. The administrator shall be selected in accordance
2 with the following:

3 (1) The board shall solicit proposals from financial
4 institutions and pension management organizations.

5 (2) The board shall publish the solicitation in the
6 Pennsylvania Bulletin.

7 (3) Proposals received shall be evaluated based on
8 specific criteria adopted by the board. The criteria shall
9 include experience, customer service history and other
10 criteria.

11 (b) Rebid.--A contract to administer the plan under
12 subsection (a) shall be rebid at least once every 10 years.
13 § 8413. Relation of administrators of School Employees' Defined
14 Contribution Plan to providers of 403(b) plans.

15 (a) General rule.--A financial institution or pension
16 management organization entering into a written agreement under
17 section 8412 (relating to agreements with financial institutions
18 and other organizations) may offer or provide services to any
19 plan established or maintained by a school district under IRC §
20 403(b) or 457 if the written agreement for the administration of
21 the School Employees' Defined Contribution Plan is not combined
22 with any other written agreement for the administration of a
23 school district's 403(b) plan or 457 plan. Each school district
24 that provides a 403(b) plan shall make available, in the manner
25 provided by subsection (c), to participants, multiple financial
26 institutions or pension management organizations that have not
27 entered into a written agreement under section 8412 and which
28 provide services to the school district's 403(b) plan or 457
29 plan.

30 (b) Plan transparency and administration.--A financial

1 institution or pension management organization providing
2 services for any plan established or maintained by a school
3 district under IRC § 403(b) or 457 shall:

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

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

16 (c) Provider selection.--A school district that establishes
17 or maintains a plan under IRC § 403(b) or 457 shall select a
18 minimum of four financial institutions or pension management
19 organizations, in addition to the financial institution or
20 pension management organization that entered into an agreement
21 under section 8412, to provide services to the 403(b) plan or
22 457 plan. If fewer than four such additional financial
23 institutions or pension management organizations are determined
24 to be available or able to meet the requirements established in
25 this section, then the school district shall select the number
26 of available providers able to meet the school district's
27 requirements. A financial institution or pension management
28 organization shall be designated a 403(b) plan or 457 plan
29 provider if the financial institution or pension management
30 organization enters into an agreement in accordance with

1 subsection (b).

2 § 8414. Powers and duties of board.

3 The board shall have the following powers and duties to
4 establish the plan and trust and to administer the provisions of
5 this part:

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

8 (2) The board shall pay all administrative fees, costs
9 and expenses of managing, investing and administering the
10 plan, the trust and the individual investment accounts from
11 the balance of the individual investment accounts, except as
12 the General Assembly otherwise provides through
13 appropriations from the General Fund.

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

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

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

23 (6) The board may perform an annual or more frequent
24 review of any qualified fund manager for the purpose of
25 assuring it continues to meet all standards and criteria
26 established.

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

1 (8) The board may allow a former participant to maintain
2 the participant's individual investment account within the
3 plan.

4 (9) The board shall administer or ensure the
5 administration of the plan in compliance with the
6 qualifications and other rules of the IRC.

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

9 (11) The board shall determine what constitutes a
10 termination of school service.

11 (12) The board may establish procedures for
12 distributions of small accounts as required or permitted by
13 the IRC.

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

18 (i) Procedures by which eligible participants may
19 change their investment choices on a periodic basis or
20 make other elections regarding their participation in the
21 plan.

22 (ii) Procedures for deducting mandatory pickup
23 participant contributions from a participant's
24 compensation.

25 (iii) Procedures for rollovers and trustee-to-
26 trustee transfers allowed under the IRC and permitted by
27 the board as part of the plan.

28 (iv) Standards and criteria for providing not less
29 than 10 options in accordance with three or more
30 providers of investment options to eligible individuals

1 regarding investment of amounts deferred under the plan.
2 The standards and criteria must provide for a variety of
3 investment options and shall be reviewed in accordance
4 with criteria established by the board. One of the
5 available options must serve as the default option for
6 participants who do not make a timely election and, to
7 the extent commercially available, one option must have
8 an annuity.

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

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

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

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

28 (16) The board may provide that any duties of the
29 employer or information provided by the participant to the
30 employer be performed or received directly by the board.

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

4 § 8415. Responsibility for investment loss.

5 The Commonwealth, the board, an employer or a school entity
6 or other political subdivision shall not be responsible for any
7 investment loss incurred under the plan or for the failure of
8 any investment to earn any specific or expected return or to
9 earn as much as any other investment opportunity, whether or not
10 such other opportunity was offered to participants in the plan.

11 § 8416. Investments based on participants' investment
12 allocation choices.

13 (a) Investment by participant.--All contributions, interest
14 and investment earnings shall be invested based on a
15 participant's investment allocation choices. All investment
16 allocation choices shall be credited proportionally between
17 contributions from the participant and employer defined
18 contributions. Each participant shall be credited individually
19 with the amount of contributions, interest and investment
20 earnings.

21 (b) Investment of contributions made by entities other than
22 the Commonwealth.--Investment of contributions by any
23 corporation, institution, insurance company or custodial bank or
24 other entity that the board has approved shall not be
25 unreasonably delayed, and in no case shall the investment of
26 contributions be delayed more than 30 days from the date each
27 payroll deduction is made to the date that the funds are
28 invested. Any interest earned on the funds pending investment
29 shall be allocated to the employers and credited to the
30 individual investment accounts of participants who are then

1 participating in the plan, unless the interest is used to defray
2 administrative costs and fees that would otherwise be required
3 to be borne by participants who are then participating in the
4 plan.

5 § 8417. Expenses.

6 All expenses, fees and costs of administering the plan and
7 the trust and investing the assets of the trust shall be borne
8 by the participants and paid from assessments against the
9 balances of the individual investment accounts as established by
10 the board, except that, for fiscal years ending before July 1,
11 2020, the expenses, fees and costs of establishing and
12 administering the plan and trust shall be paid by the
13 Commonwealth through annual appropriations from the General
14 Fund, made on the basis of estimates from the board.

15 § 8418. Tax qualification.

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

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

21 (1) (i) Except as provided under subparagraph (ii) and
22 notwithstanding a provision of this part, a contribution
23 or benefit related to the plan may not exceed a
24 limitation under IRC § 415 with respect to governmental
25 plans that is in effect on the date the contribution or
26 benefit payment takes effect.

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

30 (iii) For the purposes of this paragraph, the term

1 "government plans" shall have the same meaning as in IRC
2 § 414(d).

3 (2) (i) Except as provided under subparagraph (ii), an
4 amendment of this part on or after the effective date of
5 this section that increases contributions or benefits for
6 active participants, inactive participants or
7 participants receiving distributions may not be deemed to
8 provide for a contribution or benefit in excess of a
9 limitation, adjusted on or after the effective date of
10 this section under IRC § 415 unless specifically provided
11 by legislation.

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

16 § 8419. Establishment of School Employees' Defined Contribution
17 Holding Vehicle Trust.

18 (a) School Employees' Defined Contribution Holding Vehicle
19 Trust.--The School Employees' Defined Contribution Holding
20 Vehicle Trust is established as part of the plan. The holding
21 vehicle trust shall be comprised of the individual investment
22 accounts and all assets and money in those accounts from July 1,
23 2018, until the earlier of the date the board certifies that the
24 School Employees' Defined Contribution Trust is operational and
25 able to accept participant and employer contributions or
26 December 31, 2018. The members of the board shall be the
27 trustees of the holding vehicle trust, which shall be held in a
28 separate account established by the Treasury Department and
29 shall not be inconsistent with this part, the IRC or other
30 applicable law. The holding vehicle trust shall be administered

1 exclusively for the benefit of those school employees who
2 participate in the plan and their beneficiaries within the
3 meaning of and in conformity with IRC § 401(a) subject to the
4 requirements of Chapter 85 (relating to administration and
5 miscellaneous provisions).

6 (b) Assets held in trust.--All assets and income in the
7 holding vehicle trust that are withheld or contributed by the
8 participants, the Commonwealth and other employers in accordance
9 with this part shall be held in trust as permitted by the
10 applicable provisions of the IRC for the exclusive benefit of
11 the participants and their beneficiaries until such time as the
12 funds are transferred to the School Employees' Defined
13 Contribution Trust in accordance with the terms of the plan
14 document. The assets of the holding vehicle trust may be used
15 for the payment of the fees, costs and expenses related to the
16 administration and investment of the holding vehicle trust and
17 transfer of assets to the School Employees' Defined Contribution
18 Trust.

19 (c) Mandatory pickup participant contributions.--All
20 mandatory pickup participant contributions and employer defined
21 contributions that will be required under sections 8404
22 (relating to participant contributions), 8405 (relating to
23 mandatory pickup participant contributions) and 8406 (relating
24 to employer defined contributions) to be made to the School
25 Employees' Defined Contribution Trust upon certification of such
26 trust shall be made to the holding vehicle trust prior to the
27 date the board certifies the School Employees' Defined
28 Contribution Trust. The employer shall cause those contributions
29 for service required to be credited in the plan to be made and
30 deducted from each payroll or on a schedule as established by

1 the board, and participant contributions shall be picked up by
2 the Commonwealth or other employer and shall be treated as the
3 employer's contribution for purposes of IRC § 414(h). After the
4 effective date of this section, an employer employing a
5 participant in the plan shall pick up the required mandatory
6 participant contributions by a reduction in the compensation of
7 the participant. No participant is permitted to make voluntary
8 contributions to the holding vehicle trust.

9 (d) Treatment for other purposes.--For all purposes other
10 than the IRC, the mandatory pickup participant contributions
11 shall be treated as contributions made by a participant in the
12 same manner and to the same extent as if the contributions were
13 made directly by the participant and not picked up.

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

22 (f) Death benefits.--In the event of the death of an active
23 participant or inactive participant, the board shall pay to the
24 participant's beneficiary the vested balance in the
25 participant's individual investment account in a lump sum.

26 (g) Interest.--Upon the disbursement of a return of
27 accumulated deductions to a participant who has terminated
28 school service or of a death benefit to a participant's
29 designated beneficiaries or upon the transfer of all assets in
30 the holding vehicle trust to the School Employees' Defined

1 Contribution Trust or December 31, 2018, whichever occurs first,
2 the Commonwealth shall make an interest payment to the holding
3 vehicle trust. The interest payment shall be equal to 4% annual
4 rate of return on the mandatory pickup participant contributions
5 and employer defined contributions made for the participant,
6 increased or decreased for any investment losses or earnings
7 while in the holding vehicle trust, but in no case shall the
8 interest payment be less than zero.

9 (h) Responsibility for loss of investment opportunity.--The
10 board, the Commonwealth, an employer or other political
11 subdivision shall not be responsible for the failure of any
12 investment in the holding vehicle trust to earn any specific or
13 expected return greater than the 4% interest rate paid under
14 subsection (g) or to earn as much as any other investment
15 opportunity, whether or not the other opportunity was offered to
16 participants in the holding vehicle trust.

17 (i) Termination of holding vehicle trust.--After the
18 disbursement or transfer of all assets in the holding vehicle
19 trust and the certification by the board that no further
20 liabilities from the holding vehicle trust exist, the holding
21 vehicle trust shall be closed.

22 (j) Expiration.--The board shall publish the certification
23 under subsection (i) in the Pennsylvania Bulletin. Subsections
24 (a), (b), (c), (d), (e), (f), (g) and (i) and this subsection
25 shall expire on the date of publication of the certification.

26 Section 121. Section 8501(a), (c), (d) and (e) of Title 24
27 are amended to read:

28 § 8501. Public School Employees' Retirement Board.

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

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

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

10 * * *

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

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

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

11 (e) Corporate power and legal advisor.--For the purposes of
12 this part, the board shall possess the power and privileges of a
13 corporation. [The Attorney General of the Commonwealth shall be
14 the legal advisor of the board.] Legal counsel to the board
15 shall serve independently from the Governor's Office of General
16 Counsel, the Attorney General and the General Assembly.

17 Section 122. Section 8502(b), (c), (e), (h), (i), (j), (k),
18 (n) and (o) of Title 24 are amended and the section is amended
19 by adding a subsection to read:

20 § 8502. Administrative duties of board.

21 * * *

22 (b) Professional personnel.--

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

27 (2) The board may utilize the same individuals and firms
28 contracted under this subsection for both the system and the
29 plan but shall allocate the fees, costs and expenses incurred
30 under this subsection between the system and the plan as

1 appropriate.

2 (c) Expenses.--

3 (1) The board shall, through the Governor, submit to the
4 General Assembly annually a budget covering the
5 administrative expenses of [this part.] the system and a
6 separate budget covering the administrative expenses of the
7 plan. The separate budget shall include those expenses
8 necessary to establish the plan and trust.

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

12 (3) For fiscal years ending on or before June 30, 2020,
13 such expenses of the plan as approved by the General Assembly
14 through an appropriation shall be paid from the General Fund.
15 For fiscal years beginning on or after July 1, 2020, such
16 expenses of the plan as approved by the General Assembly
17 shall be paid from interest, pursuant to section 8416(b)
18 (relating to investments based on participant investment
19 allocation choices) or assessments on the balances of the
20 participants' individual investment accounts.

21 (4) Concurrently with its administrative budget, the
22 board shall also submit to the General Assembly annually a
23 list of proposed expenditures which the board intends to pay
24 through the use of directed commissions, together with a list
25 of the actual expenditures from the past year actually paid
26 by the board through the use of directed commissions. All
27 such directed commission expenditures shall be made by the
28 board for the exclusive benefit of the system and its members
29 and for the exclusive benefit of the plan and its
30 participants, respectively.

1 * * *

2 (e) Records.--

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

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

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

21 (ii) cause substantial competitive harm to the
22 person from whom sensitive investment or financial
23 information relating to the investment was received; or

24 (iii) have a substantial detrimental impact on the
25 value of an investment to be acquired, held or disposed
26 of by the fund or trust, or would cause a breach of the
27 standard of care or fiduciary duty set forth in this
28 part.

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

1 paragraph (2) (i), to the extent not otherwise excluded
2 from [inspection] access, shall constitute a public
3 record subject to public [inspection] access under the
4 Right-to-Know Law once the board is no longer required by
5 its agreement to maintain confidentiality.

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

12 (A) the [inspection] access no longer causes
13 substantial competitive harm to the person from whom
14 the information was received; or

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

17 whichever is later.

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

24 (A) the [inspection] access no longer has a
25 substantial detrimental impact on the value of an
26 investment of the fund or trust and would not cause a
27 breach of the standard of care or fiduciary duty set
28 forth in this part; or

29 (B) the entity in which the investment was made
30 is liquidated;

1 whichever is later.

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

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

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

14 (ii) The identity of the manager of the alternative
15 investment vehicle.

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

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

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

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

1 identifiable remaining portfolio assets to the detriment
2 of the alternative investment.

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

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

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

22 (i) The existence, date, amount and any other
23 information pertaining to the voluntary contributions,
24 including rollover contributions and trustee-to-trustee
25 transfers, of any participant.

26 (ii) The investment option selections of any
27 participant.

28 (iii) The balance of a participant's individual
29 investment account, including the amount distributed to
30 the participant, and any investment gains or losses or

1 rates of return.

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

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

5 (7) (i) Nothing in this part shall be construed to
6 designate any record, material or data received,
7 prepared, used or retained by the board or its employees
8 or agents relating to the contributions, investments,
9 account value or benefits payable to or on account of a
10 participant as a public record subject to public access
11 under the Right-to-Know Law.

12 (ii) This paragraph shall apply to a record,
13 material or data under this subsection notwithstanding
14 whether:

15 (A) the record, material or data was created,
16 generated or stored before the effective date of this
17 paragraph;

18 (B) the record, material or data was previously
19 released or made public; or

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

26 * * *

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

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

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

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

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

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

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

13 * * *

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

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

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

3 * * *

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

16 Section 123. Section 8502.2(a) of Title 24 is amended to
17 read:

18 § 8502.2. Health insurance.

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

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

28 (2) Determination of the benefits structure.

29 (3) Determination of enrollment procedures.

30 (4) Establishment of premium rates sufficient to fully

1 fund the program, including administrative expenses.

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

5 * * *

6 Section 124. Section 8503 heading, 8505 heading, (h) and
7 (i), 8506(a), (d), (e), (g), (h), (i) and (k) and 8507(a), (c),
8 (e) and (f) of Title 24 are amended and the sections are amended
9 by adding subsections to read:

10 § 8503. Duties of board to advise and report to employers [and
11 members], members and participants.

12 * * *

13 (b.1) Participant status statements.--The board shall
14 furnish annually to each participant on or before December 31,
15 and more frequently as the board may agree or as required by
16 law, a statement showing the accumulated total defined
17 contributions credited to the participant's individual
18 investment account, the nature and type of investments and the
19 investment allocation of future contributions as of June 30 of
20 the current year and requesting the participant to make any
21 necessary correction or revision regarding his designated
22 beneficiary.

23 * * *

24 § 8505. Duties of board regarding applications and elections of
25 members and participants.

26 * * *

27 (e.1) Certification to participants terminating service.--In
28 the case of a participant terminating service, the board shall
29 certify to a participant in writing of the vested accumulated
30 total defined contributions credited to the participant's

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

9 * * *

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

18 * * *

19 (g.1) Initial payment to participants.--The board shall make
20 the initial payment to a participant who has applied for a
21 distribution within 60 days of the filing of the application and
22 receipt of the required data from the employer of the
23 participant and other necessary data.

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

1 certification of death and other necessary data. If no
2 beneficiary designation is in effect at the date of the member's
3 or participant's death or no notice has been filed with the
4 board to pay the amount of such benefits to the member's or
5 participant's estate, the board is authorized to pay such
6 benefits to the executor, administrator, surviving spouse or
7 next-of-kin of the deceased member or participant, and payment
8 pursuant hereto shall fully discharge the fund or plan from any
9 further liability to make payment of such benefits to any other
10 person.

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

25 * * *

26 § 8506. Duties of employers.

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

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

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

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

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

16 * * *

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

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

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

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

30 * * *

1 (g) Former State employee contributors.--The employer shall,
2 upon the employment of a former member of the State Employees'
3 Retirement System who is not an annuitant of the State
4 Employees' Retirement System, advise such employee [of his] if
5 he has a right to elect multiple service membership within 365
6 days of entry into the system or, for a member of Class T-G, if
7 he has a right to elect within 45 days of entry into the system
8 and, in the case any such employee who so elects has withdrawn
9 his accumulated deductions, require him to restore his
10 accumulated deductions as they would have been at the time of
11 his separation had he been a full coverage member, together with
12 statutory interest for all periods of subsequent State and
13 school service to date of repayment. The employer shall advise
14 the board of such election.

15 (h) Former State employee annuitants.--The employer shall,
16 upon the employment of an annuitant of the State Employees'
17 Retirement System who applies for membership in the system,
18 advise such employee [that] if he may elect multiple service
19 membership within 365 days of entry into the system or, for a
20 member of Class T-G, if he has a right to elect within 45 days
21 of entry into the system and that if he so elects his annuity
22 from the State Employees' Retirement System will be discontinued
23 effective upon the date of his return to school service and,
24 upon termination of school service and application for an
25 annuity, the annuity will be adjusted in accordance with section
26 8346 (relating to termination of annuities). The employer shall
27 advise the board of such election.

28 (i) Termination of service.--The employer shall, in the case
29 of any member terminating school service, advise such member in
30 writing of any benefits to which he may be entitled under the

1 provisions of this part and shall have the member prepare, on or
2 before the date of termination of school service, one or more of
3 the following three forms, a copy of which shall be given to the
4 member and the original of which shall be filed with the board:

5 (1) An application for the return of accumulated
6 deductions, if eligible.

7 (2) An election to vest his retirement rights, if
8 eligible, and, if he is a joint coverage member and so
9 desires, an election to become a full coverage member and an
10 agreement to pay within 30 days of the date of termination of
11 service the lump sum required.

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

17 * * *

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

21 (1) Any school employee who:

22 (i) ceases to be an active member or active
23 participant to perform USERRA service; or

24 (ii) is granted a leave of absence under 51 Pa.C.S.
25 § 4102 (relating to leaves of absence for certain
26 government employees) or a military leave of absence
27 under 51 Pa.C.S. § 7302 (relating to granting military
28 leaves of absence).

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

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

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

5 (1) Differential wage payments and military leave of absence
6 payments.--Notwithstanding the exclusion of differential wage
7 payments as defined in IRC § 414(u)(12) from compensation under
8 this part, the employer of any school employee on USERRA leave
9 shall report differential wage payments made to the employee to
10 the board, and the employer of any school employee on leave of
11 absence pursuant to 51 Pa.C.S. § 4102 shall report any payment
12 made to the employee, in the form and manner established by the
13 board.

14 § 8507. Rights and duties of school employees [and members],
15 members and participants.

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

1 additional amounts received predicated on such false information
2 together with statutory interest doubled and compounded shall be
3 deducted from the present value of any remaining benefits to
4 which the member is legally entitled and such remaining benefits
5 shall be correspondingly decreased.

6 * * *

7 (b.1) Application for participation.--On or after July 1,
8 2018, in the case of a new employee who is not currently a
9 participant in the plan and whose participation is mandatory,
10 the new employee shall execute an application for participation
11 and a nomination of a beneficiary.

12 (c) Multiple service membership.--

13 (1) Any [active member] school employee who is an active
14 member in a class of service other than Class T-G and who was
15 formerly an active member in the State Employees' Retirement
16 System in a class of service other than Class A-5 may elect
17 to become a multiple service member. Such election for a
18 member in other than Class T-G shall occur no later than 365
19 days after becoming an active member in a class of service
20 other than Class T-G in this system.

21 (2) Any school employee who is an active member of Class
22 T-G and who was formerly an active member in the State
23 Employees' Retirement System in Class A-5 may elect to become
24 a multiple service member. Such election shall occur no later
25 than 45 days after becoming an active member of Class T-G.

26 (3) A school employee who is eligible to elect to become
27 a multiple service member and who begins USERRA leave during
28 the election period without having elected multiple service
29 membership may make the election within 365 days, or 45 days
30 if a member of Class T-G, after being reemployed from USERRA

1 leave.

2 * * *

3 (d.2) Contributions for USERRA leave.--Any active
4 participant or inactive participant or former participant who
5 was reemployed from USERRA leave and who desires to make
6 mandatory pickup participant contributions for his USERRA leave
7 shall so notify the board within the time period required under
8 38 U.S.C. Ch. 43 (relating to employment and reemployment rights
9 of members of the uniformed services) and IRC § 414(u) of his
10 desire to make such contributions. Upon making the permitted
11 mandatory pickup participant contributions within the allowed
12 time period, the employer shall make the corresponding employer
13 defined contributions at the same time.

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

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

29 (e.1) Beneficiary for death benefits from plan.--Every
30 participant shall nominate a beneficiary by written designation

1 filed with the board as provided in section 8506 (relating to
2 duties of employers) to receive the death benefit payable under
3 section 8347 (relating to death benefits). A participant may
4 also nominate a contingent beneficiary or beneficiaries to
5 receive the death benefit provided under section 8409 (relating
6 to death benefits). Such nomination may be changed at any time
7 by the participant by written designation filed with the board.

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

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

18 (1) Withdraw his accumulated deductions, if eligible.

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

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

27 * * *

28 (g.1) Deferral of retirement rights.--If a participant
29 terminates school service and does not commence receiving a
30 distribution, he shall nominate a beneficiary by written

1 designation filed with the board, and he may anytime thereafter,
2 but no later than his required beginning date, withdraw the
3 vested accumulated total defined contributions standing to his
4 credit or apply for another form of distribution required by law
5 or authorized by the board.

6 * * *

7 Section 125. (Reserved).

8 Section 126. (Reserved).

9 Section 127. Sections 8521(b), 8522, 8524, 8525 and 8531 of
10 Title 24 are amended to read:

11 § 8521. Management of fund and accounts.

12 * * *

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

30 * * *

1 § 8522. Public School Employees' Retirement Fund.

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

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

24 § 8524. State accumulation account.

25 The State accumulation account shall be the ledger account to
26 which shall be credited all contributions of the Commonwealth
27 and other employers as well as the earnings of the fund, except
28 the premium assistance contributions and earnings thereon in the
29 health insurance account. Valuation interest shall be allowed on
30 the total amount of such account less any earnings of the fund

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

16 § 8525. Annuity reserve account.

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

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

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

18 § 8531. State guarantee regarding the system.

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

29 Section 128. Section 8533(a), (b) and (d) of Title 24 are
30 amended and the section is amended by adding a subsection to

1 read:

2 § 8533. Taxation, attachment and assignment of funds.

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

13 (a.1) Individual investment accounts and distributions.--No
14 participant or beneficiary, successor payee or alternate payee
15 of a participant shall have the ability to commute, sell,
16 assign, 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 otherwise
21 provided in this part and in the case of either a member or a
22 participant.

23 (b) Forfeiture.--

24 (1) Rights under this part shall be subject to
25 forfeiture as provided by the act of July 8, 1978 (P.L.752,
26 No.140), known as the Public Employee Pension Forfeiture Act.
27 Forfeitures under this subsection or under any other
28 provision of law may not be applied to increase the benefits
29 that any member would otherwise receive under this part.

30 (2) Notwithstanding paragraph (1) and the provisions of

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

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

29 (1) Does not require the segregation of the alternate
30 payee's share of the participant's individual investment

1 account into a subaccount or newly established individual
2 account titled in the name of the alternate payee.

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

8 (3) Requires the plan to pay to the alternate payee no
9 more than the lesser of the vested amount of the
10 participant's individual investment account specified by the
11 domestic relations order or the vested amount of the
12 participant's individual investment account as of the date of
13 the transfer of the alternate payee's share to the alternate
14 payee.

15 (4) States that the plan shall not be required to recoup
16 or make good for losses in value to the participant's
17 individual investment account incurred between the date of
18 the valuation of the account used for equitable distribution
19 purposes and the date of distribution to the alternate payee.

20 (5) Specifies the amount or percentage of the
21 participant's individual investment account to be paid to the
22 alternate payee and the date upon which such valuation is
23 based.

24 (6) Specifies the name and last known mailing address,
25 if any, of the participant and the name and last known
26 mailing address of each alternate payee covered by the order
27 and states that it is the responsibility of each alternate
28 payee to keep a current mailing address on file with the
29 plan.

30 (7) Does not grant an alternate payee the rights,

1 privileges or options available to a participant.

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

11 (9) In the case of a participant who is currently
12 receiving distributions from the plan as of the date the
13 domestic relations order is approved by the secretary of the
14 board or his designated representative, may not order the
15 board to pay the alternate payee more than the balance
16 available in the participant's individual investment account
17 as of the date the order is approved or require that
18 distributions continue to the alternate payee after the death
19 of the participant and final settlement of the participant's
20 individual investment account.

21 (b) Determination by secretary.--Within a reasonable period
22 of time after receipt of a domestic relations order, the
23 secretary of the board, or his designated representative, shall
24 determine whether this order is an approved domestic relations
25 order and notify the member or participant and each alternate
26 payee of this determination. Notwithstanding any other provision
27 of law, the exclusive remedy of any member, participant or
28 alternate payee aggrieved by a decision of the secretary of the
29 board, or his designated representative, shall be the right to
30 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to

1 practice and procedure) with appeal therefrom to the
2 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial
3 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals
4 from government agencies).

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

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

1 obligations of the system or plan with respect to such approval
2 or disapproval shall be discharged.

3 § 8533.2. Irrevocable beneficiary.

4 Notwithstanding any other provision of this part, a domestic
5 relations order may provide for an irrevocable beneficiary. A
6 domestic relations order requiring the nomination of an
7 irrevocable beneficiary shall be deemed to be one that requires
8 a member or participant to nominate an alternate payee as a
9 beneficiary and that prohibits the removal or change of that
10 beneficiary without approval of a court of competent
11 jurisdiction, except by operation of law. Such a domestic
12 relations order may be certified as an approved domestic
13 relations order by the secretary of the board, or his designated
14 representative, after the member or participant makes such
15 nomination, in which case the irrevocable beneficiary so ordered
16 by the court cannot be changed by the member or participant
17 without approval by the court.

18 § 8533.3. Irrevocable survivor annuitant.

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

1 the member without approval by the court. A person ineligible to
2 be designated as a survivor annuitant may not be designated an
3 irrevocable survivor annuitant.

4 § 8533.4. Amendment of approved domestic relations orders.

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

11 * * *

12 Section 130. Title 24 is amended by adding a section to
13 read:

14 § 8533.5. Irrevocable successor payee.

15 (a) Condition.--Notwithstanding any other provisions of this
16 part, a domestic relations order pertaining to a participant may
17 provide for an irrevocable successor payee only if the
18 participant is receiving a payment pursuant to a payment option
19 provided by the board that allows for a successor payee.

20 (b) Determination.--A domestic relations order requiring the
21 designation of an irrevocable successor payee shall be deemed to
22 be one that requires a participant who is receiving payments
23 from an annuity or other distribution option to designate an
24 alternate payee as a successor payee and that prohibits the
25 removal or change of that successor payee without approval of a
26 court of competent jurisdiction, except by operation of law.

27 (c) Certification.--A domestic relations order under
28 subsection (b) may be certified as an approved domestic
29 relations order by the secretary of the board, or his designated
30 representative, in which case the irrevocable successor payee

1 ordered by the court cannot be changed by the participant
2 without approval by the court.

3 (d) Ineligibility.--A person ineligible to be designated as
4 a successor payee may not be designated as an irrevocable
5 successor payee. A court may not name an irrevocable successor
6 payee if the alternate payee is eligible to receive a lump sum
7 distribution of the alternate payee's portion of the marital
8 portion of the pension benefit.

9 Section 131. Sections 8534 and 8535 of Title 24 are amended
10 to read:

11 § 8534. Fraud and adjustment of errors.

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

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

1 § 8535. Payments to school entities by Commonwealth.

2 For each school year beginning with the 1995-1996 school year
3 and ending with the 2017-2018 school year, each school entity
4 shall be paid by the Commonwealth for contributions based upon
5 school service of active members of the system after June 30,
6 1995, as follows:

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

25 (2) The Commonwealth shall pay each school entity for
26 contributions made to the Public School Employees' Retirement
27 Fund based upon school service of all active members,
28 including members on activated military service leave, who
29 are not described in paragraph (1), one-half of the amount
30 certified by the Public School Employees' Retirement Board as

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

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

15 Section 132. Title 24 is amended by adding sections to read:

16 § 8535.1. Payments to school entities by Commonwealth
17 commencing with 2018-2019 school year.

18 For each school year, beginning with the 2018-2019 school
19 year, each school entity shall be paid by the Commonwealth for
20 contributions based upon school service of active members of the
21 system and active participants of the plan after June 30, 2018,
22 as follows:

23 (1) The Commonwealth shall pay each school entity for
24 contributions made to the fund or the trust based upon school
25 service of all active members or active participants,
26 including members or participants on activated or USERRA
27 military service leave, whose effective dates of employment
28 with their school entities are after June 30, 1994, and who
29 also had not previously been employed by any school entity
30 within this Commonwealth, an amount equal to the amount

1 certified by the board as necessary to provide, together with
2 the members' and participants' contributions, reserves on
3 account of prospective annuities, supplemental annuities and
4 the premium assistance program as provided in this part in
5 accordance with section 8328 (relating to actuarial cost
6 method), multiplied by the market value/income aid ratio of
7 the school entity. For no school year shall any school entity
8 receive less than the amount that would result if the market
9 value/income aid ratio as defined in section 2501(14.1) of
10 the Public School Code was 0.50.

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

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

1 § 8537. Internal Revenue Code limitations.

2 Notwithstanding any provisions of this part to the contrary,
3 no contribution or benefit related to the School Employees'
4 Defined Contribution Plan shall be made or payable to the extent
5 that the contribution or benefit exceeds a limitation under IRC
6 § 415 in effect with respect to a "governmental plan," as
7 defined in IRC § 414(d) on the date the contribution or benefit
8 payment becomes effective. An increase in a limitation under IRC
9 § 415 shall be applicable to all current and future
10 participants.

11 Section 133. Section 8702(a) of Title 24 is amended to read:

12 § 8702. Definitions.

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

19 "Eligible person." An individual who is:

20 (1) an annuitant or survivor annuitant or the spouse or
21 dependent of an annuitant or survivor annuitant[.]; or

22 (2) a participant receiving distributions or a successor
23 payee, or the spouse or dependent of a participant receiving
24 distributions or successor payee.

25 "Fund." The Public School Retirees' Health Insurance Fund.

26 "Plan year." The period July 1, 2001, through December 31,
27 2001, shall be the first plan year. After December 31, 2001, the
28 plan year shall be the calendar year.

29 "Program." The group health insurance program that may be
30 sponsored by the Public School Employees' Retirement Board under

1 this part.

2 "Reserve account." The restricted receipt account
3 established in section 8902(b) (relating to Public School
4 Retirees' Health Insurance Fund).

5 * * *

6 ARTICLE II

7 Section 201. Section 7306(a) introductory paragraph of Title
8 51 is amended and the section is amended by adding a subsection
9 to read:

10 § 7306. Retirement rights.

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

22 * * *

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

24 (1) An employee who is an active or inactive participant
25 of the School Employees' Defined Contribution Plan at the
26 time the employee is granted a military leave of absence
27 shall be entitled to make contributions to the Public School
28 Employees' Defined Contribution Trust for the leave as
29 provided in 24 Pa.C.S. Pt. IV (relating to retirement for
30 school employees).

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

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

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

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

20 "Active member." A State employee, or a member on leave
21 without pay, for whom pickup contributions are being made to the
22 fund or for whom such contributions otherwise required for
23 current State service are not being made solely by reason of
24 section 5502.1 (relating to waiver of regular member
25 contributions and Social Security integration member
26 contributions) or any provision of this part relating to the
27 limitations under section 401(a) (17) or 415 of the Internal
28 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17)
29 or 415) [.] or limitations on contributions to the system
30 applicable to a Class A-5 member who is making mandatory pickup

1 participant contributions to the trust.

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

9 * * *

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

15 * * *

16 "Average noncovered salary." The average of the amounts of
17 compensation received by an active member, other than
18 compensation attributable to service as a Class A-5 member, each
19 calendar year since January 1, 1956, exclusive of the amount
20 which was or could have been covered by the Federal Social
21 Security Act[, 42 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et
22 seq.), during that portion of the member's service since January
23 1, 1956, for which he has received social security integration
24 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 accumulated deductions." The sum of the regular
6 accumulated deductions, shared-risk member contributions and all
7 other contributions paid into the fund for the purchase,
8 transfer or conversion of credit for service or other coverage
9 in Class A-5 together with all statutory interest credited
10 thereon until the date of termination of service. In the case of
11 a vestee, statutory interest shall be credited until the
12 effective date of retirement. A member's account shall not be
13 credited with statutory interest for more than two years during
14 a leave without pay.

15 "Class A-5 annual compensation limit." For calendar year
16 2018, the amount of \$50,000. For each subsequent calendar year,
17 the limit shall be 3% greater than the previous year's amount,
18 rounded to the nearest hundred dollars.

19 "Class A-5 exempt employee." A sworn police officer.

20 "Class of service multiplier."

21	Class of Service	Multiplier
22	A	1
23	AA	for all purposes
24		except
25		calculating
26		regular member
27		contributions on
28		compensation
29		paid prior to
30		January 1, 2002
		1.25

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

1 calculating
2 regular member
3 contributions 1.86
4 A-5 for all purposes
5 except the
6 calculation of
7 regular member
8 contributions 1
9 A-5 for purposes of
10 calculating
11 regular member
12 contributions on
13 compensation up
14 to the Class A-5
15 annual
16 compensation
17 limit for
18 members who have
19 less than 25
20 eligibility
21 points credited
22 as a member of
23 Class A-5 or, if
24 a multiple
25 service member,
26 as a member of
27 Class T-G in the
28 Public School
29 Employees'
30 Retirement

1		<u>System</u>	<u>1.2</u>
2	<u>A-5</u>	<u>for purposes of</u>	
3		<u>calculating</u>	
4		<u>regular member</u>	
5		<u>contributions on</u>	
6		<u>compensation</u>	
7		<u>over the Class</u>	
8		<u>A-5 annual</u>	
9		<u>compensation</u>	
10		<u>limit or for</u>	
11		<u>members who have</u>	
12		<u>25 or more</u>	
13		<u>eligibility</u>	
14		<u>points credited</u>	
15		<u>as a member of</u>	
16		<u>Class A-5 or, if</u>	
17		<u>a multiple</u>	
18		<u>service member,</u>	
19		<u>as a member of</u>	
20		<u>Class T-G in the</u>	
21		<u>Public School</u>	
22		<u>Employees'</u>	
23		<u>Retirement</u>	
24		<u>System</u>	<u>0</u>
25	B		.625
26	C		1
27	D		1.25
28	D-1	prior to January	
29		1, 1973	1.875
30	D-1	on and	

1		subsequent to		
2		January 1, 1973	1.731	
3	D-2	prior to January		
4		1, 1973	2.5	
5	D-2	on and		
6		subsequent to		
7		January 1, 1973	1.731	
8	D-3	prior to January		
9		1, 1973	3.75	
10	D-3	on and		
11		subsequent to		
12		January 1, 1973	1.731	except prior to
13				December 1, 1974
14				as applied to
15				any additional
16				legislative
17				compensation as
18				an officer of
19				the General
20				Assembly
21			3.75	
22	D-4	for all purposes		
23		except		
24		calculating		
25		regular member		
26		contributions		
27		on compensation		
28		paid prior to		
29		July 1, 2001	1.5	
30	D-4	for purposes of		

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

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

23 * * *

24 "Compensation." Pickup contributions and mandatory pickup
25 participant contributions plus remuneration actually received as
26 a State employee excluding refunds for expenses, contingency and
27 accountable expense allowances; excluding any severance payments
28 or payments for unused vacation or sick leave; and excluding
29 payments for military leave and any other payments made by an
30 employer while on USERRA leave, leave of absence granted under

1 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
2 government employees), military leave of absence granted under
3 51 Pa.C.S. § 7302 (relating to granting military leaves of
4 absence) or other types of military leave, including other types
5 of leave payments, stipends, differential wage payments as
6 defined in IRC § 414(u) (12) and any other payments[:]; and for a
7 member who first becomes an officer of the State police on or
8 after January 1, 2018, excluding remuneration received in any
9 pay period for voluntary overtime service for service as an
10 officer of the State police that exceeds 10% of the member's
11 base salary as an officer of the State police in that pay
12 period, notwithstanding the provisions of a binding arbitration
13 award issued before July 1, 1989, under the act of June 24, 1968
14 (P.L.237, No.111), referred to as the Policemen and Firemen
15 Collective Bargaining Act, and implemented by the board:
16 Provided, however, That compensation received prior to January
17 1, 1973, shall be subject to the limitations for retirement
18 purposes in effect December 31, 1972, if any: Provided further,
19 That the limitation under section 401(a) (17) of the Internal
20 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a) (17))
21 taken into account for the purpose of member contributions,
22 including any additional member contributions in addition to
23 regular or joint coverage member contributions and Social
24 Security integration contributions, regardless of class of
25 service, shall apply to each member who first became a member of
26 the State Employees' Retirement System on or after January 1,
27 1996, and who by reason of such fact is a noneligible member
28 subject to the application of the provisions of section
29 5506.1(a) (relating to annual compensation limit under IRC §
30 401(a) (17)) and shall apply to each participant pertaining to

1 his participation in the plan.

2 * * *

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

5 (1) service as a State employee;

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

9 (3) school service converted to State service pursuant
10 to section 5303.2 (relating to election to convert school
11 service to State service) [for which an active member may
12 obtain credit].

13 "Credited service." State or creditable nonstate service for
14 which the required contributions have been made to the fund or
15 for which the contributions otherwise required for such service
16 were not made solely by reason of section 5502.1 (relating to
17 waiver of regular member contributions and Social Security
18 integration member contributions) or any provision of this part
19 relating to the limitations under section 401(a)(17) or 415 of
20 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
21 § 401(a)(17) or 415), or limitations on contributions to the
22 system applicable to a Class A-5 member who is making mandatory
23 pickup participant contributions to the trust, except as
24 otherwise provided in this part, or for which salary deductions
25 or lump sum payments to the system have been agreed upon in
26 writing.

27 "Date of termination of service." The latest of the
28 following dates:

29 (1) the last day of service for which pickup
30 contributions are made for an active member or for which the

1 contributions otherwise required for such service were not
2 made solely by reason of section 5502.1 (relating to waiver
3 of regular member contributions and social security
4 integration member contributions) or any provision of this
5 part relating to the limitations under section 401(a) (17) or
6 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
7 26 U.S.C. § 401(a) (17) or 415) or limitations on
8 contributions to the system applicable to a Class A-5 member;

9 (2) the last day of service for which mandatory pickup
10 participant contributions are made for an active participant;
11 or

12 (3) in the case of an inactive member on leave without
13 pay or an inactive participant on leave without pay, the date
14 of his resignation or the date his employment is formally
15 discontinued by his employer.

16 * * *

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

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

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

4 * * *

5 "Employer defined contributions." Contributions that are
6 made by the Commonwealth or other employer to the trust to be
7 credited in an active participant's individual investment
8 account as follows:

9 (1) Except as provided under paragraph (2),
10 contributions equal to 4% of an active participant's
11 compensation.

12 (2) For participants who have less than 25 eligibility
13 points credited as a member of Class A-5 or, if a multiple
14 service member, in Class T-G in the Public School Employees'
15 Retirement System, contributions equal to 0.5% of an active
16 participant's compensation up to the Class A-5 annual
17 compensation limit and for other compensation contributions
18 as set forth in paragraph (1).

19 * * *

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

21 (1) For purposes of calculating all annuities and
22 benefits from the system attributable to a class of service
23 other than Class A-5, the highest average compensation
24 received as a member during any three nonoverlapping periods
25 of four consecutive calendar quarters during which the member
26 was a State employee, excluding compensation received from
27 State service credited as a member of Class A-5, with the
28 compensation for part-time service being annualized on the
29 basis of the fractional portion of the year for which credit
30 is received; except if the employee was not a member in

1 classes of service other than Class A-5 for three
2 nonoverlapping periods of four consecutive calendar quarters,
3 the total compensation received as a member for State service
4 credited other than as a member of Class A-5, annualized in
5 the case of part-time service, divided by the number of
6 nonoverlapping periods of four consecutive calendar quarters
7 of membership in classes of service other than Class A-5; in
8 the case of a member with multiple service, the final average
9 salary for purposes of calculating all annuities and benefits
10 from the system attributable to a class of service other than
11 Class A-5 shall be determined on the basis of the
12 compensation received by him as a [State employee] member of
13 the system or as a school employee, or both[;], excluding
14 compensation received for service performed as a member of
15 Class A-5 or Class T-G in the Public School Employees'
16 Retirement System; and, in the case of a member with Class A-
17 3 or Class A-4 service and service in one or more other
18 classes of service other than Class A-5, the final average
19 salary shall be determined on the basis of the compensation
20 received by him in all classes of State service[; and] other
21 than Class A-5.

22 (2) For purposes of calculating all annuities and
23 benefits from the system attributable to service as a member
24 of Class A-5, the highest average compensation received for
25 service as a member of Class A-5 during any five calendar
26 years; except, if the employee was not a member of Class A-5
27 during five calendar years, the total compensation received
28 as a member of Class A-5, divided by the number of calendar
29 years of membership in Class A-5; in the case of a member
30 with multiple service, the final average salary for purposes

1 of calculating all annuities and benefits from the system
2 attributable to Class A-5 service shall be determined on the
3 basis of the compensation received by him as a State employee
4 for service credited Class A-5 or as a school employee for
5 service credited in Class T-G in the Public School Employees'
6 Retirement System, or both. For the purpose of calculating
7 final average salary under the paragraph, compensation for
8 service as a member of Class A-5 shall be adjusted as set
9 forth in section 5506.2 (relating to application of Class A-5
10 annual compensation limit).

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

24 * * *

25 "Holding vehicle trust." The State Employees' Defined
26 Contribution Holding Vehicle Trust.

27 "Inactive member." A member for whom no pickup contributions
28 are being made to the fund, except in the case of an active
29 member for whom such contributions otherwise required for
30 current State service are not being made solely by reason of

1 section 5502.1 (relating to waiver of regular member
2 contributions and Social Security integration member
3 contributions) or any provision of this part relating to the
4 limitations under section 401(a)(17) or 415 of the Internal
5 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
6 or 415) or limitations on contributions to the system applicable
7 to a Class A-5 member who is making mandatory pickup participant
8 contributions to the trust, but who has accumulated deductions
9 standing to his credit in the fund and who is not eligible to
10 become or has not elected to become a vestee or has not filed an
11 application for an annuity.

12 "Inactive participant." A participant for whom no mandatory
13 pickup participant contributions are being made to the trust,
14 except in the case of an active participant for whom such
15 contributions otherwise required for current State service are
16 not being made solely by reason of any provision of this part
17 relating to limitations under section 401(a)(17) or 415 of the
18 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
19 401(a)(17) or 415), but who has vested accumulated total defined
20 contributions standing to his credit in the trust and who has
21 not filed an application for an annuity.

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 such participant.

18 * * *

19 "Mandatory pickup participant contributions." Contributions
20 that are made by the Commonwealth or other employer for active
21 participants for State service required to be credited in the
22 plan as follows:

23 (1) Except as provided under paragraph (2),
24 contributions equal to 7.5% of compensation.

25 (2) For participants who have less than 25 eligibility
26 points credited as a member of Class A-5 or, if a multiple
27 service member, in Class T-G in the Public School Employees'
28 Retirement System, contributions equal to 1.5% of an active
29 participant's compensation for State service required to be
30 credited in the plan up to the Class A-5 annual compensation

1 limit and for other compensation contributions as set forth
2 in paragraph (1).

3 * * *

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

14 * * *

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

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

22 * * *

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

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

30 * * *

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

9 * * *

10 "Regular member contributions." The product of the basic
11 contribution rate, the class of service multiplier [if greater
12 than one] and the compensation of the member.

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

18 "Retirement counselor." The State Employees' Retirement
19 System or State Employees' Defined Contribution Plan employee
20 whose duty it shall be to advise each employee of his rights and
21 duties as a member of the system or as a participant of the
22 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 or the
5 compensation of a member up to the Class A-5 annual compensation
6 limit for service credited as Class A-5.

7 * * *

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

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

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

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

29 (4) the member elects to leave the member's total
30 accumulated deductions in the fund and to defer receipt of an

1 annuity until attainment of superannuation age or the
2 member's required beginning date.

3 "Standard single life annuity." An annuity equal to 2% of
4 the final average salary, multiplied by the total number of
5 years and fractional part of a year of credited service of a
6 member in each class service, limited in the case of Class A-5
7 service to 25 years.

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

16 (1) (i) The Department of Education.
17 (ii) State-owned educational institutions.
18 (iii) Community colleges.
19 (iv) The Pennsylvania State University, except an
20 employee in the College of Agriculture who is paid wholly
21 from Federal funds or an employee who is participating in
22 the Federal Civil Service Retirement System. The
23 university shall be totally responsible for all employer
24 contributions under section 5507 (relating to
25 contributions to the system by the Commonwealth and other
26 employers).

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 and Class A-5, any age
6 upon accrual of 35 eligibility points or age 60, except for a
7 member of the General Assembly, an enforcement officer, a
8 correction officer, a psychiatric security aide, a Delaware
9 River Port Authority policeman or an officer of the Pennsylvania
10 State Police, age 50, and, except for a member with Class G,
11 Class H, Class I, Class J, Class K, Class L, Class M or Class N
12 service, age 55 upon accrual of 20 eligibility points. For Class
13 A-3 [and], Class A-4 and Class A-5 service, any age upon
14 attainment of a superannuation score of 92, provided the member
15 has accrued 35 eligibility points, or age 65, or for park
16 rangers or capitol police officers, age 55 with 20 years of
17 service as a park ranger or capitol police officer in classes of
18 service other than Class A-5, except for a member of the General
19 Assembly, an enforcement officer, a correction officer, a
20 psychiatric security aide, a Delaware River Port Authority
21 policeman or an officer of the Pennsylvania State Police, age
22 55. A vestee with Class A-3 [or], Class A-4 or Class A-5 service
23 credit attains superannuation age on the birthday the vestee
24 attains the age resulting in a superannuation score of 92,
25 provided that the vestee has at least 35 eligibility points, or
26 attains another applicable superannuation age, whichever occurs
27 first.

28 * * *

29 "Superannuation score." The sum of the member's age in whole
30 years on his last birthday and the amount of the member's total

1 eligibility points, other than eligibility points resulting from
2 Class A-5 service credit or, if a multiple service member, in
3 Class T-G on the member's effective date of retirement,
4 expressed in whole years and whole eligibility points and
5 disregarding fractions of a year and fractions of total
6 eligibility points.

7 * * *

8 "Sworn police officer." A State police officer who is
9 employed and serving as an officer of the Pennsylvania State
10 Police.

11 * * *

12 "Total accumulated deductions." The sum of the regular
13 accumulated deductions, additional accumulated deductions, the
14 social security integration accumulated deductions, shared-risk
15 member contributions and all other contributions other than
16 Class A-5 accumulated deductions paid into the fund for the
17 purchase, transfer or conversion of credit for service or other
18 coverage other than service or coverage in Class A-5 together
19 with all statutory interest credited thereon until the date of
20 termination of service. In the case of a vestee or a special
21 vestee, statutory interest shall be credited until the effective
22 date of retirement. A member's account shall not be credited
23 with statutory interest for more than two years during a leave
24 without pay.

25 "Trust." The State Employees' Defined Contribution Trust
26 established under Chapter 58 (relating to State Employees'
27 Defined Contribution Plan).

28 * * *

29 "Valuation interest." Interest at 5 1/2% per annum
30 compounded annually and applied to all accounts of the fund

1 other than the members' savings account.

2 "Vestee." Any of the following:

3 (1) A member with:

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

8 (ii) Class G, Class H, Class I, Class J, Class K,
9 Class L, Class M or Class N service with five or more
10 eligibility points [, or a member with] in classes of
11 service other than Class A-5 or Class T-G in the Public
12 School Employees' Retirement System; or

13 (iii) Class A-3 or Class A-4 service with ten or
14 more eligibility points in classes of service other than
15 Class A-5 or Class T-G in the Public School Employees'
16 Retirement System ; or

17 (iv) Class A-5 service with ten or more eligibility
18 points for service in Class A-5 or, if a multiple service
19 member, Class T-G service in the Public School Employees'
20 Retirement System and

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

24 "Voluntary contributions." Contributions made by a
25 participant to the trust and credited to his individual
26 investment account in excess of his mandatory pickup participant
27 contributions by an eligible rollover or direct trustee-to-
28 trustee transfer.

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

30 § 5103. Notice to members and participants.

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

11 Section 303. Title 71 is amended by adding a section to
12 read:

13 § 5104. Reference to State Employees' Retirement System.

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

22 (b) Agreement.--The agreement of an employer listed in the
23 definition of "State employee" or any other law to make
24 contributions to the fund or to enroll its employees as members
25 in the system shall be deemed to be an agreement to make
26 contributions to the trust or to enroll its employees in the
27 plan.

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

1 § 5301. Mandatory and optional membership in the system and
2 participation in the plan.

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

6 (1) Governor.

7 (2) Lieutenant Governor.

8 (3) Members of the General Assembly.

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

10 (5) Members of any independent administrative board or
11 commission.

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

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

14 (8) Secretary to the Governor.

15 (9) Budget Secretary.

16 (10) Legislative employees.

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

19 (12) School employees who have elected membership in an
20 independent retirement program approved by the employer,
21 provided that in no case, except as hereinafter provided,
22 shall the employer contribute on account of such elected
23 membership at a rate greater than the employer normal
24 contribution rate as determined in section 5508(b) (relating
25 to actuarial cost method). For the fiscal year 1986-1987 an
26 employer may contribute on account of such elected membership
27 at a rate which is the greater of 7% or the employer normal
28 contribution rate as determined in section 5508(b) and for
29 the fiscal year 1992-1993 and all years after that at a rate
30 of 9.29%.

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

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

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

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

22 (a.1) Mandatory participation in the plan.--A State employee
23 who is a mandatory member of the system as a member of Class A-5
24 shall be a mandatory participant in the plan as of the effective
25 date of membership in the system except for service as a Class
26 A-5 exempt employee.

27 (b) Optional membership in the system.--The State employees
28 listed in subsection (a)(1) through [(11)] (10) whose first
29 period of State service begins before January 1, 2018, shall
30 have the right to elect membership in the system[; once such

1 election is] before January 1, 2018, or the termination of State
2 service, whichever occurs first. The State employees listed in
3 subsection (a)(1) through (10) who first become State employees
4 on or after January 1, 2018, shall be members of the system
5 effective as of the date of their employment unless they elect
6 not to be members within 30 days after beginning State service.
7 Once such elections are exercised, membership or nonmembership,
8 as the case may be, shall continue until the termination of
9 State service. The State employees listed under subsection (a)
10 (11) shall have the right to elect membership in the system.
11 Once the election is exercised, membership shall continue until
12 the termination of State service.

13 (b.1) Optional participation in the plan.--The State
14 employees who are optional members of the system as a member of
15 Class A-5 also are optional participants in the plan. The State
16 employees who elect membership in the system as members of Class
17 A-5 also automatically elect participation in the plan as of the
18 effective date of membership in the system except for service as
19 a Class A-5 exempt employee.

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

23 (c.1) Prohibited participation in the plan.--The State
24 employees who are listed in subsection (a)(11), (12), (13), (14)
25 and (15) or who are not members of Class A-5 shall not be
26 eligible to participate in the plan.

27 (d) Return to service.--

28 (1) An annuitant who returns to service as a State
29 employee before January 1, 2018, or as a Class A-5 exempt
30 employee after December 31, 2017, shall resume active

1 membership in the system as of the effective date of
2 employment, except as otherwise provided in section 5706(a)
3 (relating to termination of annuities), regardless of the
4 optional membership category of the position.

5 (2) An annuitant, inactive participant or a participant
6 receiving distributions who returns to service as a State
7 employee on or after January 1, 2018, shall resume active
8 membership in the system, if an active member of Class A-5
9 shall, and be an active participant in the plan as of the
10 effective date of employment, except as otherwise provided in
11 section 5706(a), regardless of the optional membership or
12 participation category of the position.

13 * * *

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

16 § 5302. Credited State service.

17 (a) Computation of credited service.--In computing credited
18 State service of a member for the determination of benefits, a
19 full-time salaried State employee, including any member of the
20 General Assembly, shall receive credit for service in each
21 period for which contributions as required are made to the fund,
22 or for which contributions otherwise required for such service
23 were not made to the fund solely by reason of section 5502.1
24 (relating to waiver of regular member contributions and Social
25 Security integration member contributions) or any provision of
26 this part relating to the limitations under IRC § 401(a)(17) or
27 415, or limitations on contributions applicable to a Class A-5
28 member, except as otherwise provided in this part, but in no
29 case shall he receive more than one year's credit for any 12
30 consecutive months or 26 consecutive biweekly pay periods. A per

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

23 (b) Creditable leaves of absence.--

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

1 contributions are made in accordance with sections 5501
2 (relating to regular member contributions for current
3 service), 5501.1 (relating to shared-risk member
4 contributions for Class A-3 [and], Class A-4 and Class A-5
5 service), 5505.1 (relating to additional member
6 contributions) and 5507 (relating to contributions to the
7 system by the Commonwealth and other employers), the member
8 returns from leave without pay to active State service as a
9 member of the system for a period of at least one year, and
10 he is not entitled to retirement benefits for such service
11 under a retirement system administered by any other
12 governmental agency.

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

1 contributions and benefits, other benefits and seniority, as
2 if he were in full-time active service; and that the
3 Statewide employee organization shall fully reimburse the
4 employer for all expenses and costs of such paid leave,
5 including, but not limited to, contributions and payment in
6 accordance with sections 5501, 5501.1, 5505.1 and 5507, 5804
7 (relating to participant contributions), 5805 (relating to
8 mandatory pickup participant contributions) and 5806
9 (relating to employer defined contributions), if the employee
10 organization either directly pays, or reimburses the
11 Commonwealth or other employer for, contributions made in
12 accordance with [section 5507] sections 5507, 5804, 5805 and
13 5806.

14 * * *

15 (e) Cancellation of credited service.--

16 (1) All credited service in the system shall be
17 cancelled if a member withdraws his total accumulated
18 deductions and Class A-5 accumulated deductions, except that:

19 (i) a member with Class A-3 or Class A-4 service
20 credit and one or more other classes of service credit
21 shall not have his service credit as a member of any
22 classes of service other than as a member of Class A-3 or
23 Class A-4 cancelled when the member receives a lump sum
24 payment of accumulated deductions resulting from Class A-
25 3 or Class A-4 service pursuant to section [5705.1]
26 5705.1 (relating to payment of accumulated deductions
27 resulting from Class A-3 [and], Class A-4 and Class A-5
28 service)[.];

29 (ii) a member with Class A-5 service credit and one
30 or more other classes of service credit shall not have

1 his service credit in the classes of service other than
2 Class A-5 canceled when the member receives a lump sum
3 payment of Class A-5 accumulated deductions pursuant to
4 section 5705.1; and

5 (iii) a member with Class A-5 service credit and one
6 or more other classes of service credit shall not have
7 his service credit as a member of Class A-5 canceled when
8 the member receives a lump sum payment of total
9 accumulated deductions resulting from the other classes
10 of service pursuant to section 5705.1.

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

14 (f) Credit for military service.--A State employee who has
15 performed USERRA leave may receive credit in the system or
16 participate in the plan as follows:

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

28 (1.1) State employees may not receive service credit in
29 the system or exercise the options under 51 Pa.C.S. § 7306
30 (relating to retirement rights) for military leaves that

1 begin on or after the effective date of this subsection,
2 except as otherwise provided by this subsection.

3 (1.2) State employees may not participate in the plan or
4 exercise the options under 51 Pa.C.S. § 7306 for military
5 leaves that begin on or after the effective date of this
6 paragraph, except as otherwise provided by this subsection.

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

9 The following shall apply:

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

1 an active member who performed creditable State service
2 during the USERRA leave in the job position that the
3 State employee would have held had the State employee not
4 been on USERRA leave and received the compensation on
5 which the member contributions to receive State service
6 credit for the USERRA leave were determined.

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

26 (iii) A State employee who is reemployed from USERRA
27 leave as an active member of the system who does not make
28 the required member contributions or makes only part of
29 the required member contributions within the allowed
30 payment period shall not be granted credited service for

1 the period of USERRA leave for which the required member
2 contributions were not timely made, shall not be eligible
3 to subsequently make contributions and shall not be
4 granted either State service credit or nonstate service
5 credit for the period of USERRA leave for which the
6 required member contributions were not timely made.

7 (2.1) (i) A participant who is reemployed from USERRA
8 leave shall be treated as not having incurred a break in
9 State service by reason of the USERRA leave and shall be
10 granted eligibility points as if the participant had not
11 been on USERRA leave. If a participant who is reemployed
12 from USERRA leave subsequently makes mandatory pickup
13 participant contributions in the amounts and in the time
14 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
15 if the participant had continued in his State office or
16 employment and performed State service and been
17 compensated during the period of USERRA leave, the
18 participant's employer shall make the corresponding
19 employer defined contributions. The employee shall have
20 his contributions, benefits, rights and obligations
21 determined under this part as if he were an active
22 participant who performed State service during the USERRA
23 leave in the job position that he would have held had he
24 not been on USERRA leave and received the compensation on
25 which the mandatory pickup participant contributions to
26 receive State service credit for the USERRA leave were
27 determined.

28 (ii) A participant who is reemployed from USERRA
29 leave who does not make the mandatory pickup participant
30 contributions or makes only part of the mandatory pickup

1 participant contributions within the allowed payment
2 period shall not be eligible to make mandatory pickup
3 participant contributions at a later date for the period
4 of USERRA leave for which the mandatory pickup
5 participant contributions were not timely made.

6 (3) A State employee who is a member of the system and
7 performs USERRA leave from which the employee could have been
8 reemployed from USERRA leave had the State employee returned
9 to State service in the time frames required by 38 U.S.C. Ch.
10 43 for reemployment rights, but did not do so, shall be able
11 to receive creditable nonstate service as nonintervening
12 military service for the period of USERRA leave should the
13 employee later return to State service as an active member of
14 the system and is otherwise eligible to purchase the service
15 as nonintervening military service.

16 (3.1) A State employee who is a participant in the plan
17 and performs USERRA leave from which the employee could have
18 been reemployed from USERRA leave had the employee returned
19 to State service in the time frames required by 38 U.S.C. Ch.
20 43 for reemployment rights, but did not do so, shall not be
21 eligible to make mandatory pickup participant contributions
22 for the period of USERRA leave should the employee later
23 return to State service and be a participant in the plan.

24 (4) [A State employee] An active member or inactive
25 member on leave without pay who on or after the effective
26 date of this subsection is granted a leave of absence under
27 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
28 government employees) or a military leave under 51 Pa.C.S.
29 Ch. 73, that is not USERRA leave shall be able to receive
30 creditable nonstate service as nonintervening military

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

4 (4.1) An active participant or inactive participant on
5 leave without pay who on or after the effective date of this
6 paragraph is granted a leave of absence under 51 Pa.C.S. §
7 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
8 USERRA leave shall not be able to make mandatory pickup
9 participant contributions during or for the leave of absence
10 or military leave and shall not have employer defined
11 contributions made during such leave, without regard to
12 whether or not the State employee received salary, wages,
13 stipends, differential wage payments or other payments from
14 his employer during the leave, notwithstanding any provision
15 to the contrary under 51 Pa.C.S. § 4102 or Ch. 73.

16 (5) If a member dies while performing USERRA leave, then
17 the beneficiaries or survivor annuitants, as the case may be,
18 of the deceased member are entitled to any additional
19 benefits, including eligibility points, other than benefit
20 accruals relating to the period of qualified military
21 service, provided under this part had the member resumed and
22 then terminated employment on account of death.

23 (5.1) If a participant dies while performing USERRA
24 leave, the beneficiaries or successor payees of the deceased
25 participant are entitled to any additional benefits, other
26 than benefit accruals relating to the period of qualified
27 military service, provided under this part had the
28 participant resumed and then terminated employment on account
29 of death.

30 (6) A State employee who is on a leave of absence from

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

11 Section 306. Section 5303(b) and (d)(1) of Title 71 are
12 amended and the section is amended by adding a subsection to
13 read:

14 § 5303. Retention and reinstatement of service credits.

15 * * *

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

17 (1) [Every] Subject to the limitations in subsection
18 (i), an active member of the system or a multiple service
19 member who is a school employee and a member of the Public
20 School Employees' Retirement System on or after the effective
21 date of this part shall receive eligibility points in
22 accordance with section 5307 for current State service,
23 previous State service, or creditable nonstate service upon
24 compliance with sections 5501 (relating to regular member
25 contributions for current service), 5501.1 (relating to
26 shared-risk contributions for Class A-3 [and], Class A-4 and
27 Class A-5 service), 5504 (relating to member contributions
28 for the purchase of credit for previous State service or to
29 become a full coverage member), 5505 (relating to
30 contributions for the purchase of credit for creditable

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

14 (i) is credited with Class A-3 service for such
15 membership, shall be credited only with Class A-3 service
16 for previous State service performed before January 1,
17 2011, that was not previously credited in the system; or

18 (ii) is credited with Class A-4 service for such
19 membership, shall be credited only with Class A-4 service
20 for previous State service performed before January 1,
21 2011, that was not previously credited in the system.

22 The class of service in which a member shall be credited for
23 service subsequent to the effective date of this part shall
24 be determined in accordance with subsection (i) and section
25 5306 (relating to classes of service).

26 (1.1) Every active member of the system who elects to
27 convert county service to State service pursuant to section
28 5303.1 (relating to election to convert county service to
29 State service) shall receive eligibility points in accordance
30 with section 5307 for converted county service upon

1 compliance with section 5303.1(b). The class or classes of
2 service in which the member may be credited for converted
3 county service shall be determined in accordance with section
4 5306(c).

5 (1.2) Every member of the system who elects to convert
6 school service to State service pursuant to section 5303.2
7 (relating to election to convert school service to State
8 service) shall receive eligibility points in accordance with
9 section 5307 for converted school service. The class or
10 classes of service in which the member may be credited for
11 converted school service shall be determined in accordance
12 with section 5306(d).

13 (1.3) A member of the system who is reemployed from
14 USERRA leave or who dies while performing USERRA leave shall
15 receive eligibility points in accordance with section 5307
16 for the State service that would have been performed had the
17 member not performed USERRA leave.

18 (2) A special vestee or person otherwise eligible to be
19 a special vestee who returns to State service or withdraws
20 his accumulated deductions pursuant to section 5311 (relating
21 to eligibility for refunds) or 5701 (relating to return of
22 [total] accumulated deductions) shall receive or retain
23 eligibility points in accordance with paragraph (1) but upon
24 subsequent termination of State service shall only be
25 eligible to be an annuitant vestee or inactive member without
26 regard to previous status as a special vestee and without
27 regard to the provisions of this part providing for special
28 vestees.

29 (3) A special vestee or person otherwise eligible to be
30 a special vestee who becomes an active member of the Public

1 School Employees' Retirement System and elects multiple
2 service shall receive or retain eligibility points as
3 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
4 (relating to retirement for school employees) but upon
5 subsequent termination of school service shall only be
6 eligible to be an annuitant, vestee or inactive member as
7 otherwise eligible as a multiple service member without
8 regard to previous status as a special vestee and without
9 regard to the provisions of this part providing for special
10 vestees.

11 * * *

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

13 (1) Any person who was an employee of any county in this
14 Commonwealth on the personal staff of an appellate court
15 judge prior to September 9, 1985, and who had that employment
16 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
17 (relating to local chamber facilities) shall be a member of
18 the system for all service rendered as an employee of the
19 Commonwealth on the personal staff of an appellate court
20 judge subsequent to the date of the transfer unless
21 specifically prohibited pursuant to section 5301(c) (relating
22 to mandatory and optional membership in the system and
23 participation in the plan). The employee shall be entitled to
24 have any prior service credit in that county or other
25 municipal pension plan or retirement system transferred to
26 the system and deemed to be State service for all purposes
27 under this part. However, for those employees who were in
28 continuous county employment which commenced prior to July
29 22, 1983, section 5505.1 shall not apply. The transfer of
30 prior service credit to the system shall occur upon the

1 transfer, by the member, county or other municipal pension
2 plan or retirement system, to the system of the amount of
3 accumulated member contributions, pick-up contributions and
4 credited interest standing in the employee's county or
5 municipal pension plan or retirement system account as of the
6 date that these funds are transferred to the system. In the
7 event that these funds have been refunded to the member, the
8 transfer of service credit shall occur when the member
9 transfers an amount equal to either the refund which the
10 member received from the county or municipal pension plan or
11 retirement system or the amount due under section 5504, if
12 less. In the case of a transfer by the member, the transfer
13 shall occur by December 31, 1987, in order for the member to
14 receive credit for the prior service. In the case of a
15 transfer by the county or other municipal pension plan or
16 retirement system, the transfer shall also occur by December
17 31, 1987. If the amount transferred to the system by the
18 member of a county or municipal pension plan or retirement
19 system is greater than the amount that would have accumulated
20 in the member's account if the employee had been a member of
21 the system, all excess funds shall be returned to the
22 employee within 90 days of the date on which such funds are
23 credited to the member's account in the system. Within 60
24 days of receipt of written notice that an employee has
25 elected to transfer credits under the provisions of this
26 subsection, the county or other municipal pension plans or
27 retirement systems shall be required to transfer to the
28 system an amount, excluding contributions due under section
29 5504(a), equal to the liability of the prior service in
30 accordance with county or other municipal pension plan or

1 retirement system benefit provisions, multiplied by the ratio
2 of system actuarial value of assets for active members to the
3 system actuarial accrued liability for active members. The
4 Public Employee Retirement Study Commission shall determine
5 the appropriate amount of employer contributions to be
6 transferred to the system by the county or other municipal
7 pension plans or retirement systems.

8 * * *

9 (i) Ineligibility to purchase previous State service
10 credit.--An active member of Class A-5 or a multiple service
11 member who is an active member of Class T-G in the Public School
12 Employees' Retirement System shall not be eligible to purchase
13 service credit for previous State service, whether or not
14 previously credited in the system, except to reinstate
15 previously credited Class A-5 service credit for which Class A-5
16 accumulated deductions were withdrawn under section 5311 or
17 5701, and except to the extent that any other provision of law
18 requires or allows any period of leave to be credited as State
19 service after the member returns from the leave to State
20 service.

21 Section 307. Sections 5303.2(a) and 5304(a) and (b) of Title
22 71 are amended to read:

23 § 5303.2. Election to convert school service to State service.

24 (a) Eligibility.--An active member or inactive member on
25 leave without pay who was an employee transferred from the
26 Department of Education to the Department of Corrections
27 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
28 No.175), known as The Administrative Code of 1929, and who on
29 the effective date of that transfer did not participate in an
30 independent retirement program approved by the Department of

1 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
2 and optional membership) or section 5301(a)(12) (relating to
3 mandatory and optional membership in the system and
4 participation in the plan), notwithstanding any other provision
5 of law or any collective bargaining agreement, arbitration
6 award, contract or term or conditions of any retirement system
7 or pension plan, may make a one-time election to convert all
8 service credited in the Public School Employees' Retirement
9 System as of June 30, 1999, and transfer to the system all
10 accumulated member contributions and statutory interest credited
11 in the members' savings account in the Public School Employees'
12 Retirement System as of June 30, 1999, plus statutory interest
13 on that amount credited by the Public School Employees'
14 Retirement System from July 1, 1999, to the date of transfer to
15 the system.

16 * * *

17 § 5304. Creditable nonstate service.

18 (a) Eligibility.--

19 (1) An active member who first becomes an active member
20 before January 1, 2011, or before December 1, 2010, as a
21 member of the General Assembly and who is an active member of
22 a class of service other than Class A-5, or a multiple
23 service member who first becomes an active member before
24 January 1, 2011, or before December 1, 2010, as a member of
25 the General Assembly, and who is a school employee and an
26 active member of the Public School Employees' Retirement
27 System in a class of service other than Class T-G shall be
28 eligible for Class A service credit for creditable nonstate
29 service as set forth in subsections (b) and (c) except that
30 intervening military service shall be credited in the class

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

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

28 (3) An active member of Class A-5 or a multiple service
29 member who is a school employee and an active member of the
30 Public School Employees' Retirement System as a member of

1 Class T-G shall be eligible for Class A-5 service credit for
2 creditable nonstate service as set forth in subsections (b)
3 and (c)(2) for which the member makes the required
4 contributions to the fund.

5 * * *

6 (b) Limitations on eligibility.--An active member or a
7 multiple service member who is a school employee and an active
8 member of the Public School Employees' Retirement System shall
9 be eligible as set forth in subsection (a) to receive credit for
10 nonstate service provided that he does not have credit for such
11 service in the system or in the [school system] Public School
12 Employees' Retirement System and is not entitled to receive,
13 eligible to receive now or in the future, or is receiving
14 retirement benefits for such service in the system or under a
15 retirement system administered and wholly or partially paid for
16 by any other governmental agency or by any private employer, or
17 a retirement program approved by the employer in accordance with
18 section 5301(a)(12) (relating to mandatory and optional
19 membership in the system and participation in the plan), and
20 further provided, that such service is certified by the previous
21 employer and contributions are agreed upon and made in
22 accordance with section 5505 (relating to contributions for the
23 purchase of credit for creditable nonstate service).

24 * * *

25 Section 308. Section 5305(b) of Title 71 is amended and the
26 section is amended by adding a subsection to read:

27 § 5305. Social security integration credits.

28 * * *

29 (b) Accrual of subsequent credits.--Any active member who
30 has social security integration accumulated deductions to his

1 credit or is receiving a benefit on account of social security
2 integration credits may accrue one social security integration
3 credit for each year of service as a State employee on or
4 subsequent to March 1, 1974 and a fractional credit for a
5 corresponding fractional year of service provided that
6 contributions are made to the fund, or would have been made to
7 the fund but for section 5502.1 (relating to waiver of regular
8 member contributions and Social Security integration member
9 contributions) or the limitations under IRC § 401(a)(17) or 415,
10 except as otherwise provided in this part, in accordance with
11 section 5502 (relating to Social Security integration member
12 contributions), and he:

13 (1) continues subsequent to March 1, 1974 as an active
14 member in either the [State or school system;] system in a
15 class of service other than Class A-5 or, if a multiple
16 service member, as an active member in the Public School
17 Employees' Retirement System in a class of service other than
18 Class T-G;

19 (2) terminates such continuous service in the [State or
20 school] system or the Public School Employees' Retirement
21 System and returns to active membership in the [State] system
22 within six months in a class of service other than Class A-5;
23 or

24 (3) terminates his status as a vestee or an annuitant
25 and returns to State service as an active member of the
26 system in a class of service other than Class A-5.

27 * * *

28 (e) Class A-5 service ineligible for credit.--No social
29 security integration credits shall accrue for any service
30 performed or credited as Class A-5 service.

1 Section 309. Section 5305.1 of Title 71 is amended to read:

2 § 5305.1. Eligibility for actuarial increase factor.

3 A person who has credit for a class of service other than
4 Class A-5 and is:

5 (1) an active member;

6 (2) an inactive member on leave without pay; or

7 (3) a multiple service member who is a school employee
8 and an active member of the Public School Employees'
9 Retirement System;

10 who terminates State service or school service, as the case
11 may be, after attaining age 70 and who applies for a
12 superannuation annuity with an effective date of retirement the
13 day after the date of termination of State service or school
14 service shall have that person's maximum single life annuity
15 calculated pursuant to section 5702(a.1) (relating to maximum
16 single life annuity).

17 Section 310. Section 5306(a), (a.1), (a.2), (a.3) and (b) of
18 Title 71 are amended and the section is amended by adding a
19 subsection to read:

20 § 5306. Classes of service.

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

22 (1) A State employee who is a member of Class A on the
23 effective date of this part or who first becomes a member of
24 the system subsequent to the effective date of this part and
25 before January 1, 2011, or before December 1, 2010, as a
26 member of the General Assembly, shall be classified as a
27 Class A member and receive credit for Class A service upon
28 payment of regular and additional member contributions for
29 Class A service, provided that the State employee does not
30 become a member of Class AA pursuant to subsection (a.1) or a

1 member of Class D-4 pursuant to subsection (a.2) or a member
2 of Class A-5.

3 (2) A State employee who first becomes a member of the
4 system on or after January 1, 2011, or on or after December
5 1, 2010, as a member of the General Assembly, and, unless a
6 Class A-5 exempt employee, before January 1, 2018, shall be
7 classified as a Class A-3 member and receive credit for Class
8 A-3 service upon payment of regular member contributions and
9 shared-risk member contributions for Class A-3 service
10 provided that the State employee does not become a member of
11 Class A-4 pursuant to subsection (a.3) or a member of Class
12 A-5, except that a member of the judiciary shall be
13 classified as a member of such other class of service for
14 which the member of the judiciary is eligible[,] and shall
15 elect and make regular member contributions unless the member
16 of the judiciary subsequently becomes a member of Class A-5.

17 (3) A Class A-5 exempt employee who is a member of Class
18 A-3 shall have all other State service performed concurrently
19 with being a Class A-5 exempt employee classed as Class A-3
20 service instead of any other class of service the service
21 might otherwise be credited as. This paragraph shall apply
22 only to service performed concurrently with Class A-5 exempt
23 service. Notwithstanding the provisions of a binding
24 arbitration award issued before July 1, 1989, under the act
25 of June 24, 1968 (P.L.237, No.111), referred to as the
26 Policemen and Firemen Collective Bargaining Act, and
27 implemented by the board, for a member who first becomes an
28 officer of the Pennsylvania State Police on or after January
29 1, 2018, other service performed before or after service as a
30 State police officer shall be credited in the class of

1 service as provided under this part.

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

3 (1) A person who becomes a State employee and an active
4 member of the system after June 30, 2001, and who first
5 became an active member before January 1, 2011, or before
6 December 1, 2010, as a member of the General Assembly, and
7 who is not a State police officer and not employed in a
8 position for which a class of service other than Class A is
9 credited or could be elected shall be classified as a Class
10 AA member and receive credit for Class AA State service upon
11 payment of regular member contributions for Class AA service
12 and, subject to the limitations contained in paragraph (7)
13 and section 5303(i) (relating to retention and reinstatement
14 of service credits), if previously a member of Class A or
15 previously employed in a position for which Class A service
16 could have been earned, shall have all Class A State service
17 (other than State service performed as a State police officer
18 or for which a class of service other than Class A was earned
19 or could have been elected) classified as Class AA service.

20 (2) A person who is a State employee on June 30, 2001,
21 and July 1, 2001, but is not an active member of the system
22 because membership in the system is optional or prohibited
23 pursuant to section 5301 (relating to mandatory and optional
24 membership in the system and participation in the plan) and
25 who first becomes an active member after June 30, 2001, and
26 before January 1, 2011, or before December 1, 2010, as a
27 member of the General Assembly, and who is not a State police
28 officer and not employed in a position for which a class of
29 service other than Class A is credited or could be elected
30 shall be classified as a Class AA member and receive credit

1 for Class AA State service upon payment of regular member
2 contributions for Class AA service and, subject to the
3 limitations contained in paragraph (7) and section 5303(i),
4 if previously a member of Class A or previously employed in a
5 position for which Class A service could have been earned,
6 shall have all Class A State service (other than State
7 service performed as a State Police officer or for which a
8 class of service other than Class A was earned or could have
9 been elected) classified as Class AA service.

10 (3) Provided that an election to become a Class AA
11 member is made pursuant to section 5306.1 (relating to
12 election to become a Class AA member), a State employee,
13 other than a State employee who is a State police officer on
14 or after July 1, 1989, who on June 30, 2001, and July 1,
15 2001, is:

16 (i) a member of Class A, other than a member of
17 Class A who could have elected membership in a Class C,
18 Class D-3, Class E-1 or Class E-2; or

19 (ii) an inactive member on a leave without pay from
20 a position in which the State employee would be a Class A
21 active member if the employee was not on leave without
22 pay, other than a position in which the State employee
23 could elect membership in Class C, Class D-3, Class E-1
24 or Class E-2;

25 shall be classified as a Class AA member and receive
26 credit for Class AA State service performed after June 30,
27 2001, upon payment of regular member contributions for Class
28 AA service and, subject to the limitations contained in
29 paragraph (7) and section 5303(i), shall receive Class AA
30 service credit for all Class A State service, other than

1 State service performed as a State police officer or as a
2 State employee in a position for which the member could have
3 elected membership in Class C, Class D-3, Class E-1 or Class
4 E-2, performed before July 1, 2001.

5 (4) Provided that an election to become a Class AA
6 member is made pursuant to section 5306.1, a former State
7 employee, other than a former State employee who was a State
8 police officer on or after July 1, 1989, who on June 30,
9 2001, and July 1, 2001, is a multiple service member and a
10 school employee and a member of the Public School Employees'
11 Retirement System, subject to the limitations contained in
12 paragraph (7) and section 5303(i), shall receive Class AA
13 service credit for all Class A State service, other than
14 State service performed as a State police officer or as a
15 State employee in a position in which the former State
16 employee could have elected a class of service other than
17 Class A, performed before July 1, 2001.

18 (5) A former State employee who first becomes a member
19 before January 1, 2011, or before December 1, 2010, as a
20 member of the General Assembly, other than a former State
21 employee who was a State police officer on or after July 1,
22 1989, who is a school employee and who on or after July 1,
23 2001, becomes a multiple service member, subject to the
24 limitations contained in paragraph (7) and section 5303(i),
25 shall receive Class AA service credit for all Class A State
26 service other than State service performed as a State
27 employee in a position in which the former State employee
28 could have elected a class of service other than Class A.

29 (6) A State employee who after June 30, 2001, becomes a
30 State police officer or who is employed in a position in

1 which the member could elect membership in the system in a
2 class of service other than Class AA or Class D-4 shall
3 retain any Class AA service credited prior to becoming a
4 State police officer or being so employed but shall be
5 ineligible to receive Class AA credit thereafter and instead
6 shall receive Class A credit for service as a member of the
7 judiciary if the judicial service begins before January 1,
8 2018, and the State employee first becomes a member of the
9 system before January 1, 2018, or if he first became a member
10 before January 1, 2011, or December 1, 2010, as a member of
11 the General Assembly, or Class A-3 credit for service other
12 than as a member of the judiciary and other than service as a
13 Class A-5 exempt employee before January 1, 2018, and he
14 first became a member on or after January 1, 2011, or
15 December 1, 2010, as a member of the General Assembly, unless
16 a class of membership other than Class A is elected.

17 (7) (i) State service performed as Class A service
18 before July 1, 2001, and State service for which Class A
19 service could have been credited but was not credited
20 because membership in the system was optional or
21 prohibited pursuant to section 5301 shall be credited as
22 Class AA service only upon the completion of all acts
23 necessary for the State service to be credited as Class A
24 service had this subsection not been enacted and upon
25 payment of required Class AA member contributions as
26 provided in section 5504 (relating to member
27 contributions for the purchase of credit for previous
28 State service or to become a full coverage member).

29 (ii) A person who is not a State employee or a
30 school employee on June 30, 2001, and July 1, 2001, and

1 who has previous State service (except a disability
2 annuitant who returns to State service after June 30,
3 2001, upon termination of the disability annuity) shall
4 not receive Class AA service credit for State service
5 performed before July 1, 2001, until such person becomes
6 an active member, or an active member of the Public
7 School Employees' Retirement System and a multiple
8 service member, and earns three eligibility points by
9 performing credited State service in a class of service
10 other than Class A-5 or credited school service in a
11 class of service other than Class T-G after June 30,
12 2001.

13 (iii) Nothing in this paragraph shall be construed
14 to authorize a member of Class A-5 or a multiple service
15 member who is a member of Class T-G in the Public School
16 Employees' Retirement System to reinstate or purchase
17 credit for previously credited or uncredited State
18 service other than as allowed under section 5303(i).

19 (a.2) Class of membership for members of the General
20 Assembly.--

21 (1) A person who:

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

25 (ii) is a member of the General Assembly on July 1,
26 2001, but is not an active member of the system because
27 membership in the system is optional pursuant to section
28 5301 and who becomes an active member after June 30,
29 2001, and before December 1, 2010;

30 and who was not a State police officer on or after July 1,

1 1989, shall be classified as a Class D-4 member and unless he
2 later becomes a member of Class A-5 receive credit as a Class
3 D-4 member for all State service as a member of the system
4 performed as a member of the General Assembly upon payment of
5 regular member contributions for Class D-4 service and,
6 subject to the limitations contained in subsection (a.1) (7)
7 and section 5303(i), if previously a member of Class A or
8 employed in a position for which Class A service could have
9 been earned, shall receive Class AA service credit for all
10 Class A State service, other than State service performed as
11 a State police officer or for which a class of service other
12 than Class A or Class D-4 was or could have been elected or
13 credited.

14 (2) Provided an election to become a Class D-4 member is
15 made pursuant to section 5306.2 (relating to elections by
16 members of the General Assembly), a State employee who was
17 not a State police officer on or after July 1, 1989, who on
18 July 1, 2001, is a member of the General Assembly and an
19 active member of the system and not a member of Class D-3
20 shall be classified as a Class D-4 member and, unless he
21 later becomes a member of Class A-5, receive credit as a
22 Class D-4 member for all State service performed as a member
23 of the General Assembly not credited as another class other
24 than Class A upon payment of regular member contributions for
25 Class D-4 service and, subject to the limitations contained
26 in paragraph (a.1) (7), shall receive Class AA service credit
27 for all Class A State service, other than State service
28 performed as a State police officer or as a State employee in
29 a position in which the member could have elected a class of
30 service other than Class A, performed before July 1, 2001.

1 (3) A member of the General Assembly who after June 30,
2 2001, becomes a State police officer shall retain any Class
3 AA service or Class D-4 service credited prior to becoming a
4 State police officer or being so employed but shall be
5 ineligible to receive Class AA or Class D-4 credit thereafter
6 and instead shall receive Class A credit or Class A-3 credit
7 if he first becomes a member of the system on or after
8 January 1, 2011, and before January 1, 2018, or Class A-5
9 credit if his most recent period of State service begins on
10 or after January 1, 2018.

11 (4) Notwithstanding the provisions of this subsection,
12 no service as a member of the General Assembly performed
13 before December 1, 2010, that is not credited as Class D-4
14 service on November 30, 2010, shall be credited as Class D-4
15 service, unless such service was previously credited in the
16 system as Class D-4 service and the member withdrew his total
17 accumulated deductions as provided in section 5311 (relating
18 to eligibility for refunds) or 5701 (relating to return of
19 total accumulated deductions). No service as a member of the
20 General Assembly performed on or after December 1, 2010,
21 shall be credited as Class D-4 service unless the member
22 previously was credited with Class D-4 service credits.

23 (a.3) Class A-4 membership.--Provided that an election to
24 become a Class A-4 member is made pursuant to section 5306.3
25 (relating to election to become a Class A-4 member), a State
26 employee who otherwise would be a member of Class A-3 shall be
27 classified as a Class A-4 member and receive Class A-4 credit
28 for all creditable State service performed after the effective
29 date of membership in the system, except as a member of the
30 judiciary, upon payment of regular member contributions and

1 shared-risk member contributions for Class A-4 service[.],
2 provided that the member does not terminate service and then, on
3 or after January 1, 2018, returns to the State service in a
4 position other than a Class A-5 exempt employee and elects to be
5 a member of Class A-5 under section 5306.4 (relating to election
6 to become a Class A-5 member and participant).

7 (a.4) Class A-5 membership.--

8 (1) A State employee who begins State service or becomes
9 a member of the system on or after January 1, 2018, other
10 than as a Class A-5 exempt employee, shall be classified as a
11 Class A-5 member without regard to position or office held or
12 class of service that the employee would have been a member
13 of or benefits that the member would have been eligible to
14 accrue and receive but for this subsection and shall receive
15 credit for Class A-5 service upon payment of regular member
16 contributions for Class A-5 service.

17 (2) The provisions of this part regarding the
18 establishment of and membership in Class A-5 shall apply to
19 all current and former members of the State Employees'
20 Retirement System who have returned to State service on or
21 after January 1, 2018, other than as a Class A-5 exempt
22 employee, after a termination of State service and who have
23 elected to be a member of Class A-5 under section 5306.4.

24 (3) A terminated State employee who is a member of Class
25 A-5 or who elects to be a member of Class A-5 under section
26 5306.4 who returns to State service on or after January 1,
27 2018, shall be subject to the provisions of this part
28 regarding membership in Class A-5 that are in effect on the
29 effective date of reemployment, including benefit formulas
30 and accrual rates, eligibility for annuities and

1 distributions, contribution rates, definitions, purchase of
2 creditable school, nonschool, State and nonstate service
3 provisions and actuarial and funding assumptions.

4 (4) An individual who is a State employee on January 1,
5 2018, but is not a member of the system or who first becomes
6 a State employee on or after January 1, 2018, other than as a
7 Class A-5 exempt employee, shall be ineligible for active
8 membership in any of the several classes of State service as
9 otherwise provided for under this section other than Class A-
10 5. Any such State employee, if eligible, may be a member of
11 Class A-5 as a result of such State service.

12 (5) Notwithstanding this subsection the following shall
13 apply:

14 (i) A current or former Class A-5 exempt employee
15 who has service as a Class A-5 exempt employee credited
16 as Class A service shall receive Class A service credit
17 for any State service that otherwise would be credited as
18 Class A-5 and shall not be eligible to be an active
19 participant in the plan for the service.

20 (ii) A current or former Class A-5 exempt employee
21 who has service as a Class A-5 exempt employee credited
22 as Class A-3 or Class A-4 service before January 1, 2018,
23 shall receive Class A-3 or Class A-4 service credit, as
24 the case may be, for any State service that otherwise
25 would be credited as Class A-5 and shall not be eligible
26 to be an active participant in the plan for the service.

27 (iii) A person who first becomes a Class A-5 exempt
28 employee on or after January 1, 2018, shall receive
29 credit for service as a State police officer as a member
30 of Class A-3, unless the member would otherwise be

1 eligible to receive Class A credit for service as a Class
2 A-5 exempt employee, upon payment of the required member
3 contributions and shall not be eligible to be an active
4 participant in the plan for such service. All other
5 creditable State service shall be credited as otherwise
6 provided under this part, including as Class A-5 service,
7 except that any State service performed concurrently with
8 service as an active or inactive member on leave without
9 pay as a Class A-5 exempt employee shall be credited as
10 Class A-3 service and shall not be eligible for active
11 participation in the plan. Class A-3 service provided for
12 under this subparagraph shall be subject to an election
13 to be credited as Class A-4 service.

14 (iv) Notwithstanding the provisions of a binding
15 arbitration award issued before July 1, 1989, under the
16 act of June 24, 1968 (P.L.237, No.111), referred to as
17 the Policemen and Firemen Collective Bargaining Act, and
18 implemented by the board, for a member who first becomes
19 an officer of the Pennsylvania State Police on or after
20 January 1, 2018, other service performed before or after
21 service as a officer of the Pennsylvania State Police
22 shall be credited in the class of service provided under
23 this part.

24 (b) Other class membership.--

25 (1) A State employee who is a member of a class of
26 service other than Class A on the effective date of this part
27 shall retain his membership in that class until such service
28 is discontinued; any service thereafter shall be credited as
29 Class A service, Class AA service, Class A-5 service or Class
30 D-4 service as provided for in this section.

1 (2) Notwithstanding any other provision of this section,
2 a State employee [who] whose first period of State service
3 began before January 1, 2018, is appointed [bail
4 commissioner] arraignment court magistrate of the
5 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
6 (relating to jurisdiction and venue) and is eligible to be a
7 member of the system as an arraignment court magistrate may,
8 within 30 days of the effective date of this sentence or
9 within 30 days of his initial appointment as a [bail
10 commissioner] arraignment court magistrate, whichever is
11 later, elect Class E-2 service credit for service performed
12 as [a bail commissioner] an arraignment court magistrate
13 until the termination of State service. This class of service
14 multiplier for E-2 service as a bail commissioner shall be
15 1.5.

16 * * *

17 Section 311. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
18 (d) of Title 71 are amended to read:

19 § 5306.1. Election to become a Class AA member.

20 * * *

21 (c) Effect of election.--An election to become a Class AA
22 member shall become effective the later of July 1, 2001, or the
23 date when the election is filed with the board and shall remain
24 in effect until the termination of employment. Upon termination
25 and a subsequent reemployment that occurs before January 1,
26 2018, the member's class of service shall be credited in the
27 class of service otherwise provided for in this part. If the
28 reemployment occurs on or after January 1, 2018, the State
29 employee's eligibility for membership and class of service in
30 the system or participation in the plan shall be as provided in

1 this part.

2 * * *

3 § 5306.2. Elections by members of the General Assembly.

4 * * *

5 (b) Effect of election.--Membership as a Class D-4 member
6 shall become effective on July 1, 2001, and shall remain in
7 effect until the termination of service as a member of the
8 General Assembly. Upon termination and a subsequent reemployment
9 that occurs before January 1, 2018, unless the reemployment is
10 as a Class A-5 exempt employee, the member's class of service
11 shall be credited in the class of service otherwise provided for
12 in this part. If the reemployment occurs on or after January 1,
13 2018, the State employee's eligibility for membership and class
14 of service in the system or participation in the plan shall be
15 as provided in this part.

16 * * *

17 § 5306.3. Election to become a Class A-4 member.

18 * * *

19 (c) Effect of election.--An election to become a Class A-4
20 member shall be irrevocable and shall become effective on the
21 effective date of membership in the system and shall remain in
22 effect for all future [creditable] State service creditable in
23 the system that otherwise is not credited as Class A-5 service,
24 other than service performed as a member of the judiciary[.],
25 but shall not apply to service performed after a termination of
26 State service and a reemployment when the reemployment occurs on
27 or after January 1, 2018, and the member elects to be a member
28 of Class A-5 under section 5306.4 (relating to election to
29 become a Class A-5 member and participant). Payment of regular
30 member contributions for Class A-4 State service performed prior

1 to the election of Class A-4 membership shall be made in a form,
2 manner and time determined by the board. Upon termination of
3 State service and a subsequent reemployment, a member who
4 elected Class A-4 membership shall be credited as a Class A-4
5 member for creditable State service performed after
6 reemployment, except as a member of the judiciary, regardless of
7 termination of employment, termination of membership by
8 withdrawal of accumulated deductions or status as an annuitant,
9 vestee or inactive member after the termination of service;
10 provided that the member does not elect to be a member of Class
11 A-5.

12 (d) Effect of failure to make election.--Failure to elect to
13 become a Class A-4 member within the election period set forth
14 in subsection (b) shall result in all of the member's State
15 service, other than service performed as a member of the
16 judiciary or that would otherwise be credited as Class A-5 after
17 a termination and return to State service, being credited as
18 Class A-3 service and not subject to further election or
19 crediting as Class A-4 service. Upon termination and subsequent
20 employment, a member who failed to elect to become a Class A-4
21 member shall not be eligible to make another election to become
22 a Class A-4 member for either past or future State service.

23 Section 312. Title 71 is amended by adding a section to
24 read:

25 § 5306.4. Election to become a Class A-5 member and
26 participant.

27 (a) General rule.--A person who returns to State service on
28 or after January 1, 2018, and becomes a member of a class of
29 service other than Class A-5 who has not previously declined to
30 elect Class A-5 membership under this section may elect to

1 become a member of Class A-5 and a participant in the plan.

2 (b) Time for making election.--The election to become a
3 Class A-5 member and participant must be made by the member
4 filing written notice with the board in a form and manner
5 determined by the board no later than 45 days after notice from
6 the board of the member's eligibility to elect Class A-5
7 membership and participation. A State employee who is eligible
8 to elect to become a Class A-5 member and participant who begins
9 USERRA leave during the election period without having elected
10 Class A-5 membership and participation may make the election
11 within 45 days after being reemployed from USERRA leave.

12 (c) Effect of election.--An election to become a Class A-5
13 member and participant shall be irrevocable and shall become
14 effective on the effective date of active membership in the
15 system resulting from the member's return to service. Payment of
16 regular member contributions and shared-risk member
17 contributions for Class A-5 State service performed prior to the
18 election of Class A-5 membership shall be made in a form, manner
19 and time determined by the board. Payment of employer defined
20 contributions and mandatory participant contributions to the
21 plan for State service performed prior to the election of
22 participation in the plan shall be as established in the plan
23 document. Upon termination and subsequent reemployment, a member
24 who elected Class A-5 membership and participation in the plan
25 shall be credited as a Class A-5 member and participant for
26 creditable State service performed after reemployment,
27 regardless of termination of employment or termination of
28 membership or participation by withdrawal of total accumulated
29 deductions, Class A-5 accumulated deductions or distribution of
30 all or part of accumulated total defined contributions or status

1 as an annuitant, vestee, inactive member, participant receiving
2 distributions or inactive participant after the termination of
3 service.

4 (d) Effect of failure to make election.--Failure to elect to
5 become a Class A-5 member and participant within the election
6 period set forth in subsection (b) shall result in all of the
7 member's State service being credited in the class of membership
8 otherwise provided for under this part and not subject to
9 further election or crediting as Class A-5 service or eligible
10 for participation in the plan. Upon termination and subsequent
11 employment, a member who failed to elect to become a Class A-5
12 member and participant shall not be eligible to make another
13 election to become a Class A-5 member or participant for either
14 past or future State service.

15 Section 313. Sections 5307, 5308, 5308.1 introductory
16 paragraph and (1), 5309, 5310, 5311 and 5501 of Title 71 are
17 amended to read:

18 § 5307. Eligibility points.

19 (a) General rule.--An active member of the system shall
20 accrue one eligibility point for each year of credited service
21 as a member of the [State or] system and if a multiple service
22 member as a member of the Public School Employees' Retirement
23 System. A member shall accrue an additional two-thirds of an
24 eligibility point for each year of Class D-3 credited service.
25 In the case of a fractional part of a year of credited service,
26 a member shall accrue the corresponding fractional portion of
27 eligibility points to which the class of service entitles him.

28 (a.1) USERRA leave.--A member of the system or participant
29 in the plan who is reemployed from USERRA leave or who dies
30 while performing USERRA leave shall be granted the eligibility

1 points that he would have accrued had he continued in his State
2 office or employment instead of performing USERRA leave. In the
3 event that a State employee who is reemployed from USERRA leave
4 makes the member contributions or mandatory pickup participant
5 contributions to be granted State service credit for the USERRA
6 leave, no additional eligibility points will be granted.

7 (b) Transitional rule.--

8 (1) In determining whether a member who is not a State
9 employee or school employee on June 30, 2001, and July 1,
10 2001, and who has previous State service (except a disability
11 annuitant who returns to State service after June 30, 2001,
12 upon termination of the disability annuity) has the five
13 eligibility points required by sections 5102 (relating to
14 definitions), 5308(b) (relating to eligibility for
15 annuities), 5309 (relating to eligibility for vesting),
16 5704(b) (relating to disability annuities) and 5705(a)
17 (relating to member's options), only eligibility points
18 earned by performing credited State service[,] or USERRA
19 leave in a class of service other than Class A-5, or credited
20 school service as an active member of the Public School
21 Employees' Retirement System in a class of service other than
22 Class T-G after June 30, 2001, shall be counted until such
23 member earns one such eligibility point by performing
24 credited State service or credited school service after June
25 30, 2001, at which time all eligibility points other than
26 eligibility points in classes of service other than Class A-5
27 or Class T-G as determined pursuant to subsection (a) shall
28 be counted.

29 (2) Any member to whom paragraph (1) applies shall be
30 considered to have satisfied any requirement for five

1 eligibility points contained in this part if the member:

2 (i) has ten or more eligibility points of the
3 applicable class of service as determined pursuant to
4 subsection (a); or

5 (ii) has Class G, Class H, Class I, Class J, Class
6 L, Class M or Class N service and has eight or more
7 eligibility points of a class of service other than Class
8 A-5 or Class T-G as determined pursuant to subsection
9 (a).

10 (c) Transitional rule for members with Class A-5 service
11 credit.--

12 (1) Any provision of this part pertaining to eligibility
13 points applicable to the eligibility for or calculation of
14 annuities or benefits attributable to classes of service
15 other than Class A-5 shall not include any eligibility points
16 attributable to service credited in Class A-5 or as a member
17 of Class T-G in the Public School Employees' Retirement
18 System.

19 (2) Any provision of this part pertaining to eligibility
20 points applicable to the eligibility for or calculation of
21 annuities or benefits attributable to service in Class A-5
22 shall include only eligibility points attributable to service
23 credited in Class A-5 or, if a multiple service member, as a
24 member of Class T-G in the Public School Employees'
25 Retirement System.

26 (3) Only eligibility points earned as a member of Class
27 A-5 or, if a multiple service member, as a member of Class T-
28 G in the Public School Employees' Retirement System, shall be
29 applicable to any provision in this part requiring
30 eligibility points for the determination or payment of

1 benefits from the plan.

2 § 5308. Eligibility for annuities.

3 (a) Superannuation annuity.--Attainment of superannuation
4 age by an active member or an inactive member on leave without
5 pay with three or more eligibility points other than eligibility
6 points resulting from nonstate service or nonschool service
7 shall entitle him to receive a superannuation annuity upon
8 termination of State service and compliance with section 5907(f)
9 (relating to rights and duties of State employees [and
10 members).], members and participants); provided that only
11 eligibility points earned in classes of service other than Class
12 A-5 or, if a multiple service member, in Class T-G shall be used
13 to determine if a member has the three eligibility points
14 necessary to be eligible to receive a superannuation annuity
15 attributable to classes of service other than Class A-5; and
16 further provided, that only eligibility points earned in Class
17 A-5 or, if a multiple service member, in Class T-G shall be used
18 to determine if a member has the three eligibility points
19 necessary to be eligible to receive a superannuation annuity
20 attributable to Class A-5 service.

21 (b) Withdrawal annuity.--

22 (1) Any vestee or any active member or inactive member
23 on leave without pay who terminates State service having five
24 or more eligibility points and who does not have Class A-3
25 [or], Class A-4 or Class A-5 service credit or Class T-E
26 [or], Class T-F or Class T-G service credit in the Public
27 School Employees' Retirement System, or who has Class G,
28 Class H, Class I, Class J, Class K, Class L, Class M or Class
29 N service and terminates State service having five or more
30 eligibility points, upon compliance with section 5907(f), (g)

1 or (h) shall be entitled to receive an annuity.

2 (2) Any vestee, active member or inactive member on
3 leave without pay who has Class A-3 or Class A-4 service
4 credit or, if a multiple service member, Class T-E or Class
5 T-F service credit in the Public School Employees' Retirement
6 System who terminates State service having ten or more
7 eligibility points in classes of service other than Class A-5
8 or Class T-G in the Public School Employees' Retirement
9 System, upon compliance with section 5907(f), (g) or (h),
10 shall be entitled to receive an annuity based on service and
11 compensation in classes of service other than Class A-5 or
12 Class T-G.

13 (3) Any vestee, active member or inactive member on
14 leave without pay who has either Class A-3 [or], Class A-4 or
15 Class A-5 service credit or, if a multiple service member,
16 Class T-E [or], Class T-F or Class T-G service credit in the
17 Public School Employees' Retirement System and also has
18 service credited in the system in one or more other classes
19 of service who has five or more, but fewer than ten,
20 eligibility points from classes of service other than Class
21 A-5 or Class T-G, upon compliance with section 5907(f), (g)
22 or (h), shall be eligible to receive an annuity calculated on
23 his service credited in classes of service other than Class
24 A-3 [or], Class A-4 or Class A-5, provided that the member
25 has five or more eligibility points resulting from service in
26 classes other than Class A-3 [or], Class A-4 or Class A-5 or
27 Class T-E [or], Class T-F or Class T-G service in the Public
28 School Employees' Retirement System.

29 (4) In addition to any withdrawal annuity payable under
30 paragraph (2) or (3), any vestee, active member or inactive

1 member on leave without pay who terminates State service
2 having ten or more eligibility points resulting from Class A-
3 5 service credit or, if a multiple service member, Class T-G
4 service credit in the Public School Employees' Retirement
5 System, upon compliance with section 5907 (f), (g) or (h)
6 shall be entitled to receive an annuity based on service and
7 compensation as a member of Class A-5 and Class T-G in
8 addition to any annuity the member is eligible to receive
9 from other classes of service.

10 (c) Disability annuity.--An active member or inactive member
11 on leave without pay who:

12 (1) has five or more eligibility points other than
13 eligibility points resulting from service as a member of
14 Class A-5 or membership in the Public School Employees'
15 Retirement System [or any active member or inactive member on
16 leave without pay who];

17 (2) is an officer of the Pennsylvania State Police or an
18 enforcement officer; or

19 (3) has five or more eligibility points resulting from
20 service as a member of Class A-5;

21 shall, upon compliance with section 5907(k), be entitled to a
22 disability annuity based on service and compensation in classes
23 other than Class A-5 if he is eligible for a disability annuity
24 on service other than as a member of Class A-5 and a disability
25 annuity based on service and compensation in Class A-5 if he is
26 eligible for a disability annuity based on service and
27 compensation as a member of Class A-5 if he becomes mentally or
28 physically incapable of continuing to perform the duties for
29 which he is employed and qualifies in accordance with the
30 provisions of section 5905(c) (1) (relating to duties of the

1 board regarding applications and elections of members).

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

5 § 5308.1. Eligibility for special early retirement.

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

9 (1) During the period of July 1, 1985, to September 30,
10 1991, an active member who has attained the age of at least
11 53 years and has accrued at least 30 eligibility points shall
12 be entitled, upon termination of State service and compliance
13 with section 5907(f) (relating to rights and duties of State
14 employees [and], members and participants), to receive a
15 maximum single life annuity calculated under section 5702
16 (relating to maximum single life annuity) without a reduction
17 by virtue of an effective date of retirement which is under
18 the superannuation age.

19 * * *

20 § 5309. Eligibility for vesting.

21 Any member who:

22 (1) Does not have Class A-3 [or], Class A-4 or Class A-5
23 service credit or if a multiple service member, Class T-E
24 [or], Class T-F or Class T-G service credit in the Public
25 School Employees' Retirement System and terminates State
26 service, or, if a multiple service member and an active
27 member of the Public School Employees' Retirement System
28 terminates school service, with five or more eligibility
29 points, or any member with Class G, Class H, Class I, Class
30 J, Class K, Class L, Class M or Class N service with five or

1 more eligibility points, shall be eligible until his required
2 beginning date to vest his retirement benefits.

3 (2) Has only Class A-3 [or] and, if a multiple service
4 member, only Class A-4 service credit or Class T-E or Class
5 T-F service credit in the Public School Employees' Retirement
6 System and terminates State service, or, if a multiple
7 service member and an active member of the Public School
8 Employees' Retirement System terminates school service, with
9 ten or more eligibility points shall be eligible until his
10 required beginning date to vest his retirement benefits.

11 (3) Has either Class A-3 [or] and, if a multiple service
12 member, Class A-4 service credit or Class T-E or Class T-F
13 service credit in the Public School Employees' Retirement
14 System, also has service other than Class A-5 credited in the
15 system in one or more other classes of service and has five
16 or more, but fewer than ten, eligibility points resulting
17 from service in classes other than Class A-5 or Class T-G and
18 terminates State service, or if a multiple service member and
19 an active member of the Public School Employees' Retirement
20 System terminates school service, shall be eligible until his
21 required beginning date to vest his retirement benefits
22 calculated on his service credited in classes of service
23 other than Class A-3 [or], Class A-4 or Class A-5 and to be
24 credited with statutory interest on total accumulated
25 deductions, regardless of whether or not any part of his
26 accumulated deductions are a result of Class A-3 or Class A-4
27 service credit.

28 (4) Has only Class A-5 service credit and, if a multiple
29 service member, only Class T-G service credit in the Public
30 School Employees' Retirement System and terminates State

1 service, or, if a multiple service member and an active
2 member of the Public School Employees' Retirement System,
3 terminates school service with ten or more eligibility points
4 shall be eligible until his required beginning date to vest
5 his retirement benefits resulting from Class A-5 service.

6 (5) Has Class A-5 service credit and service credited in
7 one or more other classes of service and terminates State
8 service, or if a multiple service member and an active member
9 of the Public School Employees' Retirement System terminates
10 school service, shall be eligible to vest his retirement
11 benefits based on Class A-5 service until the attainment of
12 the applicable superannuation age if he would be required or
13 eligible to vest his retirement benefits based on Class A-5
14 service under paragraph (4) disregarding all classes of
15 service other than Class A-5 and Class T-G and shall be
16 eligible to vest his retirement benefits in each other class
17 of service other than Class A-5 in accordance with the
18 requirements of each class of service until the attainment of
19 the applicable superannuation ages for each class of service
20 for which he would be able to vest his retirement benefits
21 under paragraph (1), (2) or (3), disregarding service in
22 Class A-5 and Class T-G.

23 § 5310. Eligibility for death benefits.

24 In the event of the death of a member who is eligible for an
25 annuity in accordance with section 5308(a) or (b) (relating to
26 eligibility for annuities), his beneficiary shall be entitled to
27 a death benefit. For purposes of this section, a member with ten
28 or more but less than 25 eligibility points resulting from Class
29 A-5 service credit or, if a multiple service member, Class T-G
30 service credit in the Public School Employees' Retirement System

1 shall be considered eligible for an annuity based on Class A-5
2 service even if under superannuation age.

3 § 5311. Eligibility for refunds.

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

9 (b) Social security integration accumulated deductions.--Any
10 active member at any time after the attainment of normal
11 retirement age may elect to receive his social security
12 integration accumulated deductions and thereby to have all his
13 social security integration credits and benefits therefor
14 cancelled, and shall not be entitled to accrue any further
15 social security integration credits or benefits; except that a
16 disability annuitant who returns to State service in a class of
17 service other than Class A-5 shall have the right to reinstate
18 his social security integration accumulated deductions and
19 credits therefor.

20 § 5501. Regular member contributions for current service.

21 Regular member contributions shall be made to the fund on
22 behalf of each active member for current service except for any
23 period of current service in which the making of such
24 contributions has ceased solely by reason of section 5502.1
25 (relating to waiver of regular member contributions and Social
26 Security integration member contributions) or any provision of
27 this part relating to the limitations under IRC § 401(a)(17) or
28 415[.] or limitations on contributions to the system applicable
29 to a Class A-5 member who is making mandatory pickup participant
30 contributions to the trust.

1 Section 314. Section 5501.1(a) and (b) (1) and (7) of Title
2 71 are amended, subsection (b) is amended by adding an
3 introductory paragraph and the section is amended by adding a
4 subsection to read:

5 § 5501.1. Shared-risk member contributions for Class A-3 [and],
6 Class A-4 and Class A-5 service.

7 (a) General.--Shared-risk member contributions shall be made
8 to the fund on behalf of each member of Class A-3 [or],
9 Class A-4 or Class A-5 for current service credited as Class A-3 [or],
10 Class A-4 or Class A-5 as provided under this section, except
11 for any period of current service in which the making of the
12 contributions has ceased solely by reason of any provision of
13 this part relating to the limitations under IRC § 401(a) (17) or
14 415 or any provision of this part limiting contributions
15 applicable to a Class A-5 member. Shared-risk member
16 contributions shall be credited to the members' savings account.

17 (b) Determination of shared-risk contribution rate[.--] for
18 Class A-3 and Class A-4 service.--The shared-risk contribution
19 for Class A-3 and Class A-4 service shall be determined as
20 follows:

21 (1) For the period from the effective date of this
22 section until June 30, 2014, the shared-risk contribution
23 rate for Class A-3 and Class A-4 service shall be zero.

24 * * *

25 (7) For any fiscal year in which the actual
26 contributions by the Commonwealth or an employer are lower
27 than those required to be made under section 5507(d)
28 (relating to contributions to the system by the Commonwealth
29 and other employers), the prospective shared-risk
30 contribution rate for those employees whose employers are not

1 making the contributions required by section 5507(d) shall be
2 zero and shall not subsequently be increased, except as
3 otherwise provided in this section.

4 * * *

5 (c) Determination of shared-risk contribution rate for Class
6 A-5 service.--The shared risk contribution for Class A-5 service
7 shall be determined as follows:

8 (1) For the period from the effective date of this
9 section until June 30, 2020, the shared-risk contribution
10 rate for Class A-5 service shall be zero.

11 (2) For the period from July 1, 2020, to June 30, 2023,
12 if the annual interest rate adopted by the board for use
13 during the period from January 1, 2017, to December 31, 2019,
14 for the calculation of the normal contribution rate is more
15 than 1% greater than the actual rate of return, net of fees,
16 of the investments of the fund based on market value over the
17 period, the shared-risk contribution rate shall be 0.5%. In
18 all other situations, the shared-risk contribution rate shall
19 be zero.

20 (3) For each subsequent three-year period, the shared-
21 risk contribution rate shall be increased by 0.5% if the
22 annual 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 more than 1% greater than the actual
25 rate of return, net of fees, of the investments of the fund
26 based on market value over the period. The shared-risk
27 contribution rate shall be decreased by 0.5% if the annual
28 interest rate adopted by the board for use during the
29 previous ten-year period for the calculation of the normal
30 contribution rate is equal to or less than the actual rate of

1 return, net of fees, of the investments of the fund based on
2 market value over that period.

3 (4) Notwithstanding paragraphs (2) and (3), the shared-
4 risk contribution rate may not be less than zero and may not
5 be more than the experience adjustment factor resulting from
6 investment gains or losses in effect on the first day when
7 the new rate would be applied, expressed as a percentage of
8 member compensation, provided that in no event may the
9 shared-risk contribution rate be more than 2%. For the
10 determination of the shared-risk contribution rate to be
11 effective July 1, 2023, the determination period shall be
12 January 1, 2017, through December 31, 2022. For the
13 determination of the shared-risk contribution rate to be
14 effective July 1, 2026, the determination period shall be
15 January 1, 2020, through December 31, 2025.

16 (5) The shared-risk contribution rate and the factors
17 entering into its calculation shall be certified by the
18 actuary as part of the annual valuations and the actuarial
19 investigation and evaluation of the system conducted every
20 five years under section 5902(j) (relating to administrative
21 duties of the board).

22 (6) In the event that the annual interest rate adopted
23 by the board for the calculation is changed during the period
24 used to determine the shared-risk contribution rate, the
25 board, with the advice of the actuary, shall determine the
26 applicable rate during the entire period, expressed as an
27 annual rate.

28 (7) For any fiscal year in which the actual
29 contributions by the Commonwealth or an employer are lower
30 than those required to be made under section 5507(d)

1 (relating to contributions to the system by the Commonwealth
2 and other employers), the prospective shared-risk
3 contribution rate for those employees whose employers are not
4 making the contributions required by section 5507(d) shall be
5 zero and shall not subsequently be increased, except as
6 otherwise provided in this section.

7 (8) If the actuary certifies that the accrued liability
8 contributions calculated in accordance with the actuarial
9 cost method provided in section 5508(b), as adjusted by the
10 experience adjustment factor, are zero or less, then the
11 shared-risk contribution rate for the next fiscal year shall
12 be zero and shall not subsequently be increased, except as
13 otherwise provided in this section.

14 Section 315. Sections 5502, 5503.1(a), 5504, 5505(b)(1),
15 (c), (d) and (i)(4) and 5506.1(a) of Title 71 are amended to
16 read:

17 § 5502. Social Security integration member contributions.

18 Except for any period of current service in which the making
19 of regular member contributions has ceased solely by reason of
20 section 5502.1 (relating to waiver of regular member
21 contributions and Social Security integration member
22 contributions) or any provision of this part relating to
23 limitations under IRC § 401(a)(17) or 415, contributions shall
24 be made on behalf of [a] an active member of any class other
25 than Class A-5 who prior to March 1, 1974, has elected Social
26 Security integration coverage. The amount of such contributions
27 shall be 6 1/4% of that portion of his compensation as an active
28 member in excess of the maximum wages taxable under the
29 provisions of the Social Security Act (49 Stat. 620, 42 U.S.C. §
30 301 et seq.), in addition to the regular member contributions

1 which, after such election, shall be determined on the basis of
2 the basic contribution rate of 5% and the additional member
3 contribution of 1 1/4%: Provided, That a member may elect to
4 discontinue Social Security integration coverage and shall
5 thereafter be ineligible to accrue any further Social Security
6 integration credits or any additional benefits on account of
7 Social Security integration membership.

8 § 5503.1. Pickup contributions.

9 (a) Treatment for purposes of IRC § 414(h).--All
10 contributions to the fund required to be made under sections
11 5501 (relating to regular member contributions for current
12 service), 5501.1 (relating to shared-risk member contributions
13 for Class A-3 [and], Class A-4 and Class A-5 service), 5502
14 (relating to Social Security integration member contributions),
15 5503 (relating to joint coverage member contributions) and
16 [section] 5505.1 (relating to additional member contributions),
17 with respect to current State service rendered by an active
18 member on or after January 1, 1982, shall be picked up by the
19 Commonwealth or other employer and shall be treated as the
20 employer's contribution for purposes of IRC § 414(h).

21 * * *

22 § 5504. Member contributions for the purchase of credit for
23 previous State service or to become a full coverage
24 member.

25 (a) Amount of contributions for service in other than Class
26 G through N.--

27 (1) The contributions to be paid by an active member or
28 eligible school employee for credit [for] in the system for
29 the portion of total previous State service other than
30 service in Class G, Class H, Class I, Class J, Class K, Class

1 L, Class M and Class N that a member is eligible to have
2 credited or to become a full coverage member shall be
3 sufficient to provide an amount equal to the regular and
4 additional accumulated deductions which would have been
5 standing to the credit of the member for such service had
6 regular and additional member contributions been made with
7 full coverage in the class of service and at the rate of
8 contribution applicable during such period of previous
9 service and had his regular and additional accumulated
10 deductions been credited with statutory interest during all
11 periods of subsequent State service as an active member or
12 inactive member on leave without pay and school service as an
13 active member or inactive member of the Public School
14 Employees' Retirement System up to the date of purchase.

15 (2) Notwithstanding paragraph (1), active members [with]
16 who perform State service credited as Class A-3 [State]
17 service shall make contributions and receive credit as if the
18 previous State service was Class A-3 service, and active
19 members [with] who perform State service credited as Class A-
20 4 [State] service shall make contributions and receive credit
21 as if the previous State service was Class A-4 service, even
22 if it would have been credited as a different class of
23 service had the State employee been a member of the system at
24 the time the service was performed unless it was mandatory
25 that the State employee be an active member of the system and
26 the previous State service is being credited as the result of
27 a mandatory active membership requirement.

28 (a.1) Converted county service.--No contributions shall be
29 required to restore credit for previously credited State service
30 in Class G, Class H, Class I, Class J, Class K, Class L, Class M

1 and Class N. Such service shall be restored upon the
2 commencement of payment of the contributions by an active member
3 of a class of service other than Class A-5 required to restore
4 credit in the system for all other previous State service other
5 than Class A-5 service.

6 (b) Certification and method of payment.--

7 (1) The amount payable shall be certified in each case
8 by the board in accordance with methods approved by the
9 actuary and shall be paid in a lump sum within 30 days or in
10 the case of an active member or eligible school employee who
11 is an active member of the Public School Employees'
12 Retirement System may be amortized with statutory interest
13 through salary deductions to the system in amounts agreed
14 upon by the member and the board. The salary deduction
15 amortization plans agreed to by members and the board may
16 include a deferral of payment amounts and statutory interest
17 until the termination of school service or State service as
18 the board in its sole discretion decides to allow. The board
19 may limit the salary deduction amortization plans to such
20 terms as the board in its sole discretion determines. In the
21 case of an eligible school employee who is an active member
22 of the Public School Employees' Retirement System, the agreed
23 upon salary deductions shall be remitted to the Public School
24 Employees' Retirement Board, which shall certify and transfer
25 to the board the amounts paid.

26 (2) No payments for service or coverage shall be allowed
27 for which the required contributions would cause a violation
28 of the limitation related to contributions applicable to
29 governmental plans contained in IRC § 415. In the event that
30 any service credit or coverage based on such disallowed

1 contributions is granted after the effective date of this
2 paragraph, then such service credit shall be canceled and
3 benefits calculated without regard to such service or
4 contributions and any member contributions in excess of the
5 limitations and statutory interest credited on those
6 contributions shall be refunded to the member by the board.

7 § 5505. Contributions for the purchase of credit for creditable
8 nonstate service.

9 * * *

10 (b) Nonintervening military service.--

11 (1) (i) The amount due for the purchase of credit for
12 military service other than intervening military service
13 by a member who is eligible to make the purchase under
14 section 5304(a)(1) or (2) (relating to creditable
15 nonstate service) shall be determined by applying the
16 member's basic contribution rate, the additional
17 contribution rate plus the Commonwealth normal
18 contribution rate for active members at the time of
19 entry, subsequent to such military service, of the member
20 into State service to his average annual rate of
21 compensation, excluding compensation received for Class
22 A-5 service, over the first three years of such
23 subsequent State service and multiplying the result by
24 the number of years and fractional part of a year of
25 creditable nonintervening military service being
26 purchased together with statutory interest during all
27 periods of subsequent State service as an active member
28 or inactive member on leave without pay and school
29 service as an active member or inactive member of the
30 Public School Employees' Retirement System to date of

1 purchase.

2 (ii) The amount due for the purchase of credit for
3 military service other than intervening military service
4 by a member who is eligible to make the purchase under
5 section 5304(a)(3) shall be determined by applying the
6 member's basic contribution rate, plus the Commonwealth
7 normal contribution rate for active members at the time
8 of entry, subsequent to such military service, of the
9 member into Class A-5 State service to his average annual
10 rate of compensation received for Class A-5 service
11 subject to any limit each year by the application of the
12 Class A-5 annual compensation limit, over the first three
13 years of such subsequent Class A-5 State service and
14 multiplying the result by the number of years and
15 fractional part of a year of creditable nonintervening
16 military service being purchased, together with statutory
17 interest during all periods of subsequent State service
18 as an active member or inactive member on leave without
19 pay and school service as an active member or inactive
20 member of the Public School Employees' Retirement System
21 to date of purchase.

22 (iii) Upon application for credit for such service,
23 payment shall be made in a lump sum within 30 days or in
24 the case of an active member or eligible school employee
25 who is an active member of the Public School Employees'
26 Retirement System it may be amortized with statutory
27 interest through salary deductions in amounts agreed upon
28 by the member and the board. The salary deduction
29 amortization plans agreed to by members and the board may
30 include a deferral of payment amounts and statutory

1 interest until the termination of school service or State
2 service as the board in its sole discretion decides to
3 allow. The board may limit salary deduction amortization
4 plans to such terms as the board in its sole discretion
5 determines. In the case of an eligible school employee
6 who is an active member of the Public School Employees'
7 Retirement System, the agreed upon salary deductions
8 shall be remitted to the Public School Employees'
9 Retirement Board, which shall certify and transfer to the
10 board the amounts paid. Application may be filed for all
11 such military service credit upon completion of three
12 years of subsequent State service and shall be credited
13 as Class A service.

14 * * *

15 (c) Intervening military service.--Contributions on account
16 of credit for intervening military service shall be determined
17 by the member's regular contribution rate, shared-risk
18 contribution rate, Social Security integration contribution
19 rate, the additional contribution rate which shall be applied
20 only to those members who began service on or after the
21 effective date of this amendatory act and compensation at the
22 time of entry of the member into active military service,
23 together with statutory interest during all periods of
24 subsequent State service as an active member or inactive member
25 on leave without pay and school service as an active member or
26 inactive member of the Public School Employees' Retirement
27 System to date of purchase. Upon application for such credit the
28 amount due shall be certified in the case of each member by the
29 board in accordance with methods approved by the actuary, and
30 contributions may be made by:

- 1 (1) regular monthly payments during active military
2 service; or
3 (2) a lump sum payment within 30 days of certification;
4 or
5 (3) salary deductions to the system in amounts agreed
6 upon by the member or eligible school employee who is an
7 active member of the Public School Employees' Retirement
8 System and the board.

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

20 (d) Nonmilitary and nonmagisterial service.--Contributions
21 on account of credit for creditable nonstate service other than
22 military and magisterial service by State employees who first
23 become members of the system before January 1, 2011, or before
24 December 1, 2010, as a member of the General Assembly shall be
25 determined by applying the member's basic contribution rate, the
26 additional contribution rate plus the Commonwealth normal
27 contribution rate for active members at the time of entry
28 subsequent to such creditable nonstate service of the member
29 into State service to his compensation at the time of entry into
30 State service as a member of the system and multiplying the

1 result by the number of years and fractional part of a year of
2 creditable nonstate service being purchased together with
3 statutory interest during all periods of subsequent State
4 service as an active member or inactive member on leave without
5 pay and school service as an active member or inactive member of
6 the Public School Employees' Retirement System to the date of
7 purchase. Upon application for credit for such service payment
8 shall be made in a lump sum within 30 days or in the case of an
9 active member or eligible school employee who is an active
10 member of the Public School Employees' Retirement System it may
11 be amortized with statutory interest through salary deductions
12 to the system in amounts agreed upon by the member and the
13 board. The salary deduction amortization plans agreed to by
14 members and the board may include a deferral of payment amounts
15 and statutory interest until the termination of school service
16 or State service as the board in its sole discretion decides to
17 allow. The board may limit salary deduction amortization plans
18 to such terms as the board in its sole discretion determines. In
19 the case of an eligible school employee who is an active member
20 of the Public School Employees' Retirement System, the agreed
21 upon salary deduction shall be remitted to the Public School
22 Employees' Retirement Board, which shall certify and transfer to
23 the board the amounts paid.

24 * * *

25 (i) Purchases of nonstate service credit by State employees
26 who first became members of the system on or after December 1,
27 2010.--

28 * * *

29 (4) The payment for credit purchased under this
30 subsection shall be certified in each case by the board in

1 accordance with methods approved by the actuary and shall be
2 paid in a lump sum within 30 days or in the case of an active
3 member or eligible school employee who is an active member of
4 the Public School Employees' Retirement System may be
5 amortized with statutory interest through salary deductions
6 to the system in amounts agreed upon by the member and the
7 board. The salary deduction amortization plans agreed to by
8 members and the board may include a deferral of payment
9 amounts and interest until the termination of school service
10 or State service as the board in its sole discretion decides
11 to allow. The board may limit the salary deduction
12 amortization plans to such terms as the board in its sole
13 discretion determines. In the case of an eligible school
14 employee who is an active member of the Public School
15 Employees' Retirement System, the agreed upon salary
16 deductions shall be remitted to the Public School Employees'
17 Retirement Board, which shall certify and transfer to the
18 board the amounts paid.

19 * * *

20 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

21 (a) General rule.--In addition to other applicable
22 limitations set forth in this part, and notwithstanding any
23 provision of this part to the contrary, the annual compensation
24 of each noneligible member and each participant taken into
25 account for benefit purposes under this part shall not exceed
26 the limitation under IRC § 401(a)(17). On and after January 1,
27 1996, any reference in this part to the limitation under IRC §
28 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
29 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
30 compensation limit set forth in this subsection. The OBRA '93

1 annual compensation limit is \$150,000, as adjusted by the
2 commissioner for increases in the cost of living in accordance
3 with IRC § 401(a) (17) (B). The cost-of-living adjustment in
4 effect for a calendar year applies to any determination period
5 which is a period, not exceeding 12 months, over which
6 compensation is determined, beginning in such calendar year. If
7 a determination period consists of fewer than 12 months, the
8 OBRA '93 compensation limit will be multiplied by a fraction,
9 the numerator of which is the number of months in the
10 determination period and the denominator of which is 12.

11 * * *

12 Section 316. Title 71 is amended by adding a section to
13 read:

14 § 5506.2. Application of Class A-5 annual compensation limit.

15 (a) General rule.--The Class A-5 annual compensation limit
16 shall be applied to the total compensation received each
17 calendar year for service as a member of Class A-5 and, if a
18 multiple service member, for service in Class T-G in the Public
19 School Employees' Retirement System.

20 (b) Adjustment required.--For purposes of calculating final
21 average salary for the determination of standard single life
22 annuities and other benefits resulting from Class A-5 service,
23 compensation received each calendar year for Class A-5 service
24 and, if a multiple service member, as a school employee for
25 service as a Class T-G member of the Public School Employees'
26 Retirement System shall be adjusted by first limiting the
27 compensation to the Class A-5 annual compensation limit for that
28 year. The limited Class A-5 service compensation shall then be
29 annualized for any part-time service on the basis of the
30 fractional portion of the year for which credit is received.

1 Section 317. Section 5507 heading, (a), (b), (d) and (e) of
2 Title 71 are amended and the section is amended by adding a
3 subsection to read:

4 § 5507. Contributions to the system by the Commonwealth and
5 other employers.

6 (a) Contributions on behalf of active members.--The
7 Commonwealth and other employers whose employees are members of
8 the system or participants in the plan shall make contributions
9 to the fund on behalf of all active members in such amounts as
10 shall be certified by the board as necessary to provide,
11 together with the members' total accumulated deductions and
12 Class A-5 accumulated deductions, annuity reserves on account of
13 prospective annuities other than those provided in sections 5708
14 (relating to supplemental annuities), 5708.1 (relating to
15 additional supplemental annuities), 5708.2 (relating to further
16 additional supplemental annuities), 5708.3 (relating to
17 supplemental annuities commencing 1994), 5708.4 (relating to
18 special supplemental postretirement adjustment), 5708.5
19 (relating to supplemental annuities commencing 1998), 5708.6
20 (relating to supplemental annuities commencing 2002), 5708.7
21 (relating to supplemental annuities commencing 2003) and 5708.8
22 (relating to special supplemental postretirement adjustment of
23 2002), in accordance with the actuarial cost method provided in
24 section 5508(a), (b), (c), (d) and (f) (relating to actuarial
25 cost method).

26 (b) Contributions on behalf of annuitants.--The Commonwealth
27 and other employers whose employees are members of the system or
28 participants in the plan shall make contributions on behalf of
29 annuitants in such amounts as shall be certified by the board as
30 necessary to fund the liabilities for supplemental annuities in

1 accordance with the actuarial cost method provided in section
2 5508(e) [(relating to actuarial cost method)].

3 (b.1) Payment of employer contributions to the system.--

4 (1) Payment of employer normal contributions shall be as
5 a percentage of:

6 (i) the compensation of active members in classes of
7 service other than Class A-5; and

8 (ii) the compensation of active members of Class A-5
9 who have 25 or fewer eligibility points resulting from
10 Class A-5 service or, if a multiple service member, Class
11 T-G service up to each employee's Class A-5 annual
12 compensation limit.

13 (2) Payment of accrued liability contributions as
14 modified by the experience adjustment factor shall be as a
15 percentage of compensation of active members and active
16 participants.

17 * * *

18 (d) Payment of final contribution rate.--Notwithstanding the
19 calculation of the actuarially required contribution rate and
20 the provisions of subsections (a) and (b), the Commonwealth and
21 other employers whose employees are members of the system or
22 participants in the plan shall make contributions to the fund on
23 behalf of all active members and annuitants in such amounts as
24 shall be certified by the board in accordance with section
25 5508(i).

26 (e) Benefits completion plan contributions.--In addition to
27 all other contributions required under this section and section
28 5508, the Commonwealth and other employers whose employees are
29 members of the system shall make contributions as certified by
30 the board pursuant to section 5941 (relating to benefits

1 completion plan). Payment of contributions under this subsection
2 shall be as a percentage of the compensation of active members
3 in classes of service other than Class A-5 and the compensation
4 of active members of Class A-5 who have 25 or fewer eligibility
5 points resulting from Class A-5 service or, if a multiple
6 service member, Class T-G up to each employee's Class A-5 annual
7 compensation limit.

8 * * *

9 Section 318. Section 5508(a), (b), (c)(1) and (3), (e)(2),
10 (f) and (h) of Title 71 are amended and subsection (c) is
11 amended by adding a paragraph to read:

12 § 5508. Actuarial cost method.

13 (a) Employer contribution rate on behalf of active
14 members.--The amount of the Commonwealth and other employer
15 contributions on behalf of all active members shall be computed
16 by the actuary as a percentage of the total compensation of all
17 active members and participants, subject to the limitations in
18 section 5507(b.1) (relating to contributions to the system by
19 the Commonwealth and other employees), during the period for
20 which the amount is determined and shall be so certified by the
21 board. The actuarially required contribution rate on behalf of
22 all active members shall consist of the employer normal
23 contribution rate, as defined in subsection (b), and the accrued
24 liability contribution rate as defined in subsection (c). The
25 actuarially required contribution rate on behalf of all active
26 members shall be modified by the experience adjustment factor as
27 calculated in subsection (f).

28 (b) Employer normal contribution rate.--The employer normal
29 contribution rate shall be determined after each actuarial
30 valuation on the basis of an annual interest rate and such

1 mortality and other tables as shall be adopted by the board in
2 accordance with generally accepted actuarial principles. The
3 employer normal contribution rate shall be determined as a level
4 percentage of the compensation of the average new active member
5 on which employer normal contributions are made under section
6 5507(b.1), which percentage, if contributed on the basis of his
7 prospective compensation on which employer normal contributions
8 are made under section 5507(b.1) through his entire period of
9 active State service, would be sufficient to fund the liability
10 for any prospective benefit payable to him in excess of that
11 portion funded by his prospective member contributions,
12 excluding shared-risk member contributions. In no case shall the
13 employer normal contribution rate be less than zero.

14 (c) Accrued liability contribution rate.--

15 (1) For the fiscal years beginning July 1, 2002, and
16 July 1, 2003, the accrued liability contribution rate shall
17 be computed as the rate of total compensation of all active
18 members which shall be certified by the actuary as sufficient
19 to fund over a period of ten years from July 1, 2002, the
20 present value of the liabilities for all prospective
21 benefits, except for the supplemental benefits as provided in
22 sections 5708 (relating to supplemental annuities), 5708.1
23 (relating to additional supplemental annuities), 5708.2
24 (relating to further additional supplemental annuities),
25 5708.3 (relating to supplemental annuities commencing 1994),
26 5708.4 (relating to special supplemental postretirement
27 adjustment), 5708.5 (relating to supplemental annuities
28 commencing 1998), 5708.6 (relating to supplemental annuities
29 commencing 2002), 5708.7 (relating to supplemental annuities
30 commencing 2003) and 5708.8 (relating to special supplemental

1 postretirement adjustment of 2002), in excess of the total
2 assets in the fund (calculated recognizing all investment
3 gains and losses over a five-year period), excluding the
4 balance in the supplemental annuity account, and the present
5 value of employer normal contributions and of member
6 contributions payable with respect to all active members on
7 December 31, 2001, and excluding contributions to be
8 transferred by county retirement systems or pension plans
9 pursuant to section 5507(c) (relating to contributions to the
10 system by the Commonwealth and other employers). The amount
11 of each annual accrued liability contribution shall be equal
12 to the amount of such contribution for the fiscal year
13 beginning July 1, 2002, except that, if the accrued liability
14 is increased by legislation enacted subsequent to June 30,
15 2002, but before July 1, 2003, such additional liability
16 shall be funded over a period of ten years from the first day
17 of July, coincident with or next following the effective date
18 of the increase. The amount of each annual accrued liability
19 contribution for such additional legislative liabilities
20 shall be equal to the amount of such contribution for the
21 first annual payment.

22 * * *

23 (3) For the fiscal year beginning July 1, 2010, the
24 accrued liability contribution rate shall be computed as the
25 rate of total compensation of all active members which shall
26 be certified by the actuary as sufficient to fund in equal
27 dollar installments over a period of 30 years from July 1,
28 2010, the present value of the liabilities for all
29 prospective benefits calculated as of the immediately prior
30 valuation date, including the supplemental benefits as

1 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
2 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
3 payable from the retirement benefit plan established pursuant
4 to section 5941 (relating to benefits completion plan), in
5 excess of the actuarially calculated assets in the fund
6 (calculated recognizing all realized and unrealized
7 investment gains and losses each year in level annual
8 installments over five years), including the balance in the
9 supplemental annuity account, and the present value of
10 employer normal contributions and of member contributions
11 payable with respect to all active members, inactive members
12 on leave without pay, vestees and special vestees on December
13 31, 2009. If the accrued liability is changed by legislation
14 enacted subsequent to December 31, 2009, and before January
15 1, 2017, such change in liability shall be funded in equal
16 dollar installments over a period of ten years from the first
17 day of July following the valuation date coincident with or
18 next following the date such legislation is enacted.

19 (4) For fiscal years beginning on or after July 1, 2017,
20 the accrued liability contribution rate shall be computed as
21 provided for under paragraph (3), except that the rate shall
22 be computed as a rate of total compensation of all active
23 members and active participants. In addition to any employer
24 defined contributions made to the trust, the Commonwealth and
25 other employers of participants shall make the accrued
26 liability contributions to the fund certified by the board.
27 If the accrued liability is changed by legislation enacted
28 subsequent to December 31, 2016, the change in liability
29 shall be funded in equal dollar installments as a percentage
30 of compensation of all active members and active participants

1 over a period of ten years from the first day of July
2 following the valuation date coincident with or next
3 following the date such legislation is enacted. The accrued
4 liability contribution rate shall be determined after each
5 actuarial valuation on the basis of an annual interest rate
6 and the mortality and other tables adopted by the board in
7 accordance with generally accepted actuarial principles.

8 * * *

9 (e) Supplemental annuity contribution rate.--

10 * * *

11 (2) For fiscal years beginning on or after July 1, 2010,
12 contributions from the Commonwealth and other employers whose
13 employees are members of the system required to provide for
14 the payment of supplemental annuities as provided in sections
15 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
16 and 5708.8 shall be paid as part of the accrued liability
17 contribution rate as provided for in subsection (c)(3), and
18 there shall not be a separate supplemental annuity
19 contribution rate attributable to those supplemental
20 annuities. In the event that supplemental annuities are
21 increased by legislation enacted subsequent to December 31,
22 2009, the additional liability for the increase in benefits
23 shall be funded in equal dollar installments as a percentage
24 of compensation of all active members and active participants
25 over a period of ten years from the first day of July
26 following the valuation date coincident with or next
27 following the date such legislation is enacted.

28 (f) Experience adjustment factor.--

29 (1) For each year after the establishment of the accrued
30 liability contribution rate and the supplemental annuity

1 contribution rate for the fiscal year beginning July 1, 2010,
2 any increase or decrease in the unfunded accrued liability
3 and any increase or decrease in the liabilities and funding
4 for supplemental annuities, due to actual experience
5 differing from assumed experience (recognizing all realized
6 and unrealized investment gains and losses over a five-year
7 period), changes in contributions caused by the final
8 contribution rate being different from the actuarially
9 required contribution rate, State employees making shared-
10 risk member contributions, changes in actuarial assumptions
11 or changes in the terms and conditions of the benefits
12 provided by the system by judicial, administrative or other
13 processes other than legislation, including, but not limited
14 to, reinterpretation of the provisions of this part, shall be
15 amortized in equal dollar annual contributions as a
16 percentage of compensation of all active members and active
17 participants over a period of 30 years beginning with the
18 July 1 succeeding the actuarial valuation determining said
19 increases or decreases.

20 (2) The actuarially required contribution rate shall be
21 the sum of the normal contribution rate, the accrued
22 liability contribution rate and the supplemental annuity
23 contribution rate, modified by the experience adjustment
24 factor as calculated in paragraph (1).

25 * * *

26 (h) Temporary application of collared contribution rate.--
27 The collared contribution rate for each fiscal year shall be
28 determined by comparing the actuarially required contribution
29 rate calculated without regard for costs added by legislation to
30 the prior year's final contribution rate. If, for any of the

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

14 * * *

15 Section 319. Sections 5509, 5701 and 5701.1 of Title 71 are
16 amended to read:

17 § 5509. Appropriations and assessments by the Commonwealth.

18 (a) Annual submission of budget.--The board shall prepare
19 and submit annually an itemized budget consisting of the amounts
20 necessary to be appropriated by the Commonwealth out of the
21 General Fund and special operating funds and the amounts to be
22 assessed the other employers required to meet the separate
23 obligations to the fund and the trust accruing during the fiscal
24 period beginning the first day of July of the following year.

25 (b) Appropriation and payment.--The General Assembly shall
26 make an appropriation sufficient to provide for the separate
27 obligations of the Commonwealth to the fund and the trust. Such
28 amount shall be paid by the State Treasurer through the
29 Department of Revenue into the fund or trust, as the case may
30 be, in accordance with requisitions presented by the board. The

1 contributions to the system by the Commonwealth on behalf of
2 active members who are officers of the Pennsylvania State Police
3 shall be charged to the General Fund and to the Motor License
4 Fund in the same ratios as used to apportion the appropriations
5 for salaries of members of the Pennsylvania State Police. The
6 contributions to the system by the Commonwealth on behalf of
7 active members who are enforcement officers and investigators of
8 the Pennsylvania Liquor Control Board shall be charged to the
9 General Fund and to the State Stores Fund.

10 (c) Contributions from funds other than General Fund.--The
11 amounts assessed other employers who are required to make the
12 necessary separate contributions to the fund and the trust out
13 of funds other than the General Fund shall be paid by such
14 employers into the fund or trust, as the case may be, in
15 accordance with requisitions presented by the board. The General
16 Fund of the Commonwealth shall not be held liable to appropriate
17 the moneys required to build up the reserves in the fund
18 necessary for the payment of benefits from the system to
19 employees or to make the employer defined contributions for
20 employees of such other employers. In case any such other
21 employer shall fail to provide to the fund the moneys necessary
22 for such purpose, then the service of such members of the system
23 for such period for which money is not so provided shall be
24 credited and pickup contributions with respect to such members
25 shall continue to be credited to the members' savings account.
26 The annuity to which such member is entitled shall be determined
27 as actuarially equivalent to the present value of the maximum
28 single life annuity of each such member reduced by the amount of
29 employer contributions to the system payable on account and
30 attributable to his compensation during such service, except

1 that no reduction shall be made as a result of the failure of an
2 employer to make contributions required for a period of USERRA
3 leave.

4 § 5701. Return of total accumulated deductions.

5 Any member upon termination of service may, in lieu of all
6 benefits payable from the system under this chapter to which he
7 may be entitled, elect to receive his total accumulated
8 deductions by his required beginning date.

9 § 5701.1. Transfer of accumulated deductions.

10 When an employee of the Juvenile Court Judges' Commission
11 elects membership in an independent retirement program pursuant
12 to section 5301(f) (relating to mandatory and optional
13 membership in the system and participation in the plan), the
14 board shall transfer directly to the trustee or administrator of
15 the independent retirement program all accumulated deductions
16 resulting from service credited while an employee of the
17 Juvenile Court Judges' Commission.

18 Section 320. Sections 5702(a), (a.1), (b) and (c) and
19 5704(a), (c), (e) and (f) of Title 71 are amended and the
20 sections are amended by adding subsections to read:

21 § 5702. Maximum single life annuity.

22 (a) General rule.--Any full coverage member who is eligible
23 to receive an annuity pursuant to the provisions of section
24 5308(a) or (b) (relating to eligibility for annuities) who
25 terminates State service, or if a multiple service member who is
26 a school employee who is an active member of the Public School
27 Employees' Retirement System who terminates school service,
28 before attaining age 70 shall be entitled to receive a maximum
29 single life annuity attributable to his credited service and
30 equal to the sum of the following single life annuities

1 beginning at the effective date of retirement:

2 (1) A single life annuity that is the sum of the
3 standard single life [annuity multiplied by the sum of the
4 products,] annuities determined separately for each class of
5 service[, obtained by multiplying] multiplied by the
6 appropriate class of service multiplier [by the ratio of
7 years of service credited in that class to the total credited
8 service] applicable to each standard single life annuity. In
9 case the member on the effective date of retirement is under
10 superannuation age for any service, a reduction factor
11 calculated to provide benefits actuarially equivalent to an
12 annuity starting at superannuation age shall be applied to
13 the product determined for that service. The class of service
14 multiplier for any period of concurrent service shall be
15 multiplied by the proportion of total State and school
16 compensation during such period attributable to State service
17 as a member of the system. In the event a member has two
18 multipliers for one class of service [the class of service
19 multiplier to be used for calculating benefits for that class
20 shall be the average of the two multipliers weighted by the
21 proportion of compensation attributable to each multiplier
22 during the three years of highest annual compensation in that
23 class of service: Provided, That in the case of a member of
24 Class E-1, a portion but not all of whose three years of
25 highest annual judicial compensation is prior to January 1,
26 1973, two class of service multipliers shall be calculated on
27 the basis of his entire judicial service, the one applying
28 the judicial class of service multipliers effective prior to
29 January 1, 1973 and the second applying the class of service
30 multipliers effective subsequent to January 1, 1973. The

1 average class of service multiplier to be used for
2 calculating benefits for his judicial service shall be the
3 average of the two calculated multipliers weighted by the
4 proportion of compensation attributable to each of the
5 calculated multipliers during the three years of highest
6 annual compensation in that class of service.], separate
7 standard single life annuities shall be calculated for the
8 portion of service in such class applicable to each class of
9 service multiplier.

10 (2) If eligible, a single life annuity of 2% of his
11 average noncovered salary for each year of social security
12 integration credit as provided for in section 5305 (relating
13 to social security integration credits) multiplied, if on the
14 effective date of retirement the member is under
15 superannuation age for any service, by the actuarially
16 determined reduction factor for that service.

17 (3) If eligible, a single life annuity which is
18 actuarially equivalent to the regular and additional
19 accumulated deductions attributable to contributions as a
20 member of Class C, but not less than such annuity determined
21 as if the member were age 60 on the effective date of
22 retirement, actuarially reduced in the event the member is
23 under superannuation age on the effective date of retirement.

24 (4) If eligible, a single life annuity which is
25 actuarially equivalent to the amount by which his regular and
26 additional accumulated deductions attributable to any
27 credited service other than as a member of Class A-3, Class
28 A-4, Class A-5 and Class C are greater than one-half of the
29 actuarially equivalent value on the effective date of
30 retirement of the annuity as provided in paragraph (1)

1 attributable to service other than Class A-3, Class A-4,
2 Class A-5 and Class C for which regular or joint coverage
3 member contributions were made. [This paragraph shall not
4 apply to any member with State service credited as Class A-3
5 or Class A-4.]

6 (5) If eligible, a single life annuity which is
7 actuarially equivalent to the amount by which his social
8 security integration accumulated deductions are greater than
9 one-half of the actuarially equivalent value on the effective
10 date of retirement of the annuity provided for under
11 paragraph (2).

12 (6) If eligible, a single life annuity sufficient
13 together with the annuity provided for in paragraph (1) as a
14 Class A, Class AA, Class A-3 and Class A-4 member and the
15 highest annuity provided for in paragraph (2) to which he is
16 entitled, or at his option could have been entitled, to
17 produce that percentage of [a] the sums of the standard
18 single life [annuity] annuities adjusted by the application
19 of the class of service multiplier for Class A, Class AA,
20 Class A-3 or Class A-4 as set forth in paragraph (1) in the
21 case where any service is credited as a member of Class A,
22 Class AA, Class A-3 or Class A-4 on the effective date of
23 retirement as determined by his total years of credited
24 service as a member of Class A, Class AA, Class A-3 and Class
25 A-4 and by the following table:

26	Total Years of	Percentage of <u>Sums of</u>
27	Credited Service	Standard
28	as a Member of	Single Life
29	Class A,	[Annuity] <u>Annunities</u> Adjusted for
30	Class AA, Class A-3	Class A, Class AA,

1	and Class A-4	Class A-3 and Class A-4
2		Class of
3		Service Multipliers
4	35-40	100%
5	41	102%
6	42	104%
7	43	106%
8	44	108%
9	45 or more	110%

10 (a.1) Rule for terminations after attaining age 70.--

11 (1) Any full coverage member who is eligible to receive
12 an annuity pursuant to the provisions of section 5308(a) who
13 terminates State service, or if a multiple service member who
14 is a school employee and an active member of the Public
15 School Employees' Retirement System who terminates school
16 service, on or after attaining age 70 and who applies for a
17 superannuation annuity to be effective the day after the
18 termination of State service or school service, as the case
19 may be, shall be entitled to receive a maximum single life
20 annuity as of a determination date that is equal to the
21 greater of subparagraph (i) or (ii), plus any annuity he may
22 be eligible to receive attributable to Class A-5 service
23 credit:

24 (i) the sum of the annuities provided in subsection
25 (a)(1) through (6) calculated without including any
26 annuity attributable to Class A-5 service credit as of
27 the determination date; and

28 (ii) the greater of clause (A) or (B):

29 (A) the sum of the annuities provided in
30 subsection (a)(1), (3), (4) and (6) as of the

1 preceding determination date without including any
2 annuity attributable to Class A-5 service credit
3 adjusted by the actuarial increase factor, plus the
4 annuities provided in subsection (a) (2) and (5) as of
5 the determination date; and

6 (B) the maximum single life annuity calculated
7 without including any annuity attributable to Class
8 A-5 service credit as of the preceding determination
9 date adjusted by the actuarial increase factor.

10 The maximum single life annuity calculated without
11 including any annuity attributable to Class A-5 service
12 credit shall be calculated for each determination date.

13 (2) For purposes of this subsection, the determination
14 date shall be:

15 (i) the member's birthday, provided that as of such
16 date the member qualifies for a maximum single life
17 annuity under this subsection, determined excluding
18 eligibility for any annuity attributable to Class A-5
19 service credit; or

20 (ii) if the member's maximum single life annuity is
21 being determined as of the member's effective date of
22 retirement, then the determination date shall be the
23 member's effective date of retirement.

24 (3) In the event an active member, an inactive member on
25 leave without pay or a multiple service member who is a
26 school employee and an active member of the Public School
27 Employees' Retirement System has attained age 70 before the
28 effective date of this subsection, or enters State service or
29 school service, as the case may be, after attaining age 70,
30 then section 5305.1 (relating to eligibility for actuarial

1 increase factor) and subsections (a) and (a.1) shall be
2 effective prospectively with respect to such member at the
3 member's next birthday after the effective date of this
4 subsection, entry into State service, or school service.
5 Nothing in this subsection shall be construed to provide an
6 actuarial increase factor for any period of service prior to the
7 effective date of this subsection.

8 (b) Present value of annuity.--The present value of the
9 maximum single life annuity as calculated in accordance with
10 subsection (a) of this section shall be determined by
11 multiplying the maximum single life annuity by the cost of a
12 dollar annuity on the effective date of retirement, which shall
13 take into account any delay in the receipt of the portion of the
14 annuity based on Class A-5 if the effective date of retirement
15 is under the superannuation age applicable to Class A-5 service.
16 Such present value shall be decreased only as required under the
17 provisions of section 5506 (relating to incomplete payments),
18 5509(c) (relating to appropriations and assessments by the
19 Commonwealth) or 5703 (relating to reduction of annuities on
20 account of social security old-age insurance benefits).

21 (c) Limitation on amount of annuity.--The annuity paid to a
22 member under subsection (a) attributable to any credited service
23 other than as a member of Class A-5 and reduced in accordance
24 with the option elected under section 5705 (relating to member's
25 options) shall not exceed the highest compensation received for
26 any credited service other than service credited as Class A-5
27 during any period of twelve consecutive months of credited
28 service. No limit on the total annuity paid to a member with
29 Class D-3 service shall be applied in the case of a member who
30 served as a constitutional officer of the General Assembly.

1 * * *

2 (e) Coordination of benefits.--The determination and payment
3 of the maximum single life annuity under this section shall be
4 in addition to any payments a member may be entitled to receive,
5 has received or is receiving as a result of being a participant
6 in the plan.

7 § 5704. Disability annuities.

8 (a) Amount of annuity.--A member who has made application
9 for a disability annuity and has been found to be eligible in
10 accordance with the provisions of section 5905(c)(1) (relating
11 to duties of the board regarding applications and elections of
12 members) shall receive a disability annuity payable from the
13 effective date of disability as determined by the board and
14 continued until a subsequent determination by the board that the
15 annuitant is no longer entitled to a disability annuity. [The]
16 If the sum of the products of the number of years and fractional
17 part of a year of credited service in each class and the
18 appropriate class of service multiplier is greater than 16.667,
19 then the disability annuity shall be a single life annuity that
20 is equal to [a] the sum of the standard single life [annuity]
21 annuities determined separately for each class of service
22 multiplied by the appropriate class of service multiplier
23 [applicable to the class of service at the time of disability if
24 the product of such class of service multiplier and the total
25 number of years of credited service is greater than 16.667,
26 otherwise the], otherwise each standard single life annuity
27 shall be multiplied by the lesser of the following ratios:

28
$$MY^*/Y \text{ or } 16.667/Y$$

29 where Y = total number of years of credited service, Y* = total
30 years of credited service if the member were to continue as a

1 State employee until attaining superannuation age as applicable
2 to that class of service at the time of disability, or if the
3 member has attained superannuation age, as applicable to that
4 class of service at the time of disability, then the number of
5 years of credited service and M = the class of service
6 multiplier as applicable to that class of service at the
7 effective date of disability. A member of Class C shall receive,
8 in addition, any annuity to which he may be eligible under
9 section 5702(a)(3) (relating to maximum single life annuity).
10 The member shall be entitled to the election of a joint and
11 survivor annuity on that portion of the disability annuity to
12 which he is entitled under section 5702.

13 * * *

14 (c) Reduction on account of earned income.--Subsequent to
15 January 1, 1972, payments on account of disability shall be
16 reduced by that amount by which the earned income of the
17 annuitant, as reported in accordance with section 5908(b)
18 (relating to rights and duties of annuitants), for the preceding
19 calendar year together with the disability annuity payments
20 provided in this section other than subsection (b), for the
21 year, exceeds the product of:

22 [(i)] (1) the last year's salary of the annuitant as a
23 [State employee] member of the system; and

24 [(ii)] (2) the ratio of the current monthly payment to
25 the monthly payment at the effective date of disability;

26 Provided, That the annuitant shall not receive less than his
27 member's annuity or the amount to which he may be entitled under
28 section 5702 whichever is greater.

29 * * *

30 (e) Termination of State service.--Upon termination of

1 disability annuity payments in excess of an annuity calculated
2 in accordance with section 5702, a disability annuitant who:

3 (1) does not have Class A-3 [or], Class A-4 or Class A-5
4 service credit; or

5 (2) has Class A-3 [or], Class A-4 or Class A-5 service
6 credit and fewer than ten eligibility points;

7 and who does not return to State service may file an application
8 with the board for an amount equal to the excess, if any, of the
9 sum of the shared-risk accumulated deductions plus the regular
10 and additional accumulated deductions standing to his credit at
11 the effective date of disability over one-third of the total
12 disability annuity payments received. If the annuitant on the
13 date of termination of service was eligible for an annuity as
14 provided in section 5308(a) or (b) (relating to eligibility for
15 annuities), he may file an application with the board for an
16 election of an optional modification of his annuity.

17 (f) Supplement for service connected disability.--

18 (1) If a member has been found to be eligible for a
19 disability annuity and if the disability has been found to be
20 a service connected disability and if the member is receiving
21 workers' compensation payments for other than medical
22 benefits, such member shall receive a supplement equal to
23 [70% of his final average salary] the amount determined under
24 paragraph (2) less the sum of the annuity as determined under
25 subsection (a) and any payments paid or payable on account of
26 such disability under the act of June 2, 1915 (P.L.736,
27 No.338), known as the Workers' Compensation Act, the act of
28 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
29 Occupational Disease Act, and the Social Security Act (49
30 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall

1 continue as long as he is determined to be disabled and is
2 receiving workers' compensation payments for other than
3 medical benefits on account of his service connected
4 disability in accordance with the Workers' Compensation Act
5 or The Pennsylvania Occupational Disease Act. If the member
6 has received a lump sum workers' compensation payment in lieu
7 of future weekly compensation payments, the length in weeks
8 and calculation of the service connected disability
9 supplement shall be determined by dividing the lump sum
10 payment by the average weekly wage as determined by the
11 Workers' Compensation Board.

12 (2) For a member who does not have Class A-5 service or
13 has only Class A-5 service, the amount to be used to
14 determine eligibility for the supplement under paragraph (1)
15 shall be 70% of his final average salary. For a member who
16 has Class A-5 service and other classes of service, the
17 amount to be used to determine eligibility for the supplement
18 under paragraph (1) shall be determined using the following
19 formula:

$$20 \quad A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) +$$
$$21 \quad (FAS^W \text{ multiplied by } Y^W/Y^T)].$$

22 (3) The following apply to the formula in paragraph (2):

23 (i) A equals the amount used to determine the
24 supplement;

25 (ii) Y^T equals total years of credited service;

26 (iii) Y^W equals years of service credited in classes
27 of service other than Class A-5;

28 (iv) FAS^W equals final average salary calculated for
29 classes of service other than Class A-5;

30 (v) Y^{A-5} equals years of service credited in Class A-

1 5; and

2 (vi) FAS^{A-5} equals final average salary calculated
3 for service credited in Class A-5.

4 * * *

5 (h) Coordination of benefits.--The determination and payment
6 of a disability annuity under this section is in addition to any
7 payments a member may be entitled to receive, has received or is
8 receiving as a result of being a participant in the plan.

9 Section 321. Sections 5705(a), 5705.1 and 5706(a), (a.1),
10 (a.2), (b) and (c) (1) of Title 71 are amended to read:

11 § 5705. Member's options.

12 (a) General rule.--Any special vestee [who has attained
13 superannuation age, any vestee who does not have Class A-3 or
14 Class A-4 service credit having five or more eligibility points
15 for service other than Class T-E or Class T-F service in the
16 Public School Employees' Retirement System, or vestee who has
17 Class A-3 or Class A-4 service credit having ten or more
18 eligibility points, any member with Class G, Class H, Class I,
19 Class J, Class K, Class L, Class M or Class N service having
20 five or more eligibility points or any other eligible member
21 upon termination of State service who has not withdrawn his
22 total accumulated deductions as provided in section 5701
23 (relating to return of total accumulated deductions)] , vestee
24 or any other member upon termination of State service who is
25 eligible to receive an annuity as provided in section 5308(a) or
26 (b) (relating to eligibility for annuities) may apply for and
27 elect to receive either a maximum single life annuity, as
28 calculated in accordance with the provisions of section 5702
29 (relating to maximum single life annuity), or a reduced annuity
30 certified by the actuary to be actuarially equivalent to the

1 maximum single life annuity and in accordance with one of the
2 following options; except that no member shall elect an annuity
3 payable to one or more survivor annuitants other than his spouse
4 or alternate payee of such a magnitude that the present value of
5 the annuity payable to him for life plus any lump sum payment he
6 may have elected to receive is less than 50% of the present
7 value of his maximum single life annuity and no member may elect
8 a payment option that would provide benefits that do not satisfy
9 the minimum distribution requirements or would violate the
10 incidental death benefit rules of IRC § 401(a)(9):

11 (1) Option 1.--A life annuity to the member with:
12 (i) a guaranteed total payment attributable to all
13 classes of service other than Class A-5 equal to the
14 present value of the maximum single life annuity
15 attributable to all classes of service other than Class
16 A-5 on the effective date of retirement with the
17 provision that, if, at his death, he has received less
18 than such present value, the unpaid balance shall be
19 payable to his beneficiary[.]; and

20 (ii) a guaranteed total payment attributable to
21 Class A-5 service equal to the present value of the
22 maximum single life annuity attributable to Class A-5
23 service on the effective date of retirement with the
24 provision that, if, at his death, he has received less
25 than such present value, the unpaid balance shall be
26 payable to his beneficiary.

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

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

5 (4) Option 4.--Some other benefit which shall be
6 certified by the actuary to be actuarially equivalent to the
7 maximum single life annuity, subject to the following
8 restrictions:

9 (i) any annuity shall be payable without reduction
10 during the lifetime of the member;

11 (ii) the sum of all annuities payable to the
12 designated survivor annuitants shall not be greater than
13 one and one-half times the annuity payable to the member;
14 and

15 (iii) a portion of the benefit may be payable as a
16 lump sum, except that such lump sum payment shall not
17 exceed an amount equal to the total accumulated
18 deductions standing to the credit of the member that are
19 not the result of contributions and statutory interest
20 made or credited as a result of Class A-3 or Class A-4
21 service. The balance of the present value of the maximum
22 single life annuity adjusted in accordance with section
23 5702(b) shall be paid in the form of an annuity with a
24 guaranteed total payment, a single life annuity, or a
25 joint and survivor annuity or any combination thereof but
26 subject to the restrictions of subparagraphs (i) and (ii)
27 under this option.

28 * * *

29 § 5705.1. Payment of accumulated deductions resulting from
30 Class A-3 [and], Class A-4 and Class A-5 service.

1 Any superannuation or withdrawal annuitant who:

2 (1) has Class A-3 [or], Class A-4 or Class A-5 service
3 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 and Class A-5 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 or Class A-5 service credit. Payment of these
13 accumulated deductions resulting from Class A-3 [or], Class A-4
14 and Class A-5 service credit shall not be eligible for
15 installment payments pursuant to section 5905.1 (relating to
16 installment payments of accumulated deductions) but shall be
17 considered a lump sum payment for purposes of section 5905.1(d).

18 § 5706. Termination of annuities.

19 (a) General rule.--

20 (1) If the annuitant returns to State service or enters
21 or has entered school service and elects multiple service
22 membership, any annuity payable to him under this part shall
23 cease effective upon the date of his return to State service
24 or entering school service without regard to whether he is a
25 mandatory, optional or prohibited member of the system or
26 participant in the plan or, if a multiple service member,
27 whether he is a mandatory, optional or prohibited member or
28 participant of the Public School Employees' Retirement System
29 or School Employees' Defined Contribution Plan and in the
30 case of an annuity other than a disability annuity the

1 present value of such annuity, adjusted for full coverage in
2 the case of a joint coverage member who makes the appropriate
3 back contributions for full coverage, shall be frozen as of
4 the date such annuity ceases. An annuitant who is credited
5 with an additional 10% of Class A and Class C service as
6 provided in section 5302(c) (relating to credited State
7 service) and who returns to State service shall forfeit such
8 credited service and shall have his frozen present value
9 adjusted as if his 10% retirement incentive had not been
10 applied to his account. In the event that the cost-of-living
11 increase enacted December 18, 1979 occurred during the period
12 of such State or school employment, the frozen present value
13 shall be increased, on or after the member attains
14 superannuation age, by the percent applicable had he not
15 returned to service.

16 (2) This subsection shall not apply in the case of any
17 annuitant who:

18 (i) may render services to the Commonwealth in the
19 capacity of an independent contractor; or

20 (ii) is over normal retirement age or who has been
21 an annuitant for more than one year and who may render
22 service to the Commonwealth:

23 (A) as a member of an independent board or
24 commission or as a member of a departmental
25 administrative or advisory board or commission when
26 such members of independent or departmental boards or
27 commissions are compensated on a per diem basis for
28 not more than 150 days per calendar year; or

29 (B) as a member of an independent board or
30 commission requiring appointment by the Governor,

1 with advice and consent of the Senate, where the
2 annual salary payable to the member does not exceed
3 \$35,000 and where the member has been an annuitant
4 for at least six months immediately preceding the
5 appointment.

6 Such service shall not be eligible for participation in the
7 plan, mandatory pickup participant contributions or employer
8 defined contributions.

9 (a.1) Return to State service during emergency.--When, in
10 the judgment of the employer, an emergency creates an increase
11 in the work load such that there is serious impairment of
12 service to the public, an annuitant who is over normal
13 retirement age or who has been an annuitant for more than one
14 year may be returned to State service for a period not to exceed
15 95 days in any calendar year without loss of his annuity. In
16 computing the number of days an annuitant has returned to State
17 service, any amount of time less than one-half of a day shall be
18 counted as one-half of a day. For agencies, boards and
19 commissions under the Governor's jurisdiction, the approval of
20 the Governor that an emergency exists shall be required before
21 an annuitant may be returned to State service. His service shall
22 not be subject to member contributions or be eligible for
23 qualification as creditable State service or for participation
24 in the plan, mandatory pickup participant contributions or
25 employer defined contributions.

26 (a.2) Return of benefits.--In the event an annuitant whose
27 annuity from the system ceases pursuant to this section receives
28 any annuity payment, including a lump sum payment pursuant to
29 section 5705 (relating to member's options) on or after the date
30 of his return to State service or entering school service, the

1 annuitant shall return to the board the amount so received from
2 the system plus statutory interest. The amount payable shall be
3 certified in each case by the board in accordance with methods
4 approved by the actuary and shall be paid in a lump sum within
5 30 days or in the case of an active member or school employee
6 who is an active member of the Public School Employees'
7 Retirement System may be amortized with statutory interest
8 through salary deductions to the system in amounts agreed upon
9 by the member and the board. The salary deduction amortization
10 plans agreed to by the member and the board may include a
11 deferral of payment amounts and statutory interest until the
12 termination of school service or State service as the board in
13 its sole discretion decides to allow. The board may limit salary
14 deduction amortization plans to such terms as the board in its
15 sole discretion determines. In the case of a school employee who
16 is an active member of the Public School Employees' Retirement
17 System, the agreed upon salary deductions shall be remitted to
18 the Public School Employees' Retirement Board, which shall
19 certify and transfer to the board the amounts paid.

20 * * *

21 (b) Subsequent discontinuance of service.--Upon subsequent
22 discontinuance of service, such member other than a former
23 annuitant who had the effect of his frozen present value
24 eliminated in accordance with subsection (c) or a former
25 disability annuitant shall be entitled to an annuity which is
26 actuarially equivalent to the sum of:

27 (1) the present value as determined under subsection (a)
28 [and];

29 (2) the present value of a maximum single life annuity
30 based on years of service credited in classes of service

1 other than Class A-5 subsequent to reentry in the system and
2 his final average salary computed by reference to his
3 compensation for service credited in classes of service other
4 than Class A-5 and Class T-G during his entire period of
5 State and school service[.]; and

6 (3) if eligible, the present value of a maximum single
7 life annuity based on years of service credited in Class A-5
8 subsequent to reentry in the system and his final average
9 salary computed by reference to his compensation for service
10 credited in Class A-5 and Class T-G during his entire period
11 of State and school service.

12 (c) Elimination of the effect of frozen present value.--

13 (1) An annuitant who returns to State service as an
14 active member of the system and earns three eligibility
15 points by performing credited State service in a class of
16 service other than Class A-5 following the most recent period
17 of receipt of an annuity under this part, or an annuitant who
18 enters school service and:

19 (i) is a multiple service member; or

20 (ii) who elects multiple service membership, and
21 earns three eligibility points by performing credited State
22 service or credited school service in classes of service
23 other than Class A-5 or Class T-G following the most recent
24 period of receipt of an annuity under this part, and who had
25 the present value of his annuity frozen in accordance with
26 subsection (a), shall qualify to have the effect of the
27 frozen present value resulting from all previous periods of
28 retirement eliminated, provided that all payments under
29 Option 4 and annuity payments payable during previous periods
30 of retirement plus interest as set forth in paragraph (3)

1 shall be returned to the fund in the form of an actuarial
2 adjustment to his subsequent benefits or in such form as the
3 board may otherwise direct.

4 * * *

5 Section 322. Section 5707(b), (e) and (f) of Title 71 are
6 amended and the section is amended by adding a subsection to
7 read:

8 § 5707. Death benefits.

9 * * *

10 (b) Members ineligible for annuities.--In the event of the
11 death of a special vestee, an active member, an inactive member
12 on leave without pay or a current or former State employee
13 performing USERRA leave who is not entitled to a death benefit
14 as provided in subsection (a), his designated beneficiary shall
15 be paid the full amount of his total accumulated deductions and
16 Class A-5 accumulated deductions.

17 (b.1) Members eligible for annuities in some classes of
18 service and ineligible in other classes of service.--In the
19 event of the death of a member who is eligible for an annuity
20 based on service credited in some classes of service and
21 ineligible for an annuity for service credited in other classes
22 of service, a benefit shall be paid under subsection (a) based
23 on the service for which an annuity is deemed payable in
24 addition to payment under subsection (b) of the accumulated
25 deductions attributable to service for which the member was not
26 eligible for an annuity.

27 * * *

28 (e) Annuitants electing maximum single life annuity.--

29 (1) In the event of the death of an annuitant who has
30 elected to receive the maximum single life annuity before he

1 has received in annuity payments based on his service
2 credited in classes other than Class A-5 the full amount of
3 the total accumulated deductions standing to his credit on
4 the effective date of retirement, the balance shall be paid
5 to his designated beneficiary.

6 (2) In the event of the death of an annuitant who has
7 elected to receive the maximum single life annuity before he
8 has received in annuity payments based on his service
9 credited in Class A-5 the full amount of the Class A-5
10 accumulated deductions standing to his credit on the
11 effective date of retirement, the balance shall be paid to
12 his designated beneficiary.

13 (f) Members subject to limitations under section 5702(c).--
14 Subject to the limitations contained in section 401(a) (9) of the
15 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
16 401(a) (9)), the present value of any annuity in excess of that
17 payable under section 5702 (relating to maximum single life
18 annuity) that is not subject to the limitations under section
19 415(b) of the Internal Revenue Code of 1986 shall be paid in a
20 lump sum to the beneficiary designated by the member after the
21 death of the member. A beneficiary receiving a benefit under
22 this subsection shall not be able to elect a payment method
23 otherwise allowed under section 5709(b) (2) and (3) (relating to
24 payment of benefits from the system).

25 * * *

26 Section 323. Section 5709 heading, (a) and (b) of Title 71
27 are amended to read:

28 § 5709. Payment of benefits from the system.

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

1 installments.

2 (b) Death benefits.--If the amount of a death benefit
3 payable from the fund to a beneficiary of a member under section
4 5707 (relating to death benefits) or under the provisions of
5 Option 1 of section 5705(a)(1) (relating to member's options) is
6 \$10,000 or more, such beneficiary may elect to receive payment
7 according to one of the following options:

8 (1) a lump sum payment;

9 (2) an annuity actuarially equivalent to the amount
10 payable; or

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

14 * * *

15 Section 324. Title 71 is amended by adding a chapter to
16 read:

17 CHAPTER 58

18 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

19 Sec.

20 5801. Establishment.

21 5802. Plan document.

22 5803. Individual investment accounts.

23 5804. Participant contributions.

24 5805. Mandatory pickup participant contributions.

25 5806. Employer defined contributions.

26 5807. Use of plan savings.

27 5808. Eligibility for benefits.

28 5809. Death benefits.

29 5810. Vesting.

30 5811. Termination of distributions.

1 5812. Agreements with financial institutions and other
2 organizations.

3 5813. Powers and duties of board.

4 5814. Responsibility for investment loss.

5 5815. Investments based on participants' investment allocation
6 choices.

7 5816. Expenses.

8 5817. (Reserved).

9 5818. Tax qualification.

10 5819. State Employees' Defined Contribution Holding Vehicle
11 Trust.

12 § 5801. Establishment.

13 (a) State Employees' Defined Contribution Plan.--The State
14 Employees' Defined Contribution Plan is established. The board
15 shall administer and manage the plan, which shall be a defined
16 contribution plan exclusively for the benefit of those State
17 employees who participate in the plan and their beneficiaries
18 within the meaning of and in conformity with IRC § 401(a). The
19 board shall determine the terms and provisions of the plan not
20 inconsistent with this part, IRC or other applicable law and
21 shall provide for the plan's administration.

22 (b) State Employees' Defined Contribution Trust.--The State
23 Employees' Defined Contribution Trust is established as part of
24 the plan. The trust shall be comprised of the individual
25 investment accounts and all assets and money in those accounts.
26 The members of the board shall be the trustees of the trust,
27 which shall be administered exclusively for the benefit of those
28 State employees who participate in the plan and their
29 beneficiaries within the meaning of and in conformity with IRC §
30 401(a). The board shall determine the terms and provisions of

1 the trust not inconsistent with this part, the IRC or other
2 applicable law and shall provide for the investment and
3 administration of the trust.

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

16 (d) Name for transacting business.--All of the business of
17 the plan shall be transacted, the trust invested, all
18 requisitions for money drawn and payments made and all of its
19 cash and securities and other property shall be held by the name
20 of the "State Employees' Defined Contribution Plan."
21 Notwithstanding any other law to the contrary, the board may
22 establish a nominee registration procedure for the purpose of
23 registering securities in order to facilitate the purchase, sale
24 or other disposition of securities pursuant to the provisions of
25 this part.

26 § 5802. Plan document.

27 The board shall set forth the terms and provisions of the
28 plan and trust in a document containing the terms and conditions
29 of the plan and in a trust declaration that shall be published
30 in the Pennsylvania Bulletin. The creation of the document

1 containing the terms and conditions of the plan and the trust
2 declaration and the establishment of the terms and provisions of
3 the plan and the trust need not be promulgated by regulation or
4 formal rulemaking and shall not be subject to the act of July
5 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
6 Documents Law. A reference in this part or other law to the plan
7 shall include the plan document unless the context clearly
8 indicates otherwise.

9 § 5803. Individual investment accounts.

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

22 § 5804. Participant contributions.

23 (a) Mandatory contributions.--A participant shall make
24 mandatory pickup participant contributions through payroll
25 deductions to the participant's individual investment account
26 for State service required to be credited in the plan. The
27 employer shall cause those contributions for service required to
28 be credited in the plan to be made and deducted from each
29 payroll or on a schedule established by the board.

30 (b) Voluntary contributions.--A participant may make

1 voluntary contributions through direct trustee-to-trustee
2 transfers or through transfers of money received in an eligible
3 rollover into the trust to the extent allowed by IRC § 402. The
4 rollovers shall be made in a form and manner as determined by
5 the board, shall be credited to the participant's individual
6 investment account and shall be separately accounted for by the
7 board.

8 (c) Prohibited contributions.--No contributions may be
9 allowed that would cause a violation of the limitations related
10 to contributions applicable to governmental plans contained in
11 IRC § 415 or in other provisions of law. In the event that any
12 disallowed contributions are made, any participant contributions
13 in excess of the limitations and investment earnings on those
14 contributions shall be refunded to the participant by the board.
15 § 5805. Mandatory pickup participant contributions.

16 (a) Treatment for purposes of IRC § 414(h).--The
17 contributions to the trust required to be made under section
18 5804(a) (relating to participant contributions) with respect to
19 State service rendered by an active participant shall be picked
20 up by the Commonwealth or other employer and shall be treated as
21 the employer's contribution for purposes of IRC § 414(h). After
22 the effective date of this section, an employer employing a
23 participant in the plan shall pick up the required mandatory
24 participant contributions by a reduction in the compensation of
25 the participant.

26 (b) Treatment for other purposes.--For all purposes other
27 than the IRC, the mandatory pickup participant contributions
28 shall be treated as contributions made by a participant in the
29 same manner and to the same extent as if the contributions were
30 made directly by the participant and not picked up.

1 § 5806. Employer defined contributions.

2 (a) Contributions for service.--The Commonwealth or other
3 employer of an active participant shall make employer defined
4 contributions for service of an active participant that shall be
5 credited to the active participant's individual investment
6 account. Employer defined contributions shall be recorded and
7 accounted for separately from participant contributions.

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

21 (c) Limitations on contributions.--No contributions may be
22 allowed that would cause a violation of the limitations related
23 to contributions applicable to governmental plans contained in
24 IRC § 415 or in other provisions of law. In the event that any
25 disallowed contributions are made, any employer defined
26 contributions in excess of the limitations and investment
27 earnings on the contributions shall be refunded to the employer
28 by the board.

29 § 5807. Use of plan savings.

30 (a) Determination.--The system shall determine the

1 difference between:

2 (1) The current aggregate employer contributions and the
3 aggregate employer contributions that would have been
4 required by Act 120 of 2010.

5 (2) The current plan expenditures and the plan
6 expenditures that would have been required by Act 120 of
7 2010.

8 (b) Utilization.--Any savings realized based on the
9 implementation of the plan, as determined under subsection (a),
10 shall be utilized to pay down the accrued unfunded liability.

11 (c) Intent.--It is the intent of the General Assembly to
12 make an annual appropriation from the General Fund to the system
13 in the amount determined under subsection (a) (1).

14 (d) Definition.--As used in this section, the term "Act 120
15 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
16 No.120), entitled, "An act amending Titles 24 (Education) and 71
17 (State Government) of the Pennsylvania Consolidated Statutes, in
18 Title 24, further providing for definitions, for mandatory and
19 optional membership, for contributions by the Commonwealth, for
20 payments by employers, for actuarial cost method, for additional
21 supplemental annuities, for further additional supplemental
22 annuities, for supplemental annuities commencing 1994, for
23 supplemental annuities commencing 1998, for supplemental
24 annuities commencing 2002, for supplemental annuities commencing
25 2003, for administrative duties of board, for payments to school
26 entities by Commonwealth, for eligibility points for retention
27 and reinstatement of service credits and for creditable
28 nonschool service; providing for election to become a Class T-F
29 member; further providing for classes of service, for
30 eligibility for annuities, for eligibility for vesting, for

1 regular member contributions, for member contributions for
2 creditable school service, for contributions for purchase of
3 credit for creditable nonschool service, for maximum single life
4 annuity, for disability annuities, for member's options, for
5 duties of board regarding applications and elections of members
6 and for rights and duties of school employees and members;
7 providing for Independent Fiscal Office study; in Title 71,
8 establishing an independent fiscal office and making a related
9 repeal; further providing for definitions, for credited State
10 service, for retention and reinstatement of service credits, for
11 creditable nonstate service and for classes of service;
12 providing for election to become a Class A-4 member; further
13 providing for eligibility for annuities and for eligibility for
14 vesting; providing for shared-risk member contributions for
15 Class A-3 and Class A-4 service; further providing for waiver of
16 regular member contributions and Social Security integration
17 member contributions, for member contributions for purchase of
18 credit for previous State service or to become a full coverage
19 member, for contributions for the purchase of credit for
20 creditable nonstate service, for contributions by the
21 Commonwealth and other employers, for actuarial cost method, for
22 maximum single life annuity, for disability annuities and for
23 member's options; providing for payment of accumulated
24 deductions resulting from Class A-3 service; further providing
25 for additional supplemental annuities, for further additional
26 supplemental annuities, for supplemental annuities commencing
27 1994, for supplemental annuities commencing 1998, for
28 supplemental annuities commencing 2002, for supplemental
29 annuities commencing 2003, for special supplemental
30 postretirement adjustment of 2002, for administrative duties of

1 the board, for duties of board to advise and report to heads of
2 departments and members, for duties of board regarding
3 applications and elections of members, for installment payments
4 of accumulated deductions, for rights and duties of State
5 employees and members, for members' savings account, for State
6 accumulation account, for State Police Benefit Account, for
7 Enforcement Officers' Benefit Account, for supplemental annuity
8 account and for construction of part; and providing for
9 Independent Fiscal Office study, for retirement eligibility of
10 Pennsylvania State Police officers or members, for a prohibition
11 on the issuance of pension obligation bonds, for holding certain
12 public officials harmless, for construction of calculation or
13 actuarial method, for applicability and for certain operational
14 provisions."

15 § 5808. Eligibility for benefits.

16 (a) Termination of service.--A participant who terminates
17 State service shall be eligible to withdraw the vested
18 accumulated total defined contributions standing to the
19 participant's credit in the participant's individual investment
20 account or a lesser amount as the participant may request.
21 Payment shall be made in a lump sum unless the board has
22 established other forms of distribution in the plan document. A
23 participant who withdraws his vested accumulated total defined
24 contributions shall no longer be a participant in the plan,
25 notwithstanding that the former State employee may continue to
26 be a member of the system with Class A-5 service credit or may
27 have contracted to receive an annuity or other form of payment
28 from a provider retained by the board for such purposes.

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

1 distribution requirements and incidental death benefit rules of
2 IRC § 401(a) (9). The board shall take any action and make any
3 distributions it may determine are necessary to comply with
4 those requirements.

5 (c) (Reserved).

6 (d) Prohibited distributions.--A participant who also is a
7 member of the system must be terminated from all positions that
8 result in either membership in the system or participation in
9 the plan to be eligible to receive a distribution.

10 (e) Loans.--Loans or other distributions, including hardship
11 or unforeseeable emergency distributions, from the plan to State
12 employees who have not terminated State service are not
13 permitted, except as required by law.

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

20 § 5809. Death benefits.

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

27 (b) Death of participant receiving distributions.--In the
28 event of the death of a participant receiving distributions, the
29 board shall pay to the participant's beneficiary the vested
30 balance in the participant's individual investment account in a

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

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

12 § 5810. Vesting.

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

22 (b) Employer defined contributions.--

23 (1) Subject to the forfeiture and attachment provisions
24 of section 5953 or otherwise as provided by law, a
25 participant with three eligibility points as provided under
26 section 5307(c)(3) (relating to eligibility points) shall be
27 vested with respect to all employer defined contributions
28 paid to the participant's individual investment account in
29 the trust in addition to interest and investment gains and
30 losses on the employer defined contributions but not

1 including investment fees and administrative charges.

2 (2) Nonvested employer defined contributions and the
3 interest and investment gains and losses on the nonvested
4 employer defined contributions that are forfeited when a
5 participant terminates State service before accruing three
6 eligibility points as provided under section 5307(c)(3) are
7 credited to the participant's most recent employer's future
8 obligation assessed under section 5509 (relating to
9 appropriations and assessments by the Commonwealth).

10 (c) USERRA leave and eligibility points.--A participant in
11 the plan who is reemployed from USERRA leave or who dies while
12 performing USERRA leave shall receive eligibility points under
13 this section for the State service that would have been
14 performed had the member not performed USERRA leave.

15 § 5811. Termination of distributions.

16 (a) Return to State service.--

17 (1) A participant receiving distributions or an inactive
18 participant who returns to State service shall cease
19 receiving distributions and shall not be eligible to receive
20 distributions until the participant subsequently terminates
21 State service, without regard to whether the participant is a
22 mandatory, optional or prohibited member of the system or
23 participant in the plan.

24 (2) This subsection shall not apply to a distribution of
25 accumulated employer defined contributions or other
26 distributions that the participant has received or used to
27 purchase an annuity from a provider contracted by the board.

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

29 (1) If a former State employee is reemployed from USERRA
30 leave and received any payments or annuity from the plan

1 during the USERRA leave, the employee shall return to the
2 board the amount so received plus interest as provided in the
3 plan document.

4 (2) The amount payable shall be certified in each case
5 by the board in accordance with methods approved by the
6 actuary and shall be paid in a lump sum within 30 days or, in
7 the case of an active participant, may be amortized with
8 interest as provided in the plan document through salary
9 deductions to the trust in amounts agreed upon by the active
10 participant and the board, but for not longer than a period
11 that starts with the date of reemployment and continues for
12 up to three times the length of the active participant's
13 immediate past period of USERRA leave. The repayment period
14 shall not exceed five years.

15 § 5812. Agreements with financial institutions and other
16 organizations.

17 (a) Written agreement.--To establish and administer the
18 plan, the board shall enter into a written agreement with one or
19 more financial institutions or pension management organizations
20 to administer the plan and the investment of funds held pursuant
21 to the plan. The administrator shall be selected in accordance
22 with the following:

23 (1) The board shall solicit proposals from financial
24 institutions and pension management organizations.

25 (2) The board shall publish the solicitation in the
26 Pennsylvania Bulletin.

27 (3) Proposals received shall be evaluated based on
28 specific criteria adopted by the board. The criteria shall
29 include experience, customer service history and other
30 criteria.

1 (b) Rebid.--A contract to administer the plan under
2 subsection (a) shall be rebid at least once every 10 years.
3 § 5813. Powers and duties of board.

4 The board shall have the following powers and duties to
5 establish the plan and trust and administer the provisions of
6 this chapter and part:

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

9 (2) The board shall pay all administrative fees, costs
10 and expenses of managing, investing and administering the
11 plan, the trust and the individual investment accounts from
12 the balance of such individual investment accounts except as
13 the General Assembly otherwise provides by appropriations
14 from the General Fund.

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

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

21 (5) The board may establish a process for election to
22 participate in the plan by those State employees for whom
23 participation is not mandatory.

24 (6) The board may perform an annual or more frequent
25 review of any qualified fund manager for the purpose of
26 assuring that the fund manager continues to meet all
27 standards and criteria established.

28 (7) The board may allow for eligible rollovers and
29 direct trustee-to-trustee transfers into the trust from
30 qualified plans of other employers, regardless of whether the

1 employers are private employers or public employers.

2 (8) The board may allow a former participant to maintain
3 the participant's individual investment account within the
4 plan.

5 (9) The board shall administer or ensure the
6 administration of the plan in compliance with the
7 qualifications and other rules of the IRC.

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

10 (11) The board shall determine what constitutes a
11 termination of State service.

12 (12) The board may establish procedures for
13 distributions of small accounts as required or permitted by
14 the IRC.

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

19 (i) Procedures for eligible participants to change
20 their investment choices on a periodic basis or make
21 other elections regarding their participation in the
22 plan.

23 (ii) Procedures for deducting mandatory pickup
24 participant contributions from a participant's
25 compensation.

26 (iii) Procedures for rollovers and trustee-to-
27 trustee transfers allowed under the IRC and permitted as
28 part of the plan.

29 (iv) Standards and criteria for providing not less
30 than 10 options in accordance with three or more

1 providers of investment options to eligible individuals
2 regarding investments of amounts deferred under the plan.
3 The standards and criteria must provide for variety of
4 investment options and shall be reviewed in accordance
5 with criteria established by the board. One of the
6 available options must serve as the default option for
7 participants who do not make a timely election and, to
8 the extent commercially available, one option must have
9 an annuity.

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 fees, costs and expenses of
15 administering 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
26 by law. Any duties or responsibilities of the board not
27 required by law to be performed by the board can be delegated
28 to a 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 § 5814. Responsibility for investment loss.

6 The board, the Commonwealth, an employer or other political
7 subdivision shall not be responsible for any investment loss
8 incurred under the plan or for the failure of any investment to
9 earn any specific or expected return or to earn as much as any
10 other investment opportunity, whether or not the other
11 opportunity was offered to participants in the plan.

12 § 5815. Investments based on participants' investment
13 allocation choices.

14 (a) Investment by participant.--All contributions, interest
15 and investment earnings shall be invested based on a
16 participant's investment allocation choices. All investment
17 allocation choices shall be credited proportionally between
18 participant contributions and employer defined contributions.
19 Each participant shall be credited individually with the amount
20 of contributions, interest and investment earnings.

21 (b) Investment of contributions made by entities other than
22 the Commonwealth.--Investment of contributions by any
23 corporation, institution, insurance company or custodial bank
24 that the board has approved shall not be unreasonably delayed,
25 and in no case may the investment of contributions be delayed
26 more than 30 days from the date of payroll deduction or the date
27 voluntary contributions are made to the date that funds are
28 invested. Any interest earned on the funds pending investment
29 shall be allocated to the Commonwealth and credited to the
30 individual investment accounts of participants who are then

1 participating in the plan unless the interest is used to defray
2 administrative costs and fees that would otherwise be required
3 to be borne by participants who are then participating in the
4 plan.

5 § 5816. Expenses.

6 All fees, costs and expenses of administering the plan and
7 the trust and investing the assets of the trust shall be borne
8 by the participants and paid from assessments against the
9 balances of the individual investment accounts as established by
10 the board, except that for fiscal years ending before July 1,
11 2020, and for any additional fiscal years as the General
12 Assembly may provide, the fees, costs and expenses of
13 establishing and administering the plan and the trust shall be
14 paid by the Commonwealth through annual appropriations from the
15 General Fund, made on the basis of estimates from the board.

16 § 5817. (Reserved).

17 § 5818. Tax qualification.

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

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

23 (1) (i) Except as provided under subparagraph (ii) and
24 notwithstanding a provision of this part, a contribution
25 or benefit related to the plan may not exceed any
26 limitation under IRC § 415 with respect to governmental
27 plans which is in effect on the date the contribution or
28 benefit payment takes effect.

29 (ii) An increase in a limitation under IRC § 415
30 shall apply to all participants on and after the

1 effective date of this section.

2 (iii) For the purposes of this paragraph, the term
3 "governmental plans" shall have the same meaning as the
4 term has in IRC § 414(d).

5 (2) (i) Except as provided under subparagraph (ii), an
6 amendment of this part on or after the effective date of
7 this section that increases contributions or benefits for
8 active participants, inactive participants or
9 participants receiving distributions shall not be deemed
10 to provide for a contribution or benefit in excess of any
11 limitation, adjusted on or after the effective date of
12 this section, under IRC § 415 unless specifically
13 provided by legislation.

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

18 § 5819. State Employees' Defined Contribution Holding Vehicle
19 Trust.

20 (a) Establishment.--The State Employees' Defined
21 Contribution Holding Vehicle Trust is established as part of the
22 plan. The holding vehicle trust shall be comprised of the
23 individual investment accounts and all assets and money in those
24 accounts from January 1, 2018, until the earlier of the date the
25 board certifies that the State Employees' Defined Contribution
26 Trust is operational and able to accept participant and employer
27 contributions or December 31, 2018, unless the board so
28 certifies on or before January 1, 2018. The members of the board
29 shall be the trustees of the holding vehicle trust, which shall
30 be held in a separate account, established by the Treasury

1 Department and shall not be inconsistent with this part, the IRC
2 or other applicable law. The holding vehicle trust shall be
3 administered exclusively for the benefit of those State
4 employees who participate in the plan and their beneficiaries
5 within the meaning of and in conformity with IRC § 401(a)
6 subject to the requirements of Chapter 59 (relating to
7 administration, funds, accounts, general provisions).

8 (b) Assets held in trust.--All assets and income in the
9 holding vehicle trust that are withheld or contributed by the
10 participants, the Commonwealth and other employers in accordance
11 with this part shall be held in trust as permitted by the
12 applicable provisions of the IRC for the exclusive benefit of
13 the participants and their beneficiaries until such time as the
14 funds are transferred to the State Employees' Defined
15 Contribution Trust in accordance with the terms of the plan
16 document. The assets of the holding vehicle trust may be used
17 for the payment of the fees, costs and expenses related to the
18 administration and investment of the holding vehicle trust and
19 transfer of assets to the State Employees' Defined Contribution
20 Trust.

21 (c) Mandatory pickup participant contributions.--All
22 mandatory pickup participant contributions and employer defined
23 contributions that are required under sections 5804 (relating to
24 participant contributions), 5805 (relating to mandatory pickup
25 participant contributions) and 5806 (relating to employer
26 defined contributions) to be made to the State Employees'
27 Defined Contribution Trust upon certification of such trust
28 shall be made to the holding vehicle trust prior to the date the
29 board certifies the State Employees' Defined Contribution Trust.
30 The employer shall cause those contributions for service

1 required to be credited in the plan to be made and deducted from
2 each payroll or on such schedule as established by the board and
3 such participant contributions shall be picked up by the
4 Commonwealth or other employer and shall be treated as the
5 employer's contribution for purposes of IRC § 414(h). On and
6 after the effective date of this section, an employer employing
7 a participant in the plan shall pick up the required mandatory
8 participant contributions by a reduction in the compensation of
9 the participant. No participant is permitted to make voluntary
10 contributions to the holding vehicle trust.

11 (d) Treatment for other purposes.--For all purposes other
12 than the IRC, the mandatory pickup participant contributions
13 shall be treated as contributions made by a participant in the
14 same manner and to the same extent as if the contributions were
15 made directly by the participant and not picked up.

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

24 (f) Death benefits.--In the event of the death of an active
25 participant or inactive participant, the board shall pay to the
26 participant's beneficiary the vested balance in the
27 participant's individual investment account in a lump sum.

28 (g) Interest.--Upon the disbursement of a return of Class A-
29 5 accumulated deductions to a participant who has terminated
30 State service or of a death benefit to a participant's

1 designated beneficiaries or upon the transfer of all assets in
2 the holding vehicle trust to the State Employees' Defined
3 Contribution Trust or December 31, 2017, whichever occurs first,
4 the Commonwealth shall make an interest payment to the holding
5 vehicle trust. The interest payment shall be equal to 4% annual
6 rate of return on the mandatory pickup participant contributions
7 and employer defined contributions made for the participant,
8 increased or decreased for any investment losses or earnings
9 while in the holding vehicle trust, but in no case shall the
10 interest payment be less than zero.

11 (h) Responsibility for loss of investment opportunity.--The
12 board, the Commonwealth, an employer or other political
13 subdivision shall not be responsible for the failure of any
14 investment in the holding vehicle trust to earn any specific or
15 expected return greater than the 4% interest rate paid under
16 subsection (g) or to earn as much as any other investment
17 opportunity, whether or not the other opportunity was offered to
18 participants in the holding vehicle trust.

19 (i) Termination of holding vehicle trust.--After the
20 disbursement or transfer of all assets in the holding vehicle
21 trust and the certification by the board that no further
22 liabilities from the holding vehicle trust exist, the holding
23 vehicle trust shall be closed, and this section, except for
24 subsection (h), shall become inoperative.

25 Section 325. Section 5901(a), (c), (d) and (e) of Title 71
26 are amended to read:

27 § 5901. The State Employees' Retirement Board.

28 (a) Status and membership.--The board shall be an
29 independent administrative board and consist of 11 members: the
30 State Treasurer, ex officio, two Senators, two members of the

1 House of Representatives and six members appointed by the
2 Governor, one of whom shall be an annuitant of the system or a
3 participant in the plan who has terminated State service and is
4 receiving or is eligible to receive distributions, for terms of
5 four years, subject to confirmation by the Senate. At least five
6 board members shall be active members of the system or active
7 participants in the plan, and at least two shall have ten or
8 more years of credited State service or shall have been active
9 participants in the plan for ten calendar years. The chairman of
10 the board shall be designated by the Governor from among the
11 members of the board. Each member of the board who is a member
12 of the General Assembly may appoint a duly authorized designee
13 to act in his stead. In the event that a board member, who is
14 designated as an active participant or as a participant in the
15 plan who is receiving or is eligible to receive distributions,
16 receives a total distribution of his interest in the plan, that
17 board member may continue to serve on the board for the
18 remainder of his term.

19 * * *

20 (c) Oath of office.--Each member of the board shall take an
21 oath of office that he will, so far as it devolves upon him,
22 diligently and honestly, administer the affairs of said board,
23 the system and the plan and that he will not knowingly violate
24 or willfully permit to be violated any of the provisions of law
25 applicable to this part. Such oath shall be subscribed by the
26 member taking it and certified by the officer before whom it is
27 taken and shall be immediately filed in the Office of the
28 Secretary of the Commonwealth.

29 (d) Compensation and expenses.--The members of the board who
30 are members of the system or participants in the plan shall

1 serve without compensation but shall not suffer loss of salary
2 or wages through serving on the board. The members of the board
3 who are not members of the system or participants in the plan
4 shall receive \$100 per day when attending meetings and all board
5 members shall be reimbursed for any necessary expenses. However,
6 when the duties of the board as mandated are not executed, no
7 compensation or reimbursement for expenses of board members
8 shall be paid or payable during the period in which such duties
9 are not executed.

10 (e) Corporate power and legal advisor.--For the purposes of
11 this part, the board shall possess the power and privileges of a
12 corporation. [The Attorney General of the Commonwealth shall be
13 the legal advisor of the board.] The board shall be considered
14 to be an independent agency under the act of October 15, 1980
15 (P.L.950, No.164), known as the Commonwealth Attorneys Act.
16 Legal counsel to the board shall serve independently from the
17 Governor's Office of General Counsel, the Attorney General and
18 the General Assembly.

19 Section 326. Sections 5902(a)(2), (a.1), (b), (c), (e), (h),
20 (i), (j), (k), (m) and (n) and 5903 heading and (b) of Title 71
21 are amended and the sections are amended by adding subsections
22 to read:

23 § 5902. Administrative duties of the board.

24 (a) Employees.--

25 * * *

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

1 the board consistent with the standards of compensation
2 established by the Executive Board of the Commonwealth.

3 (a.1) Secretary.--The secretary shall act as chief
4 administrative officer for the board with respect to both the
5 system and the plan. In addition to other powers and duties
6 conferred upon and delegated to the secretary by the board, the
7 secretary shall:

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

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

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

19 (4) Direct the maintenance of files and records and
20 preparation of periodic reports required for actuarial
21 evaluation studies.

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

28 (6) (i) Supervise a staff of administrative, technical,
29 and clerical employees engaged in record-keeping and
30 clerical processing activities for both the system and

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

5 (ii) The board may utilize the staff of employees
6 provided for under this paragraph for both the system and
7 the plan but shall allocate the fees, costs and expenses
8 incurred under this paragraph between the system and the
9 plan as appropriate.

10 (b) Professional personnel.--

11 (1) The board shall contract for the services of a chief
12 medical examiner, an actuary, investment advisors and
13 counselors, and such other professional personnel as it deems
14 advisable. The board may, with the approval of the Attorney
15 General, contract for legal services.

16 (2) The board may utilize the same individuals and firms
17 contracted under this subsection for both the system and the
18 plan but shall allocate the fees, costs and expenses incurred
19 under this subsection between the system and the plan as
20 appropriate.

21 (c) Expenses.--

22 (1) The board shall, through the Governor, submit to the
23 General Assembly annually a budget covering the
24 administrative expenses of [this part.] the system and a
25 separate budget covering the administrative expenses of the
26 plan which budgets shall include those expenses necessary to
27 establish the plan and trust.

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

1 (3) For fiscal years ending on or before June 30, 2019,
2 such expenses of the plan and the holding vehicle trust as
3 approved by the General Assembly in an appropriation bill
4 shall be paid from the General Fund. For fiscal years
5 beginning on or after July 1, 2019, such expenses of the plan
6 and the holding vehicle trust as approved by the General
7 Assembly shall be paid from interest, pursuant to section
8 5815(b) (relating to investments based on participants'
9 investment allocation choices), assessments on the balances
10 of the participants' individual investment accounts or as
11 otherwise provided in this part except as the General
12 Assembly provides by appropriations from the General Fund.

13 (4) Concurrently with its administrative budget, the
14 board shall also submit to the General Assembly annually a
15 list of proposed expenditures which the board intends to pay
16 through the use of directed commissions, together with a list
17 of the actual expenditures from the past year actually paid
18 by the board through the use of directed commissions. All
19 such directed commission expenditures shall be made by the
20 board for the exclusive benefit of the system and its
21 members.

22 * * *

23 (e) Records.--

24 (1) The board shall keep a record of all its proceedings
25 which shall be open to [inspection] access by the public,
26 except as otherwise provided in this part or by other law.

27 (2) Any record, material or data received, prepared,
28 used or retained by the board or its employees, investment
29 professionals or agents relating to an investment shall not
30 constitute a public record subject to public [inspection]

1 access under the act of [June 21, 1957 (P.L.390, No.212),
2 referred to as the Right-to-Know Law] February 14, 2008
3 (P.L.6, No.3), known as the Right-to-Know Law, if, in the
4 reasonable judgment of the board, the [inspection] access
5 would:

6 (i) in the case of an alternative investment or
7 alternative investment vehicle, involve the release of
8 sensitive investment or financial information relating to
9 the alternative investment or alternative investment
10 vehicle which the fund or trust was able to obtain only
11 upon agreeing to maintain its confidentiality;

12 (ii) cause substantial competitive harm to the
13 person from whom sensitive investment or financial
14 information relating to the investment was received; or

15 (iii) have a substantial detrimental impact on the
16 value of an investment to be acquired, held or disposed
17 of by the fund or trust or would cause a breach of the
18 standard of care or fiduciary duty set forth in this
19 part.

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

27 (ii) The sensitive investment or financial
28 information excluded from [inspection] access under
29 paragraph(2)(ii), to the extent not otherwise excluded
30 from [inspection] access, shall constitute a public

1 record subject to public [inspection] access under the
2 Right-to-Know Law once:

3 (A) the [inspection] access no longer causes
4 substantial competitive harm to the person from whom
5 the information was received; or

6 (B) the entity in which the investment was made
7 is liquidated;

8 whichever is later.

9 (iii) The sensitive investment or financial
10 information excluded from [inspection] access under
11 paragraph(2)(iii), to the extent not otherwise excluded
12 from [inspection] access, shall constitute a public
13 record subject to public [inspection] access under the
14 Right-to-Know Law once:

15 (A) the [inspection] access no longer has a
16 substantial detrimental impact on the value of an
17 investment of the fund or trust and would not cause a
18 breach of the standard of care or fiduciary duty set
19 forth in this part; or

20 (B) the entity in which the investment was made
21 is liquidated;

22 whichever is later.

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

29 (5) Any record, material or data received, prepared,
30 used or retained by the board or its employees, or agents

1 relating to the contributions, account value or benefits
2 payable to or on account of a participant shall not
3 constitute a public record subject to public access under the
4 Right-to-Know Law if, in the reasonable judgment of the
5 board, the access would disclose any of the following:

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

9 (ii) The investment options selections of any
10 participant.

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

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

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

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

24 (7) The following shall apply:

25 (i) Nothing in this part shall be construed to mean
26 that the release or publicizing of a record, material or
27 data which would not constitute a public record under
28 this subsection shall be a violation of the board's
29 fiduciary duties.

30 (ii) This paragraph shall apply to a record,

1 material or data under this subsection, notwithstanding
2 any of the following:

3 (A) Whether the record, material or data was
4 created, generated or stored before the effective
5 date of this paragraph.

6 (B) Whether the record, material or data was
7 previously released or made public.

8 (C) Whether a request for the record, material
9 or data was made or is pending final response under
10 the Right-to-Know Law.

11 * * *

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

28 (i) Data.--The board shall keep in convenient form such data
29 as are stipulated by the actuary in order that an annual
30 actuarial valuation of the various accounts of the fund can be

1 completed within six months of the close of each calendar year.

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 calendar year. In the year 1975 and in every fifth year
6 thereafter the board shall have the actuary conduct an actuarial
7 investigation and evaluation of the system based on data
8 including the mortality, service, and compensation experience
9 provided by the board annually during the preceding five years
10 concerning the members and beneficiaries of the system. The
11 board shall by resolution adopt such tables as are necessary for
12 the actuarial valuation of the fund and calculation of
13 contributions, annuities and other benefits based on the reports
14 and recommendations of the actuary. Within 30 days of their
15 adoption, the secretary of the board shall cause those tables
16 which relate to the calculation of annuities and other benefits
17 to be published in the Pennsylvania Bulletin in accordance with
18 the provisions of 45 Pa.C.S. § 725(a) (relating to additional
19 contents of Pennsylvania Bulletin) and, unless the board
20 specifies therein a later effective date, such tables shall
21 become effective on such publication. The board shall include a
22 report on the significant facts, recommendations and data
23 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 (m) 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 5509 (relating to appropriations and

1 assessments by the Commonwealth), certify, as a percentage of
2 the members' payroll, the shared-risk contribution rate, the
3 employers' contributions as determined pursuant to section 5508
4 (relating to actuarial cost method) necessary for the funding of
5 prospective annuities for active members and the annuities of
6 annuitants and certify the rates and amounts of the employers'
7 normal contributions as determined pursuant to section 5508(b),
8 accrued liability contributions as determined pursuant to
9 section 5508(c), supplemental annuities contribution rate as
10 determined pursuant to section 5508(e), the experience
11 adjustment factor as determined pursuant to section 5508(f), the
12 collared contribution rate pursuant to section 5508(h) and the
13 final contribution rate pursuant to section 5508(i), which shall
14 be paid to the fund and credited to the appropriate accounts.
15 The board may allocate the final contribution rate and certify
16 various employer contribution rates and amounts based upon the
17 different benefit eligibility, class of service multiplier,
18 superannuation age, final average salary calculation,
19 compensation limits and other benefit differences resulting from
20 State service credited for individual members even though such
21 allocated employer contribution rate on behalf of any given
22 member may be more or less than 5% of the member's compensation
23 for the period from July 1, 2010, to June 30, 2011, or may
24 differ from the prior year's contribution for that member by
25 more or less than the percentages used to calculate the collared
26 contribution rate for that year and may be below any minimum
27 contribution rate established for the collared contribution rate
28 or final contribution rate. These certifications shall be
29 regarded as final and not subject to modification by the
30 Secretary of the Budget.

1 * * *

2 (m) Annual financial statement.--The board shall prepare and
3 have published, on or before July 1 of each year, [a financial
4 statement] financial statements as of the calendar year ending
5 December 31 of the previous year showing the condition of the
6 fund, the trust and the various accounts, including, but not
7 limited to, the board's accrual and expenditure of directed
8 commissions, and setting forth such other facts,
9 recommendations, and data as may be of use in the advancement of
10 knowledge concerning annuities and other benefits provided by
11 this part. The board shall submit said financial [statement]
12 statements to the Governor and shall file copies with the head
13 of each department for the use of the State employees and the
14 public.

15 (n) Independent [audit] audits.--The board shall provide for
16 [an annual audit] annual audits of the system and the plan by
17 [an] independent certified public [accountant] accountants,
18 which [audit] audits shall include the board's accrual and
19 expenditure of directed commissions. The board may use the same
20 independent certified public accountant for the audits of both
21 the system and the plan.

22 * * *

23 (p) Participant and employer contributions to trust.--The
24 board shall, each year in addition to any fees and itemized
25 budget required under section 5509 (relating to appropriations
26 and assessments by the Commonwealth), certify, as a percentage
27 of each participant's compensation, the employer defined
28 contributions, which shall be paid to the trust and credited to
29 each participant's individual investment account. These
30 certifications shall be regarded as final and not subject to

1 modification by the Secretary of the Budget. The board shall
2 cause all mandatory pickup participant contributions made on
3 behalf of a participant and all voluntary contributions made by
4 a participant to be credited to the participant's individual
5 investment account.

6 § 5903. Duties of the board to advise and report to heads of
7 departments [and], members and participants.

8 * * *

9 (b) Member status statements and certifications.--The board
10 shall furnish annually to the head of each department on or
11 before April 1, a statement for each member employed in such
12 department showing the total accumulated deductions and Class A-
13 5 accumulated deductions standing to his credit as of December
14 31 of the previous year and requesting the member to make any
15 necessary corrections or revisions regarding his designated
16 beneficiary. In addition, for each member employed in any
17 department and for whom the department has furnished the
18 necessary information, the board shall certify the number of
19 years and fractional part of a year of credited service
20 attributable to each class of service, the number of years and
21 fractional part of a year attributable to social security
22 integration credits in each class of service and, in the case of
23 a member eligible to receive an annuity, the benefit to which he
24 is entitled upon the attainment of superannuation age.

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

1 future contributions as of December 31 of the previous year and
2 requesting the participant to make any necessary correction or
3 revision regarding his designated beneficiary.

4 * * *

5 Section 327. Section 5904(c) of Title 71 is amended to read:
6 § 5904. Duties of the board to report to the Public School
7 Employees' Retirement Board.

8 * * *

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

16 (1) certify to the Public School Employees' Retirement
17 Board;

18 (i) the salary history as a member of the State
19 Employees' Retirement System and the final average salary
20 as calculated on the basis of the compensation received
21 as a State and school employee; and

22 (ii) the annuity or benefit to which the member or
23 his beneficiary is entitled as modified according to the
24 option selected; and

25 (2) transfer to the Public School Employees' Retirement
26 Fund the total accumulated deductions or Class A-5
27 accumulated deductions standing to such member's credit and
28 the actuarial reserve required on account of years of
29 credited service in the State system, final average salary
30 determined on the basis of his compensation in both systems

1 and the average noncovered salary to be charged to the State
2 accumulation account, the State Police benefit account or the
3 enforcement officers' benefit account, as each case may
4 require.

5 * * *

6 Section 328. Section 5905 heading, (b), (c.1), (f) and (g)
7 of Title 71 are amended and the section is amended by adding
8 subsections to read:

9 § 5905. Duties of the board regarding applications and
10 elections of members and participants.

11 * * *

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

18 (1) in case of a member receiving an annuity from the
19 system:

20 (i) discontinue payments, transfer the present value
21 of the member's annuity at the time of entering school
22 service, plus the amount withdrawn in a lump sum payment,
23 on or after the date of entering school service, pursuant
24 to section 5705 (relating to member's options), with
25 statutory interest to date of transfer, minus the amount
26 to be returned to the board on account of return to
27 service, that the board has determined is to be credited
28 in the members' savings account, from the annuity reserve
29 account to the members' savings account and resume
30 crediting of statutory interest on the amount restored to

1 his credit;

2 (ii) transfer the balance of the present value of
3 the total annuity, minus the amount to be returned to the
4 board on account of return to service that the board has
5 determined is to be credited in the State accumulation
6 account, from the annuity reserve account to the State
7 accumulation account; and

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

15 (2) in case of a member who is not receiving an annuity
16 and has not withdrawn his total accumulated deductions or
17 Class A-5 accumulated deductions, continue or resume the
18 crediting of statutory interest on his total accumulated
19 deductions and Class A-5 accumulated deductions during the
20 period his total accumulated deductions and Class A-5
21 accumulated deductions remain in the fund; or

22 (3) in case of a former State employee who is not
23 receiving an annuity from the system and his total
24 accumulated deductions or Class A-5 accumulated deductions
25 were withdrawn, certify to the former State employee the
26 accumulated deductions as they would have been at the time of
27 his separation had he been a full coverage member together
28 with statutory interest for all periods of subsequent State
29 and school service to the date of repayment and the amount of
30 such total accumulated deductions or Class A-5 accumulated

1 deduction he is eligible to restore. Such amount shall be
2 restored by him and shall be credited with statutory interest
3 as such payments are restored.

4 * * *

5 (c.1) Termination of service by members.--In the case of any
6 member terminating State service who is entitled to an annuity
7 and who is not then a disability annuitant, the board shall
8 advise such member in writing of any benefits from the system to
9 which he may be entitled under the provisions of this part and
10 shall have the member prepare, on or before the date of
11 termination of State service, one or more of the following three
12 forms, a copy of which shall be given to the member and the
13 original of which shall be filed with the board:

14 (1) an application for the return of total accumulated
15 deductions and, if eligible, for the return of Class A-5
16 accumulated deductions;

17 (2) if eligible, an election to vest his retirement
18 rights and, if he is a joint coverage member and so desires,
19 elect to become a full coverage member and agree to pay
20 within 30 days of the date of termination of service the lump
21 sum required; or

22 (3) if eligible, an application for an immediate annuity
23 and, if he desires:

24 (i) an election to convert his medical, major
25 medical and hospitalization insurance coverage to the
26 plan for State annuitants; and

27 (ii) if he is a joint coverage member, an election
28 to become a full coverage member and an agreement to pay
29 within 30 days of date of termination of service the lump
30 sum required.

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

13 * * *

14 (e.2) Notification to inactive participants approaching
15 required beginning date.--The board shall notify in writing each
16 inactive participant who has terminated State service and has
17 not commenced distribution by 90 days before the participant's
18 required beginning date that the inactive participant has an
19 obligation to commence distributions by the required beginning
20 date in a form and manner required by IRC § 401(a)(9) and other
21 applicable provisions of the IRC.

22 (f) Initial annuity payment and certification.--The board
23 shall make the first monthly payment to a member who is eligible
24 for an annuity within 60 days of the filing of his application
25 for an annuity or, in the case of a vestee or special vestee who
26 has deferred the filing of his application to a date later than
27 90 days following attainment of superannuation age, within 60
28 days of the effective date of retirement, and receipt of the
29 required data from the head of the department and, if the member
30 has Class G, Class H, Class I, Class J, Class K, Class L, Class

1 M or Class N service, any data required from the county
2 retirement system or pension plan to which the member was a
3 contributor before being a State employee. Concurrently, the
4 board shall certify to such member:

5 (1) the total accumulated deductions and Class A-5
6 accumulated deductions standing to his credit showing
7 separately the amount contributed by the member, the pickup
8 contribution and the interest credited to the date of
9 termination of service;

10 (2) the number of years and fractional part of a year
11 credited in each class of service;

12 (3) the final average salary on which his annuity is
13 based as well as any applicable reduction factors due to age
14 and/or election of an option; and

15 (4) the total annuity payable under the option elected
16 and the amount and effective date of any future reduction
17 under section 5703 (relating to reduction of annuities on
18 account of social security old-age insurance benefits).

19 (f.1) Initial payment to participants.--The board shall make
20 the initial payment to a participant who has applied for a
21 distribution within 60 days of the filing of the application.

22 (g) Death benefits.--Upon receipt of notification from the
23 head of a department of the death of an active member, a member
24 performing USERRA leave [or], a member on leave without pay, an
25 active participant, an inactive participant on leave without pay
26 or a former participant performing USERRA leave, the board shall
27 advise the designated beneficiary of the benefits to which he is
28 entitled, and shall make the first payment to the beneficiary
29 within 60 days of receipt of certification of death and other
30 necessary data. If no beneficiary designation is in effect at

1 the date of the member's death or no notice has been filed with
2 the board to pay the amount of the benefits to the member's
3 estate, the board is authorized to pay the benefits to the
4 executor, administrator, surviving spouse or next of kin of the
5 deceased member, and payment pursuant [hereto] to this section
6 shall fully discharge the fund from any further liability to
7 make payment of such benefits to any other person. If no
8 beneficiary designation is in effect at the date of a
9 participant's death or no notice has been filed with the board
10 to pay the amount of the benefits to the participant's estate,
11 the board may pay the benefits to the surviving spouse,
12 executor, administrator or next of kin of the deceased
13 participant, and payment pursuant to this subsection shall fully
14 discharge the fund from any further liability to make payment of
15 such benefits to any other person.

16 * * *

17 Section 329. Section 5905.1(a), (b) and (d) of Title 71 are
18 amended to read:

19 § 5905.1. Installment payments of accumulated deductions.

20 (a) General rule.--Notwithstanding any other provision of
21 this part, whenever a member elects to withdraw his total
22 accumulated deductions or Class A-5 accumulated deductions
23 pursuant to section 5311(a) (relating to eligibility for
24 refunds) or 5701 (relating to return of [total] accumulated
25 deductions) or elects to receive a portion of his benefit
26 payable as a lump sum pursuant to section 5705(a)(4)(iii)
27 (relating to member's options), the member may elect to receive
28 the amount in not more than four installments.

29 (b) Payment of first installment.--The payment of the first
30 installment shall be made in the amount and within seven days of

1 the date specified by the member, except as follows:

2 (1) Upon receipt of a member's application to withdraw
3 his total accumulated deductions or Class A-5 accumulated
4 deductions as provided in section 5311(a) or 5701 and upon
5 receipt of all required data from the head of the department
6 and, if the member has Class G, Class H, Class I, Class J,
7 Class K, Class L, Class M or Class N service, any data
8 required from the county retirement system or pension plan to
9 which the member was a contributor before being transferred
10 to State employment, the board shall not be required to pay
11 the first installment prior to 45 days after the filing of
12 the application and the receipt of the data or the date of
13 termination of service, whichever is later.

14 (2) In the case of an election as provided in section
15 5705(a)(4)(iii) by a member terminating service within 60
16 days prior to the end of a calendar year and upon receipt of
17 all required data from the head of the department and, if the
18 member has Class G, Class H, Class I, Class J, Class K, Class
19 L, Class M or Class N service, any data required from the
20 county retirement system or pension plan to which the member
21 was a contributor before being transferred to State
22 employment, the board shall not be required to pay the first
23 installment prior to 21 days after the later of the filing of
24 the application and the receipt of the data or the date of
25 termination of service, but, unless otherwise directed by the
26 member, the payment shall be made no later than 45 days after
27 the filing of the application and the receipt of the data or
28 the date of termination of service, whichever is later.

29 (3) In the case of an election as provided in section
30 5705(a)(4)(iii) by a member who is not terminating service

1 within 60 days prior to the end of a calendar year and upon
2 receipt of all required data from the head of the department
3 and, if the member has Class G, Class H, Class I, Class J,
4 Class K, Class L, Class M or Class N service, any data
5 required from the county retirement system or pension plan to
6 which the member was a contributor before being transferred
7 to State employment, the board shall not be required to pay
8 the first installment prior to 45 days after the filing of
9 the application and the receipt of the data or the date of
10 termination of service, whichever is later.

11 * * *

12 (d) Statutory interest.--Any lump sum, including a lump sum
13 payable pursuant to section 5705.1 (relating to payment of
14 accumulated deductions resulting from Class A-3 [and], Class A-4
15 and Class A-5 service), or installment payable shall include
16 statutory interest credited to the date of payment, except in
17 the case of a member, other than a vestee or special vestee, who
18 has not filed his application prior to 90 days following his
19 termination of service.

20 Section 330. Sections 5906(a), (b), (d), (e), (g), (h), (i),
21 (j) and (l) and 5907 heading, (a), (c), (d), (e) and (f) of
22 Title 71 are amended and the sections are amended by adding
23 subsections to read:

24 § 5906. Duties of heads of departments.

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

1 department who have been removed from the payroll for any time
2 during that period, and:

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

6 (2) if the removal is due to a transfer to another
7 department, he shall furnish such department and the board
8 with a complete State service record, including past State
9 service in other departments or agencies, or creditable
10 nonstate service; or

11 (3) if the removal is due to termination of State
12 service, he shall furnish the board with a complete State
13 service record, including service in other departments or
14 agencies, or creditable nonstate service and;

15 (i) in the case of death of the member or
16 participant, the head of the department shall so notify
17 the board;

18 (ii) in the case of a service connected disability
19 of a member, the head of department shall, to the best of
20 his ability, investigate the circumstances surrounding
21 the disablement of the member and submit in writing to
22 the board information which shall include but not
23 necessarily be limited to the following: date, place and
24 time of disablement to the extent ascertainable; nature
25 of duties being performed at such time; and whether or
26 not the duties being performed were authorized and
27 included among the member's regular duties. In addition,
28 the head of department shall furnish in writing to the
29 board all such other information as may be related to the
30 member's disablement;

1 (iii) in the case of a member terminating from The
2 Pennsylvania State University who is a member of the
3 system with five or more but less than ten eligibility
4 points and who has terminated State service on June 30,
5 1997, because of the transfer of his job position or
6 duties to a controlled organization of the Penn State
7 Geisinger Health System or because of the elimination of
8 his job position or duties due to the transfer of other
9 job positions or duties to a controlled organization of
10 the Penn State Geisinger Health System, the head of the
11 department shall so certify to the board.

12 (b) Records and information.--At any time at the request of
13 the board and at termination of service of a member or a
14 participant, the head of department shall furnish service and
15 compensation records and such other information as the board may
16 require and shall maintain and preserve such records as the
17 board may direct for the expeditious discharge of its duties.

18 * * *

19 (c.1) Participant and employer defined contributions.--The
20 head of department shall:

21 (1) Cause the mandatory pickup participant contributions
22 on behalf of a participant to be made.

23 (2) Cause the employer defined contributions on behalf
24 of a participant to be made.

25 (3) 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 (4) 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 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 or, for a member of Class A-5,
4 if he has a right to elect within 45 days of entry into the
5 system, to become a multiple service member, and in the case of
6 any such employee who so elects and has withdrawn his
7 accumulated deductions, require him to reinstate his credit in
8 the Public School Employees' Retirement System. The head of the
9 department shall advise the board of such election.

10 (h) Former school employee annuitants.--The head of
11 department shall, upon the employment of an annuitant of the
12 Public School Employees' Retirement System who applies for
13 membership in the system, advise such employee [that] if he may
14 elect multiple service membership within 365 days of entry into
15 the system or, for a member of Class A-5, if he has a right to
16 elect multiple service within 45 days of entry into the system,
17 and if he so elects his public school employee's annuity will be
18 discontinued effective upon the date of his return to State
19 service and, upon termination of State service and application
20 for an annuity, the annuity will be adjusted in accordance with
21 section 5706 (relating to termination of annuities). The head of
22 department shall advise the board of such election.

23 (i) Annual statement to members.--Annually, upon receipt
24 from the board, the head of department shall furnish to each
25 member the statement specified in section 5903(b) (relating to
26 duties of the board to advise and report to heads of departments
27 [and], members and participants).

28 (j) Termination of service.--The head of department shall,
29 in the case of any member terminating State service who is
30 ineligible for an annuity before attainment of superannuation

1 age, advise such member in writing of any benefits to which he
2 may be entitled under the provisions of this part and shall have
3 the member prepare, on or before the date of termination of
4 State service, an application for the return of total
5 accumulated deductions and Class A-5 accumulated deductions or,
6 on or before September 30, 1997, an application to be vested as
7 a special vestee, if eligible.

8 * * *

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

22 * * *

23 § 5907. Rights and duties of State employees [and], members
24 and participants.

25 (a) Information on new employees.--Upon his assumption of
26 duties each new State employee shall furnish the head of
27 department with a complete record of his previous State service,
28 his school service or creditable nonstate service, and proof of
29 his date of birth and current status in the system and the plan
30 and in the Public School Employees' Retirement System and the

1 School Employees' Defined Contribution Plan. Willful failure to
2 provide the information required by this subsection to the
3 extent available upon entrance into the system shall result in
4 the forfeiture of the right of the member to subsequently assert
5 any right to benefits based on any of the required information
6 which he failed to provide. In any case in which the board finds
7 that a member is receiving an annuity based on false
8 information, the total amount received predicated on such false
9 information together with statutory interest doubled and
10 compounded shall be deducted from the present value of any
11 remaining benefits to which the member is legally entitled.

12 * * *

13 (b.1) Application for participation.--On or after January 1,
14 2018, in the case of an employee who is not currently a
15 participant in the plan and whose participation is mandatory, or
16 in the case of an employee whose participation is not mandatory
17 but is permitted and who desires to become a participant in the
18 plan, the new employee shall execute an application for
19 participation and a nomination of a beneficiary.

20 (c) Multiple service membership.--Any [active member] State
21 employee who is an active member in a class of service other
22 than Class A-5 who was formerly an active member in the Public
23 School Employees' Retirement System in a class of service other
24 than Class T-G may elect to become a multiple service member.
25 Such election shall occur no later than 365 days after becoming
26 an active member in a class of service other than Class A-5 in
27 this system. Any State employee who is an active member of Class
28 A-5 who was formerly an active member in Public School
29 Employees' Retirement System in Class T-G may elect to become a
30 multiple service member. Such election shall occur no later than

1 45 days after becoming an active member of Class A-5. A State
2 employee who is eligible to elect to become a multiple service
3 member who begins USERRA leave during the election period
4 without having elected multiple service membership may make the
5 election within 365 days, or 45 days if a member of Class A-5,
6 after being reemployed from USERRA leave.

7 (d) Credit for previous service or change in membership
8 status.--Any active member or eligible school employee who
9 desires to receive credit for the portion of his total previous
10 State service or creditable nonstate service to which he is
11 entitled, or a joint coverage member who desires to become a
12 full coverage member, shall so notify the board and upon written
13 agreement by the member and the board as to the manner of
14 payment of the amount due, the member shall receive credit for
15 such service as of the date of such agreement subject to the
16 provisions in this part relating to the limitations under IRC §
17 415.

18 * * *

19 (d.2) Contributions for USERRA leave.--Any active
20 participant or inactive participant on leave without pay or
21 former participant who was reemployed from USERRA leave who
22 desires to make mandatory pickup participant contributions for
23 his USERRA leave shall so notify the board within the time
24 period required under 38 U.S.C. Ch. 43 (relating to employment
25 and reemployment rights of members of the uniformed services)
26 and IRC § 414(u) of his desire to make such contributions. Upon
27 making the permitted mandatory pickup participant contributions
28 within the allowed time period, the head of department shall
29 make the corresponding employer defined contributions at the
30 same time.

1 (d.3) Voluntary contributions by participant.--Any
2 participant who desires to make voluntary contributions to be
3 credited to his individual investment account shall notify the
4 board and, upon compliance with the requirements, procedures and
5 limitations established by the board in the plan document, may
6 do so subject to the limitations under IRC §§ 401(a) and 415 and
7 other applicable law.

8 (e) Beneficiary for death benefits from system.--Every
9 member shall nominate a beneficiary by written designation filed
10 with the board as provided in section 5906(d) or (e) (relating
11 to duties of heads of departments) to receive the death benefit
12 payable under section 5707 (relating to death benefits) or the
13 benefit payable under the provisions of Option 1 of section
14 5705(a) (1) (relating to member's options). Such nomination may
15 be changed at any time by the member by written designation
16 filed with the board. A member may also nominate a contingent
17 beneficiary or beneficiaries to receive the death benefit
18 provided under section 5707 or the benefit payable under the
19 provisions of Option 1 of section 5705(a) (1).

20 (e.1) Beneficiary for death benefits from plan.--Every
21 participant shall nominate a beneficiary by written designation
22 filed with the board as provided in section 5906(d) or (e) to
23 receive the death benefit payable under section 5809 (relating
24 to death benefits). A participant may also nominate a contingent
25 beneficiary or beneficiaries to receive the death benefit
26 provided under section 5809. Such nomination may be changed at
27 any time by the participant by written designation filed with
28 the board.

29 (e.2) Beneficiaries for employees who are members and
30 participants.--A State employee who is both a member of the

1 system and a participant in the plan may designate or nominate
2 different persons to be beneficiaries, survivor annuitants and
3 successor payees for his benefits from the system and the plan.

4 (f) Termination of service by members.--Each member who
5 terminates State service and who is not then a disability
6 annuitant shall execute on or before the date of termination of
7 service one or more of the appropriate [application]
8 applications, duly attested by the member or his legally
9 constituted representative, electing to:

10 (1) withdraw his total accumulated deductions and, if
11 eligible, withdraw his Class A-5 accumulated deductions; or

12 (2) if eligible, vest his retirement rights; and if he
13 is a joint coverage member, and so desires, elect to become a
14 full coverage member and agree to pay within 30 days of the
15 date of termination of service the lump sum required; or

16 (3) if eligible, receive an immediate annuity and may,

17 (i) if eligible, elect to convert his medical, major
18 medical, and hospitalization coverage to the plan for
19 State annuitants; and

20 (ii) if he is a joint coverage member, elect to
21 become a full coverage member and agree to pay within 30
22 days of date of termination of service the lump sum
23 required.

24 * * *

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

1 required by law or authorized by the board.

2 * * *

3 Section 331. Sections 5931(b), 5932, 5933, 5934, 5935, 5936,
4 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
5 5953.4(a) of Title 71 are amended to read:

6 § 5931. Management of fund and accounts.

7 * * *

8 (b) Crediting of interest.--The board, annually, shall allow
9 the required interest on the mean amount for the preceding year
10 to the credit of each of the accounts other than the individual
11 investment accounts. The amount so allowed shall be credited
12 thereto by the board and transferred from the interest reserve
13 account.

14 * * *

15 § 5932. State Employees' Retirement Fund.

16 (a) General rule.--The fund shall consist of all balances in
17 the several separate accounts set apart to be used under the
18 direction of the board for the benefit of members of the system;
19 and the Treasury Department shall credit to the fund all moneys
20 received from the Department of Revenue arising from the
21 contributions relating to or on behalf of members of the system
22 required under the provisions of Chapter 55 (relating to
23 contributions), and any income earned by the investments or
24 moneys of said fund. There shall be established and maintained
25 by the board the several ledger accounts specified in sections
26 5933 (relating to members' savings account), 5934 (relating to
27 State accumulation account), 5935 (relating to annuity reserve
28 account), 5936 (relating to State Police benefit account), 5937
29 (relating to enforcement officers' benefit account), 5938
30 (relating to supplemental annuity account) and 5939 (relating to

1 interest reserve account).

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

10 § 5933. Members' savings account.

11 (a) Credits to account.--The members' savings account shall
12 be the ledger account to which shall be credited the amounts of
13 the pickup contributions made by the Commonwealth or other
14 employer and contributions or lump sum payments made by active
15 members in accordance with the provisions of sections 5501
16 (relating to regular member contributions for current service),
17 5501.1 (relating to shared-risk member contributions for Class
18 A-3 [and], Class A-4 and Class A-5 service), 5502 (relating to
19 social security integration member contributions), 5503
20 (relating to joint coverage member contributions), 5504
21 (relating to member contributions for the purchase of credit for
22 previous State service or to become a full coverage member),
23 5505.1 (relating to additional member contributions) and 5505
24 (relating to contributions for the purchase of credit for
25 creditable nonstate service) and transferred from the members'
26 savings account of the Public School Employees' Retirement
27 System in accordance with the provisions of section 5303.2
28 (relating to election to convert school service to State
29 service).

30 (b) Interest and transfers from account.--The members'

1 savings account in total and the individual member accounts
2 shall be credited with statutory interest. The total accumulated
3 deductions and Class A-5 accumulated deductions credited to a
4 member whose application for an annuity has been approved shall
5 be transferred from the members' savings account to the annuity
6 reserve account provided for in section 5935 (relating to
7 annuity reserve account), except in the case of a member who is
8 an officer of the Pennsylvania State Police or an enforcement
9 officer the total accumulated deductions and Class A-5
10 accumulated deductions to his credit shall be transferred from
11 the members' savings account to the State Police benefit account
12 provided for in section 5936 (relating to State Police benefit
13 account) or to the enforcement officers benefit account provided
14 for in section 5937 (relating to enforcement officers' benefit
15 account), as the case may be.

16 (c) Charges to account.--Upon the election of a member to
17 withdraw his total accumulated deductions or Class A-5
18 accumulated deductions or upon the transfer of accumulated
19 deductions pursuant to section 5701.1 (relating to transfer of
20 accumulated deductions), the payment of such amount shall be
21 charged to the members' savings account.

22 § 5934. State accumulation account.

23 The State accumulation account shall be the ledger account to
24 which shall be credited all contributions of the Commonwealth or
25 other employers whose employees are members of the system and
26 made in accordance with the provisions of section 5507(a) or (d)
27 (relating to contributions to the system by the Commonwealth and
28 other employers) except that the amounts received under the
29 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
30 amounts received under the provisions of the Liquor Code, act of

1 April 12, 1951 (P.L.90, No.21), shall be credited to the State
2 Police benefit account or the enforcement officers' benefit
3 account as the case may be. All amounts transferred to the fund
4 by county retirement systems or pension plans in accordance with
5 the provisions of section 5507(c) also shall be credited to the
6 State accumulation account. All amounts transferred to the fund
7 by the Public School Employees' Retirement System in accordance
8 with section 5303.2(e) (relating to election to convert school
9 service to State service), except amounts credited to the
10 members' savings account, and all amounts paid by the Department
11 of Corrections in accordance with section 5303.2(f) also shall
12 be credited to the State accumulation account. The State
13 accumulation account shall be credited with valuation interest.
14 The reserves necessary for the payment of annuities and death
15 benefits resulting from membership in the system as approved by
16 the board and as provided in Chapter 57 (relating to benefits)
17 shall be transferred from the State accumulation account to the
18 annuity reserve account provided for in section 5935 (relating
19 to annuity reserve account), except that the reserves necessary
20 on account of a member who is an officer of the Pennsylvania
21 State Police or an enforcement officer shall be transferred from
22 the State accumulation account to the State Police benefit
23 account provided for in section 5936 (relating to State Police
24 benefit account) or to the enforcement officers' benefit account
25 as provided for in section 5937 (relating to enforcement
26 officers' benefit account) as the case may be. The reserves
27 necessary for the payment of supplemental annuities in excess of
28 those reserves credited to the supplemental annuity account on
29 June 30, 2010, shall be transferred from the State accumulation
30 account to the supplemental annuity account. In the event that

1 supplemental annuities are increased by legislation enacted
2 after December 31, 2009, the necessary reserves shall be
3 transferred from the State accumulation account to the
4 supplemental annuity account.

5 § 5935. Annuity reserve account.

6 (a) Credits and charges to account.--The annuity reserve
7 account shall be the ledger account to which shall be credited
8 the reserves held for payment of annuities and death benefits on
9 account of all annuitants except in the case of members who are
10 officers of the Pennsylvania State Police or enforcement
11 officers. The annuity reserve account shall be credited with
12 valuation interest. After the transfers provided in sections
13 5933 (relating to members' savings account), 5934 (relating to
14 State accumulation account) and 5938 (relating to supplemental
15 annuity account), all annuity and death benefit payments
16 resulting from membership in the system except those payable to
17 any member who retires as an officer of the Pennsylvania State
18 Police or an enforcement officer shall be charged to the annuity
19 reserve account and paid from the fund.

20 (b) Transfers from account.--Should an annuitant other than
21 a member who was retired as an officer of the Pennsylvania State
22 Police or an enforcement officer be subsequently restored to
23 active service as a member of the system or as a participant in
24 the plan, the present value of his member's annuity at the time
25 of reentry into State service shall be transferred from the
26 annuity reserve account and placed to his individual credit in
27 the members' savings account. In addition, the actuarial reserve
28 for his annuity less the amount transferred to the members'
29 savings account shall be transferred from the annuity reserve
30 account to the State accumulation account.

1 § 5936. State Police benefit account.

2 (a) Credits and charges to account.--The State Police
3 benefit account shall be the ledger account to which shall be
4 credited all contributions received under the provisions of the
5 act of May 12, 1943 (P.L.259, No.120), and any additional
6 Commonwealth or other employer contributions provided for in
7 section 5507 (relating to contributions to the system by the
8 Commonwealth and other employers) which are creditable to the
9 State Police benefit account. The State Police benefit account
10 shall be credited with the required interest. In addition, upon
11 the filing of an application for an annuity by a member who is
12 an officer of the Pennsylvania State Police, the total
13 accumulated deductions and Class A-5 accumulated deductions
14 standing to the credit of the member in the members' savings
15 account and the necessary reserves from the State accumulation
16 account shall be transferred to the State Police benefit
17 account. Thereafter, the total annuity of such annuitant shall
18 be charged to the State Police benefit account and paid from the
19 fund.

20 (b) Transfers from account.--Should the said annuitant be
21 subsequently restored to active service as a member of the
22 system or as a participant in the plan, the present value of the
23 member's annuity at the time of reentry into State service shall
24 be transferred from the State Police benefit account and placed
25 to his individual credit in the members' savings account. In
26 addition, the actuarial reserve for his annuity calculated as if
27 he had been a member of Class A if he has Class A or Class C
28 service credited; as if he had been a member of Class A-3 if the
29 annuitant has Class A-3 State service credited; or as if he had
30 been a member of Class A-4 if the annuitant has Class A-4

1 service credited, less the amount transferred to the members'
2 savings account shall be transferred from the State Police
3 benefit account to the State accumulation account. Upon
4 subsequent retirement other than as an officer of the
5 Pennsylvania State Police the actuarial reserve remaining in the
6 State Police benefit account shall be transferred to the
7 appropriate reserve account.

8 § 5937. Enforcement officers' benefit account.

9 (a) Credits and charges to account.--The enforcement
10 officers' benefit account shall be the ledger account to which
11 shall be credited moneys transferred from the enforcement
12 officers' retirement account in the State Stores Fund according
13 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
14 known as the Liquor Code, and any additional Commonwealth or
15 other employer contributions provided for in section 5507
16 (relating to contributions to the system by the Commonwealth and
17 other employers) which are creditable to the enforcement
18 officers' benefit account. The enforcement officers' benefit
19 account shall be credited with the required interest. In
20 addition, upon the filing of an application for an annuity by a
21 member who is an enforcement officer of the Pennsylvania Liquor
22 Control Board, the total accumulated deductions and Class A-5
23 accumulated deductions standing to the credit of the member in
24 the members' savings account and the necessary reserves from the
25 State accumulation account shall be transferred to the
26 enforcement officers' benefit account. Thereafter, the total
27 annuity of such annuitant shall be charged to the enforcement
28 officers' benefit account and paid from the fund.

29 (b) Transfers from account.--Should the said annuitant be
30 subsequently restored to active service as a member of the

1 system or as a participant in the plan, the present value of the
2 member's annuity at the time of reentry into State service shall
3 be transferred from the enforcement officers' benefit account
4 and placed to his individual credit in the members' savings
5 account. In addition, the actuarial reserve for his annuity
6 calculated as if he had been a member of Class A if the
7 annuitant does not have any Class AA, Class A-3 or Class A-4
8 service credited; as if he had been a member of Class AA if the
9 annuitant does have Class AA service credited; as if he had been
10 a member of Class A-3 if the annuitant has Class A-3 State
11 service credited; or as if he had been a member of Class A-4 if
12 the annuitant has Class A-4 service credited, less the amount
13 transferred to the members' savings account shall be transferred
14 from the enforcement officers' benefit account to the State
15 accumulation account. Upon subsequent retirement other than as
16 an enforcement officer the actuarial reserve remaining in the
17 enforcement officers' benefit account shall be transferred to
18 the appropriate reserve account.

19 § 5938. Supplemental annuity account.

20 The supplemental annuity account shall be the ledger account
21 to which shall be credited all contributions from the
22 Commonwealth and other employers in accordance with section
23 5507(b) (relating to contributions to the system by the
24 Commonwealth and other employers) for the payment of the
25 supplemental annuities provided in sections 5708 (relating to
26 supplemental annuities), 5708.1 (relating to additional
27 supplemental annuities), 5708.2 (relating to further additional
28 supplemental annuities), 5708.3 (relating to supplemental
29 annuities commencing 1994), 5708.4 (relating to special
30 supplemental postretirement adjustment), 5708.5 (relating to

1 supplemental annuities commencing 1998), 5708.6 (relating to
2 supplemental annuities commencing 2002), 5708.7 (relating to
3 supplemental annuities commencing 2003) and 5708.8 (relating to
4 special supplemental postretirement adjustment of 2002) made
5 before July 1, 2010, the amount transferred from the State
6 accumulation account to provide all additional reserves
7 necessary as of June 30, 2010, to pay such supplemental
8 annuities and adjustments, and the amounts transferred from the
9 State accumulation account to provide all additional reserves
10 necessary as a result of supplemental annuities enacted after
11 December 31, 2009. The supplemental annuity account shall be
12 credited with valuation interest. The reserves necessary for the
13 payment of such supplemental annuities shall be transferred from
14 the supplemental annuity account to the annuity reserve account
15 as provided in section 5935 (relating to annuity reserve
16 account).

17 § 5939. Interest reserve account.

18 The interest reserve account shall be the ledger account to
19 which shall be credited all income earned by the fund and to
20 which shall be charged all administrative and investment
21 expenses incurred by the fund. At the end of each year the
22 required interest shall be transferred from the interest reserve
23 account to the credit of each of the accounts of the fund in
24 accordance with the provisions of this subchapter. In addition,
25 at the end of each accounting period, the interest reserve
26 account shall be credited or charged with all recognized changes
27 in the market valuation of the investments of the fund. The
28 administrative and investment expenses of the board relating to
29 the administration of the system and investments of the fund
30 shall be paid from the fund out of earnings. Any surplus or

1 deficit in the interest reserve account at the end of each year
2 shall be transferred to the State accumulation account.

3 § 5951. State guarantee regarding the system.

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

14 § 5953. Taxation, attachment and assignment of funds.

15 (a) General rule.--

16 (1) Except as provided in paragraphs (2), (3) and (4),
17 the right of a person to any benefit or right accrued or
18 accruing under the provisions of this part and the moneys in
19 the fund and the trust are hereby exempt from any State or
20 municipal tax, levy and sale, garnishment, attachment,
21 spouse's election, the provisions of Article XIII.1 of the
22 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
23 Code, or any other process whatsoever and no participant or
24 beneficiary, successor payee, or alternate payee of a
25 participant shall have the ability to commute, sell, assign,
26 alienate, anticipate, mortgage, pledge, hypothecate,
27 commutate or otherwise transfer or convey any benefit or
28 interest in an individual investment account or rights to
29 receive or direct distributions under this part or under
30 agreements entered into under this part except as otherwise

1 provided in this part and in the case of either a member or a
2 participant except for a set-off by the Commonwealth in the
3 case provided in this paragraph, and shall be unassignable
4 except to the Commonwealth in the case of a member or
5 participant who is terminating State service and has been
6 determined to be obligated to the Commonwealth for the
7 repayment of money owed on account of his employment.

8 (2) (i) Rights under this part shall be subject to
9 forfeiture as provided by the act of July 8, 1978 (P.L.752,
10 No.140), known as the Public Employee Pension Forfeiture Act,
11 and by or pursuant to section 16(b) of Article V of the
12 Constitution of Pennsylvania. Forfeitures under this
13 subsection or under any other provision of law may not be
14 applied to increase the benefits that any member would
15 otherwise receive under this part.

16 (ii) Notwithstanding this paragraph and the
17 provisions of section 16(b) of Article V of the
18 Constitution of Pennsylvania, the act of July 8, 1978
19 (P.L.752, No.140), known as the Public Employee Pension
20 Forfeiture Act, or 42 Pa.C.S. § 3352 (relating to pension
21 rights), the accumulated mandatory participant
22 contributions and accumulated voluntary contributions
23 standing to the credit of a participant shall not be
24 forfeited but shall be available for payment of fines and
25 restitution as provided by law. Amounts in the trust that
26 have been ordered to be distributed to an alternate payee
27 as the result of an equitable distribution of marital
28 property as part of an approved domestic relations order
29 entered before the date of the order or action in a court
30 or other tribunal resulting in a forfeiture of a

1 participant's interest in the trust shall not be subject
2 to the provisions of section 16(b) of Article V of the
3 Constitution of Pennsylvania, the Public Employee Pension
4 Forfeiture Act, or 42 Pa.C.S. § 3352. Any accumulated
5 employer defined contributions forfeited as a result of
6 this paragraph or other law shall be retained by the
7 board and notwithstanding sections 5813(2) (relating to
8 powers and duties of board), 5816 (relating to expenses)
9 and 5902(c) (relating to administrative duties of the
10 board) used for the payment of expenses of the plan.

11 (3) Rights under this part shall be subject to
12 attachment in favor of an alternate payee as set forth in an
13 approved domestic relations order.

14 (4) Effective with distributions made on or after
15 January 1, 1993, and notwithstanding any other provision of
16 this part to the contrary, a distributee may elect, at the
17 time and in the manner prescribed by the board, to have any
18 portion of an eligible rollover distribution paid directly to
19 an eligible retirement plan by way of a direct rollover. For
20 purposes of this paragraph, a "distributee" includes a member
21 [and], a participant, a member's surviving spouse [and], a
22 participant's surviving spouse, a member's former spouse who
23 is an alternate payee under an approved domestic relations
24 order[.], a participant's former spouse who is an alternate
25 payee under an approved domestic relations order and anyone
26 else authorized under the IRC and the plan terms approved by
27 the board to have an eligible rollover distribution paid
28 directly to an eligible retirement plan by way of a direct
29 rollover. For purposes of this paragraph, the term "eligible
30 rollover distribution" has the meaning given such term by IRC

1 § 402(f)(2)(A), and "eligible retirement plan" has the
2 meaning given such term by IRC § 402(c)(8)(B), except that a
3 qualified trust shall be considered an eligible retirement
4 plan only if it accepts the distributee's eligible rollover
5 distribution; however, in the case of an eligible rollover
6 distribution to a surviving spouse, an eligible retirement
7 plan is an "individual retirement account" or an "individual
8 retirement annuity" as those terms are defined in IRC §
9 408(a) and (b).

10 (b) Authorized payments from fund.--The board shall be
11 authorized to pay from the fund [in]:

12 (1) In the case of a member or participant who is
13 terminating service, the amount determined after
14 certification by the head of the department that the member
15 or participant is so obligated, and after review and approval
16 by the department or agency's legal representative or upon
17 receipt of an assignment from the member or participant in
18 the amount so certified[.], except that no payment shall be
19 made from the individual investment account of a participant
20 until the participant otherwise applies for and receives a
21 distribution and shall not exceed the amount of the
22 distribution.

23 (2) In the case of a participant whose former spouse is
24 an alternate payee of an equitable distribution of marital
25 assets under an approved domestic relations order, a lump sum
26 of the alternate payee's interest in the participant's
27 accumulated total defined contributions. This paragraph shall
28 apply without regard to whether the participant has not
29 terminated, is terminating or has terminated State service.

30 § 5953.1. Approval of domestic relations orders.

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

6 (1) Requires the system to provide any type or form of
7 benefit or any option applicable to members already provided
8 under this part.

9 (2) Requires the system to provide no more than the
10 total amount of benefits than the member would otherwise
11 receive (determined on the basis of actuarial value) unless
12 increased benefits are paid to the member or alternate payee
13 based upon cost-of-living increases or increases based on
14 other than actuarial value.

15 (3) Specifies the amount or percentage of the member's
16 benefits to be paid by the system to each such alternate
17 payee or the manner in which such amount or percentage is to
18 be determined.

19 (4) Specifies the retirement option to be selected by
20 the member upon retirement or states that the member may
21 select any retirement option offered by this part upon
22 retirement.

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

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

30 (7) Requires the member to execute an authorization

1 allowing each alternate payee to monitor the member's
2 compliance with the terms of the domestic relations order
3 through access to information concerning the member
4 maintained by the system.

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 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 (2) Does not require the plan to recover or distribute
15 any funds which 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 (3) 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 (4) 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 (5) 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 the valuation is
4 based.

5 (6) 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 (7) Does not grant an alternate payee the rights,
12 privileges or options available to a participant.

13 (8) Includes provisions for the deferred distribution of
14 the equitable distribution share of benefits payable from any
15 defined benefit pension program administered by the system in
16 which the participant may have an interest as a member of the
17 system or states that the alternate payee may not receive any
18 portion or any benefits payable to the participant as a
19 result of his membership in the system.

20 (9) Requires the immediate distribution of the alternate
21 payee's share of the participant's individual investment
22 account, which may be made by direct payment, eligible
23 rollover or trustee-to-trustee transfer to another eligible
24 plan or qualified account owned by the alternate payee.

25 (10) In the case of a participant who is currently
26 receiving distributions from the plan as of the date the
27 domestic relations order is approved by the secretary of the
28 board or his designated representative, may not order the
29 board to pay the alternate payee more than the balance
30 available in the participant's individual investment account

1 as of the date the order is approved.

2 (b) Determination by secretary.--Within a reasonable period
3 after receipt of a domestic relations order, the secretary of
4 the board, or his designated representative, shall determine
5 whether this order is an approved domestic relations order and
6 notify the member or participant and each alternate payee of
7 this determination. Notwithstanding any other provision of law,
8 the exclusive remedy of any member, participant or alternate
9 payee aggrieved by a decision of the secretary of the board, or
10 his designated representative, shall be the right to an
11 adjudication by the board under 2 Pa.C.S. Ch. 5 Subch. A
12 (relating to practice and procedure) with appeal therefrom to
13 the Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to
14 judicial review) and 42 Pa.C.S. § 763(a)(1) (relating to direct
15 appeals from government agencies).

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

1 notwithstanding any other provision of this part or the plan
2 that would require a distribution of accumulated employer
3 defined contributions in the form of an annuity or to require
4 the purchase of an annuity.

5 (d) Obligation discharged.--Only the requirements of this
6 part and any regulations promulgated hereunder shall be used to
7 govern the approval or disapproval of a domestic relations
8 order. Therefore, if the secretary of the board, or his
9 designated representative, acts in accordance with the
10 provisions of this part and any promulgated regulations in
11 approving or disapproving a domestic relations order, then the
12 obligations of the system or the plan with respect to such
13 approval or disapproval shall be discharged.

14 § 5953.2. Irrevocable beneficiary.

15 Notwithstanding any other provision of this part, a domestic
16 relations order may provide for an irrevocable beneficiary. A
17 domestic relations order requiring the nomination of an
18 irrevocable beneficiary shall be deemed to be one that requires
19 a member or participant to nominate an alternate payee as a
20 beneficiary and that prohibits the removal or change of that
21 beneficiary without approval of a court of competent
22 jurisdiction, except by operation of law. Such a domestic
23 relations order may be certified as an approved domestic
24 relations order by the secretary of the board, or his designated
25 representative, after the member or participant makes such
26 nomination, in which case the irrevocable beneficiary so ordered
27 by the court cannot be changed by the member or participant
28 without approval by the court.

29 § 5953.3. Irrevocable survivor annuitant.

30 Notwithstanding any other provisions of this part, a domestic

1 relations order pertaining to a member may provide for an
2 irrevocable survivor annuitant. A domestic relations order
3 requiring the designation of an irrevocable survivor annuitant
4 shall be deemed to be one that requires a member to designate an
5 alternate payee as a survivor annuitant and that prohibits the
6 removal or change of that survivor annuitant without approval of
7 a court of competent jurisdiction, except by operation of law.
8 Such a domestic relations order may be certified as an approved
9 domestic relations order by the secretary of the board, or his
10 designated representative, in which case the irrevocable
11 survivor annuitant so ordered by the court cannot be changed by
12 the member without approval by the court. A person ineligible to
13 be designated as a survivor annuitant may not be designated as
14 an irrevocable survivor annuitant.

15 § 5953.4. Amendment of approved domestic relations orders.

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

22 * * *

23 Section 332. Title 71 is amended by adding a section to
24 read:

25 § 5953.6. Irrevocable successor payee.

26 (a) Condition.--Notwithstanding any other provision of this
27 part, a domestic relations order pertaining to a participant may
28 provide for an irrevocable successor payee if the participant is
29 receiving a payment pursuant to a payment option provided by the
30 board that allows for a successor payee.

1 (b) Determination.--A domestic relations order requiring the
2 designation of an irrevocable successor payee shall be deemed to
3 be one that requires a participant who is receiving payments
4 from an annuity or other distribution option to designate an
5 alternate payee as a successor payee and that prohibits the
6 removal or change of the successor payee without approval of a
7 court of competent jurisdiction, except by operation of law.

8 (c) Certification.--A domestic relations order under
9 subsection (b) may be certified as an approved domestic
10 relations order by the secretary of the board or his designated
11 representative. If a domestic relations order is certified under
12 this subsection, the irrevocable successor payee ordered by the
13 court shall not be changed by the participant without approval
14 by the court.

15 (d) Ineligibility.--A person ineligible to be designated as
16 a successor payee shall not be designated as an irrevocable
17 successor payee. A court shall not name an irrevocable successor
18 payee if the alternate payee is eligible to receive a lump sum
19 distribution of the alternate payee's portion of the marital
20 portion of the pension benefit.

21 Section 333. Sections 5954, 5955 and 5957 of Title 71 are
22 amended to read:

23 § 5954. Fraud and adjustment of errors.

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

29 (b) Adjustment of errors.--Should any change or mistake in
30 records result in any member, participant, beneficiary [or],

1 survivor annuitant or successor payee receiving from the system
2 or plan more or less than he would have been entitled to receive
3 had the records been correct, then regardless of the intentional
4 or unintentional nature of the error and upon the discovery of
5 such error, the board shall correct the error and, if the error
6 affects contributions to or payments from the system, then so
7 far as practicable shall adjust the payments which may be made
8 for and to such person in such a manner that the actuarial
9 equivalent of the benefit to which he was correctly entitled
10 shall be paid. If the error affects contributions to or payments
11 from the plan, the board shall take action as provided for in
12 the plan document.

13 § 5955. Construction of part.

14 (a) Exclusive source of rights and benefits.--Regardless of
15 any other provision of law, pension and benefit rights of State
16 employees shall be determined solely by this part or any
17 amendment thereto or the plan document established by the board,
18 and no collective bargaining agreement nor any arbitration award
19 between the Commonwealth and [its] other employers and the
20 Commonwealth's and other employers' employees or their
21 collective bargaining representatives shall be construed to
22 change any of the provisions herein, to require the board to
23 administer pension or retirement benefits not set forth in this
24 part or not established by the board in the plan document, to
25 require the board to modify, amend or change any of the terms
26 and provisions of the plan document, or otherwise require action
27 by any other government body pertaining to pension or retirement
28 benefits or rights of State employees. Notwithstanding the
29 foregoing, any pension or retirement benefits or rights
30 previously so established by or as a result of an arbitration

1 award shall remain in effect after the expiration of the current
2 collective bargaining agreement between the State employees so
3 affected and the Commonwealth until the expiration of each of
4 the collective bargaining agreements in effect on January 1,
5 2011, at which time the classes of membership and resulting
6 member contribution rates and contributions for creditable
7 nonstate service, eligibility for vesting, withdrawal and
8 superannuation annuities, optional modification of annuities and
9 other terms and conditions related to class of membership shall
10 be as determined by this part for employees covered by those and
11 successor collective bargaining agreements. For purposes of
12 administering this part, for those State employees who are
13 members of each such collective bargaining unit, the date
14 January 1, 2011, contained in this part, except in this section,
15 shall be replaced with the date of the day immediately following
16 the expiration of each such collective bargaining agreement. The
17 provisions of this part insofar as they are the same as those of
18 existing law are intended as a continuation of such laws and not
19 as new enactments. The provisions of this part shall not affect
20 any act done, liability incurred, right accrued or vested, or
21 any suit or prosecution pending or to be instituted to enforce
22 any right or penalty or to punish any offense under the
23 authority of any repealed laws.

24 (b) (Reserved).

25 (c) (Reserved).

26 (d) (Reserved).

27 (e) Adverse inference.--Nothing in this part shall be
28 construed to mean that the limitations on benefits or other
29 requirements under IRC § 401(a) or other applicable provisions
30 of the IRC which are applicable to participants in the plan do

1 not apply to the participants or to members of the system and
2 the benefits payable under this part.

3 (f) Applicability.--A terminated State employee who has
4 Class A-5 service credit and who returns to State service on or
5 after January 1, 2018, shall be subject to the provisions of
6 this part regarding participation in the plan or membership in
7 the system that are in effect on the effective date of
8 reemployment, including, but not limited to, benefit formulas
9 and accrual rates, eligibility for annuities and distributions,
10 contribution rates, definitions, purchase of creditable school,
11 nonschool, State and nonstate service provisions and actuarial
12 and funding assumptions.

13 (g) Furloughs.--For purposes of sections 5302 (relating to
14 credited State service), 5306 (relating to classes of service)
15 and this section, a State employee who is furloughed under
16 section 802 of the act of August 5, 1941 (P.L. 752, No. 286),
17 known as the Civil Service Act, and reemployed pursuant to the
18 Civil Service Act in any class of service or civil service
19 status which was previously held, shall not be treated as having
20 been terminated from State service and beginning a new period of
21 State service.

22 § 5957. Independent Fiscal Office study.

23 The Independent Fiscal Office shall study and analyze the
24 implementation of shared-risk contributions under section 5501.1
25 (relating to shared-risk member contributions for Class A-3
26 [and], Class A-4 and Class A-5 service) and its impact on the
27 system. The study shall be completed by December 31, 2015, and
28 shall be transmitted to the Appropriations Committee and the
29 Finance Committee of the Senate, the Appropriations Committee
30 and the Finance Committee of the House of Representatives and to

1 the Governor.

2 ARTICLE IV

3 Section 401. The following words and phrases when used in
4 this article shall have the meanings given to them in this
5 section unless the context clearly indicates otherwise:

6 "School Retirement Board." The Public School Employees'
7 Retirement Board.

8 "School System." The Public School Employees' Retirement
9 System.

10 "State Retirement Board." The State Employees' Retirement
11 Board.

12 "State System." The State Employees' Retirement System.

13 Section 402. The following apply to reservation of
14 legislative authority:

15 (1) In regard to the School System:

16 (i) The following provisions shall not create an
17 express or implied contractual right in a member of the
18 School System, a participant in the School Employees'
19 Defined Contribution Plan or another person claiming an
20 interest in the account of a member or participant:

21 (A) A provision of this act which amends 24
22 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77, in relation to
23 requirements for any of the following:

24 (I) Qualification of the School Employees'
25 Defined Contribution Plan as a qualified pension
26 plan under sections 401(a) and 415(b) of the
27 Internal Revenue Code of 1986 (Public Law 99-514,
28 26 U.S.C. §§ 401(a) and 415(b)).

29 (II) Compliance with the Uniformed Services
30 Employment and Reemployment Rights Act of 1994

1 (Public Law 103-353, 38 U.S.C. §§ 4301-4333).

2 (III) A domestic relations order regarding
3 an alternate payee of a participant in the School
4 Employees' Defined Contribution Plan.

5 (B) (Reserved).

6 (ii) The provisions of 24 Pa.C.S. Pt. IV shall
7 remain subject to the Internal Revenue Code of 1986 and
8 the Uniformed Services Employment and Reemployment Rights
9 Act of 1994 and regulations promulgated under those
10 statutes.

11 (iii) The General Assembly reserves to itself the
12 further exercise of its legislative power to amend or
13 supplement the provisions of 24 Pa.C.S. Pt. IV solely in
14 order to maintain the qualification of the system as a
15 qualified pension plan under section 401(a) of the
16 Internal Revenue Code of 1986 and other applicable
17 provisions of the Internal Revenue Code of 1986 and the
18 Uniformed Services Employment and Reemployment Rights Act
19 of 1994.

20 (2) In regard to the State System:

21 (i) The following provisions shall not create an
22 express or implied contractual right in a member of the
23 State System, a participant in the State Employees'
24 Defined Contribution Plan or another person claiming an
25 interest in the account of a member or participant:

26 (A) A provision of this act which amends 51
27 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to
28 requirements for any of the following:

29 (I) Qualification of the State Employees'
30 Defined Contribution Plan as a qualified pension

1 plan under sections 401(a) and 415(b) of the
2 Internal Revenue Code of 1986 .

3 (II) Compliance with the Uniformed Services
4 Employment and Reemployment Rights Act of 1994.

5 (III) A domestic relations order regarding
6 an alternate payee of a participant in the State
7 Employees' Defined Contribution Plan.

8 (B) (Reserved).

9 (ii) The provisions of 71 Pa.C.S. Pt. XXV shall
10 remain subject to the Internal Revenue Code of 1986 and
11 the Uniformed Services Employment and Reemployment Rights
12 Act of 1994 and regulations promulgated under those
13 statutes.

14 (iii) The General Assembly reserves to itself the
15 further exercise of its legislative power to amend or
16 supplement the provisions of 71 Pa.C.S. Pt. XXV solely
17 in order to maintain the qualification of the State
18 System as a qualified pension plan under section 401(a)
19 of the Internal Revenue Code of 1986 and other applicable
20 provisions of the Internal Revenue Code of 1986 and the
21 Uniformed Services Employment and Reemployment Rights Act
22 of 1994.

23 Section 403. Nothing in this act shall be construed to mean
24 that:

25 (1) a calculation or actuarial method used by the School
26 Retirement Board, its actuaries or the School System was not
27 in accordance with the provisions of 24 Pa.C.S. Pt. IV or
28 other applicable law prior to the effective date of this
29 paragraph; or

30 (2) a calculation or actuarial method used by the State

1 Retirement Board, its actuaries or the State System was not
2 in accordance with the provisions of 71 Pa.C.S. Pt. XXV or
3 other applicable law prior to the effective date of this
4 paragraph.

5 Section 404. The following apply to accrued liability:

6 (1) In regard to the School System:

7 (i) (Reserved).

8 (ii) Payments required to fund a change in accrued
9 liability resulting from this act shall be subject to
10 limits imposed under this act on employer contributions
11 to the School System.

12 (iii) For purposes of 24 Pa.C.S. §§ 8326, 8327 and
13 8328, changes under this paragraph shall not be
14 considered to be costs added by legislation.

15 (2) In regard to the State System:

16 (i) Notwithstanding any other provision of law, a
17 change in accrued liability of the State System created
18 under this act as a result of changes in benefits shall
19 be funded in equal dollar installments over a period of
20 20 years beginning July 1, 2018.

21 (ii) (Reserved).

22 (iii) Payments required to fund a change in accrued
23 liability resulting from this act shall be subject to
24 limits imposed under this act on employer contributions
25 to the State System.

26 (iv) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and
27 5508, changes under this paragraph shall not be
28 considered to be costs added by legislation.

29 Section 405. The following shall apply to construction
30 related to Federal law:

1 (1) In regard to the School System:

2 (i) This act shall be construed and administered in
3 such a manner that the School System and the School
4 Employees' Defined Contribution Plan satisfy the
5 requirements necessary to qualify as a qualified pension
6 plan under section 401(a) of the Internal Revenue Code of
7 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
8 applicable provisions of the Internal Revenue Code of
9 1986 and the Uniformed Services Employment and
10 Reemployment Rights Act of 1994 (Public Law 103-353, 38
11 U.S.C. §§ 4301-4333). Regulations promulgated by the
12 School Retirement Board and terms and conditions of the
13 plan document and trust declaration adopted by the School
14 Retirement Board may include provisions necessary to
15 accomplish the purpose of this subparagraph.

16 (ii) Nothing in this act shall be construed to
17 require a member of Class T-G to make contributions to
18 the School System in excess of the limits established by
19 section 415(n) (3) (A) (iii) of the Internal Revenue Code of
20 1986 (26 U.S.C. § 415(n) (3) (A) (iii)). A contribution made
21 by a member of Class T-G which is determined to be in
22 excess of the limits shall be refunded to the member in a
23 lump sum subject to withholding for all applicable taxes
24 and penalties as soon as administratively possible after
25 the determination is made. A refund under this
26 subparagraph shall not affect the benefit payable to the
27 member and shall not be treated as or deemed to be a
28 withdrawal of the member's accumulated deductions.

29 (2) As to the State System:

30 (i) This act shall be construed and administered in

1 a manner that the State System and the State Employees'
2 Defined Contribution Plan shall satisfy the requirements
3 necessary to qualify as a qualified pension plan under
4 section 401(a) of the Internal Revenue Code of 1986,
5 other applicable provisions of the Internal Revenue Code
6 of 1986 and the Uniformed Services Employment and
7 Reemployment Rights Act of 1994. The regulations
8 promulgated by the State Retirement Board and the terms
9 and conditions of the plan document and trust declaration
10 adopted by the State Retirement Board may include
11 provisions necessary to accomplish the purpose of this
12 subparagraph.

13 (ii) Nothing in this act shall be construed or
14 deemed to imply that any member of Class A-5 shall be
15 required to make contributions to the State System in
16 excess of the limits established by section 415(n)(3)(A)
17 (iii) of the Internal Revenue Code of 1986. A
18 contribution made by a member of Class A-5 which is
19 determined to be in excess of the limits shall be
20 refunded to the member in a lump sum subject to
21 withholding for all applicable taxes and penalties as
22 soon as administratively possible after the determination
23 is made. A refund under this subparagraph shall not
24 affect the benefit payable to the member and shall not be
25 treated as or deemed to be a withdrawal of the member's
26 accumulated deductions.

27 (iii) Nothing in this act shall be construed to mean
28 that an interpretation or application of 71 Pa.C.S. Pt.
29 XXV or benefits available to members of the State System
30 was not in accordance with 71 Pa.C.S. Pt. XXV or other

1 applicable law, including the Internal Revenue Code of
2 1986 and the Uniformed Services Employment and
3 Reemployment Rights Act of 1994, before the effective
4 date of this subparagraph.

5 Section 406. The following shall apply to immunity from
6 personal liability:

7 (1) Notwithstanding any other provision of law,
8 fiduciary requirement, actuarial standard of practice or
9 other requirement, no member of the School Retirement Board
10 nor an actuary, employee or official of the School System
11 shall be held liable or in breach or violation of a law or
12 standard, as an individual, in an official capacity or as a
13 governmental or corporate entity, for an action or
14 calculation related to calculating and certifying a final
15 contribution rate as provided under this act that is
16 different from the actuarially required contribution rate as
17 appropriately calculated under 24 Pa.C.S. Pt. IV.

18 (2) Notwithstanding any other provision of law,
19 fiduciary requirement, actuarial standard of practice or
20 other requirement, no member of the State Retirement Board
21 nor an actuary employee or official of the State System shall
22 be held liable or in breach or violation of a law or
23 standard, as an individual, in an official capacity or as a
24 governmental or corporate entity, for an action or
25 calculation related to calculating and certifying a final
26 contribution rate as provided under this act that is
27 different from the actuarially required contribution rate as
28 appropriately calculated under 71 Pa.C.S. Pt. XXV.

29 Section 407. Notwithstanding the amendment of 71 Pa.C.S. §
30 5901(e), the Governor's Office of General Counsel shall continue

1 to provide legal counsel and legal services to the board until
2 such time as the board appoints a chief counsel and such other
3 counsel as it deems necessary to provide it with legal services.

4 Section 408. Notwithstanding the amendment of 24 Pa.C.S. §
5 8501(e), the Governor's Office of General Counsel shall continue
6 to provide legal counsel and legal services to the board until
7 such time as the board appoints a chief counsel and such other
8 counsel as it deems necessary to provide it with legal services.

9 Section 409. Nothing in this act shall be deemed to permit
10 the restoration of service credit or a retirement benefit which:

11 (1) was or is subject to section 16 of Article V of the
12 Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

13 (2) the subject of an order of forfeiture under the act
14 of July 8, 1978 (P.L.752, No.140), known as the Public
15 Employee Pension Forfeiture Act.

16 Section 410. If a provision of this act or its application
17 to any person or circumstance is held invalid, the invalidity
18 shall not affect other provisions or applications of this act
19 that can be given effect without the invalid provision or
20 application.

21 Section 411. This act shall take effect immediately.