
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1

Session of
2017

INTRODUCED BY CORMAN, SCARNATI, BROWNE, GORDNER, LANGERHOLC,
McILHINNEY, MENSCH, REGAN, RESCHENTHALER, BARTOLOTTA,
KILLION, VULAKOVICH, ARGALL, WARD, FOLMER, AUMENT, YAW,
STEFANO, VOGEL, WHITE, MARTIN, McGARRIGLE, SCAVELLO, LAUGHLIN
AND BAKER, MAY 18, 2017

REFERRED TO FINANCE, MAY 18, 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 as follows:
4 In Title 24:
5 for retirement for school employees, in the areas of
6 preliminary provisions, of membership, contributions and
7 benefits, of school employees' defined contribution plan
8 and of administration and miscellaneous provisions; and
9 for health insurance for retired school employees, in
10 the area of preliminary provisions.
11 In Title 51:
12 for employment preferences and pensions, in the area
13 of military leave of absence.
14 In Title 71:
15 for boards and offices, in the area of Independent
16 Fiscal Office; and
17 for retirement for State employees and officers, in
18 the areas of preliminary provisions, of membership,
19 credited service, classes of service and eligibility for
20 benefits, of contributions, of benefits, of State
21 employees' defined contribution plan and of
22 administration, funds, accounts, general provisions.
23 Providing, as to the revisions:
24 for construction and administration, for
25 applicability, for liability, for member statements and
26 for suspension of provisions of the Public Employee
27 Retirement Study Commission Act.

1 The General Assembly of the Commonwealth of Pennsylvania
2 hereby enacts as follows:

3 ARTICLE I

4 Section 101. The definitions of "alternate payee," "basic
5 contribution rate," "beneficiary," "class of service
6 multiplier," "compensation," "creditable nonschool service,"
7 "credited service," "date of termination of service,"
8 "distribution," "domestic relations order," "final average
9 salary," "inactive member," "intervening military service,"
10 "irrevocable beneficiary," "leave for service with a collective
11 bargaining organization," "reemployed from USERRA leave,"
12 "required beginning date," "salary deductions," "shared-risk
13 contribution rate," "standard single life annuity,"
14 "superannuation or normal retirement age," "valuation interest"
15 and "vestee" in section 8102 of Title 24 of the Pennsylvania
16 Consolidated Statutes are amended and the section is amended by
17 adding definitions to read:

18 § 8102. Definitions.

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

22 * * *

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

29 "Accumulated mandatory participant contributions." The total
30 of the mandatory pickup participant contributions paid into the

1 trust on account of a participant's school service, together
2 with any investment earnings and losses and adjustments for
3 fees, costs and expenses credited or charged thereon and reduced
4 by any distributions.

5 "Accumulated total defined contributions." The total of the
6 accumulated mandatory participant contributions, accumulated
7 employer defined contributions and accumulated voluntary
8 contributions standing to the credit of a participant in an
9 individual investment account in the trust.

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

17 * * *

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

25 * * *

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

1 * * *

2 "Basic contribution rate." For Class T-A, T-B and T-C
3 service, the rate of 6 1/4%. For Class T-D service, the rate of
4 7 1/2%. For all active members on the effective date of this
5 provision who are currently paying 5 1/4% and elect Class T-D
6 service, the rate of 6 1/2%. For Class T-E service, the rate of
7 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
8 service, the rate of 5.5%. For Class T-H service, the rate of
9 4.5%.

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

18 * * *

19 "Class of service multiplier."

20	Class of service	Multiplier
21	T-A	.714
22	T-B	.625
23	T-C	1.000
24	T-D	1.000
25	T-E	1.000
26	T-F	1.000
27	<u>T-G</u>	<u>1.000</u>
28	<u>T-H</u>	<u>1.000</u>

29 * * *

30 "Compensation." Pickup contributions and mandatory pickup

1 participant contributions plus any remuneration received as a
2 school employee excluding reimbursements for expenses incidental
3 to employment and excluding any bonus, severance payments, any
4 other remuneration or other emolument received by a school
5 employee during his school service which is not based on the
6 standard salary schedule under which he is rendering service,
7 payments for unused sick leave or vacation leave, bonuses or
8 other compensation for attending school seminars and
9 conventions, payments under health and welfare plans based on
10 hours of employment or any other payment or emolument which may
11 be provided for in a collective bargaining agreement which may
12 be determined by the Public School Employees' Retirement Board
13 to be for the purpose of enhancing compensation as a factor in
14 the determination of final average salary, and excluding
15 payments for military leave and any other payments made by an
16 employer while on USERRA leave, leave of absence granted under
17 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
18 government employees), military leave of absence granted under
19 51 Pa.C.S. § 7302 (relating to granting military leaves of
20 absence), leave granted under section 1178 of the act of March
21 10, 1949 (P.L.30, No.14), known as the Public School Code of
22 1949, or other types of military leave, including other types of
23 leave payments, stipends, differential wage payments as defined
24 in IRC § 414(u)(12) and any other payments, provided, however,
25 that the limitation under section 401(a)(17) of the Internal
26 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
27 taken into account for the purpose of member contributions,
28 including regular or joint coverage member contributions,
29 regardless of class of service, shall apply to each member who
30 first became a member of the Public School Employees' Retirement

1 System on or after July 1, 1996, and who by reason of such fact
2 is a noneligible member subject to the application of the
3 provisions of section 8325.1 (relating to annual compensation
4 limit under IRC § 401(a)(17)), and shall apply to each
5 participant pertaining to the participant's participation in the
6 plan.

7 * * *

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

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

20 "Date of termination of service." The latest of the
21 following dates:

22 (1) The last [date] day of service for which pickup
23 contributions are made for an active member or[,] for which
24 the contributions otherwise required for service were not
25 made solely by reason of any provision of this part relating
26 to the limitations under section 401(a)(17) or 415 of the
27 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
28 401(a)(17) or 415); or

29 (2) in the case of an inactive member or an inactive
30 participant, the effective date of his resignation or the

1 date his employment is formally discontinued by his employer
2 or two years following the last day of service for which
3 contributions were made, whichever is earliest.

4 (3) Mandatory pickup participant contributions are made
5 for an active participant.

6 * * *

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

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

24 * * *

25 "Employer defined contributions." Contributions equal to
26 2.0% of an active participant's compensation that are made by an
27 employer to the trust, to be credited in the active
28 participant's individual investment account.

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

30 (1) For purposes of calculating annuities and benefits

1 from the system attributable to a class of service other than
2 Class T-G and Class T-H, the highest average compensation
3 received as an active member during any three nonoverlapping
4 periods of 12 consecutive months with the compensation for
5 part-time service being annualized on the basis of the
6 fractional portion of the school year for which credit is
7 received; except, if the employee was not a member for three
8 such periods, the total compensation received as an active
9 member annualized in the case of part-time service divided by
10 the number of such periods of membership; in the case of a
11 member with multiple service credit, the final average salary
12 shall be determined by reference to compensation received by
13 him as a school employee or a State employee or both; and, in
14 the case of a noneligible member, subject to the application
15 of the provisions of section 8325.1 (relating to annual
16 compensation limit under IRC § 401(a)(17)). Final average
17 salary shall be determined by including in compensation,
18 payments deemed to have been made to a member reemployed from
19 USERRA leave to the extent member contributions have been
20 made as provided in section 8302(d)(2) (relating to credited
21 school service) and payments made to a member on leave of
22 absence under 51 Pa.C.S. § 4102 (relating to leaves of
23 absence for certain government employees) as provided in
24 section 8302(d)(6).

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

28 (i) The highest average compensation received as an
29 active member during any five nonoverlapping periods of
30 12 consecutive months, with the compensation for part-

1 time service being annualized on the basis of the
2 fractional portion of the school year for which credit is
3 received shall be used or the calculation shall be made
4 in accordance with the following:

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

9 (B) In the case of a member with multiple
10 service credit, the final average salary shall be
11 determined by reference to compensation received by
12 the member as a school employee or a State employee
13 or both.

14 (C) In the case of a noneligible member, subject
15 to the application of the provisions of section
16 8325.1.

17 (ii) Final average salary shall be determined by
18 including in compensation, payments deemed to have been
19 made to a member reemployed from USERRA leave to the
20 extent member contributions have been made as provided in
21 section 8302(d)(2) and payments made to a member on leave
22 of absence under 51 Pa.C.S. § 4102 as provided in section
23 8302(d)(6).

24 * * *

25 "Inactive member." A member for whom no pickup contributions
26 are being made to the fund, except in the case of an active
27 member for whom such contributions otherwise required for
28 current school service are not being made solely by reason of
29 any provision of this part relating to the limitations under
30 section 401(a)(17) or 415 of the Internal Revenue Code of 1986

1 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415) or because
2 the member is on USERRA leave, who has accumulated deductions
3 standing to his credit in the fund and for whom contributions
4 have been made within the last two school years or a multiple
5 service member who is active in the State Employees' Retirement
6 System.

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

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

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

1 * * *

2 "Irrevocable beneficiary." The person or persons permanently
3 designated by a member or participant in writing to the board
4 pursuant to an approved domestic relations order to receive all
5 or a portion of the accumulated deductions, vested accumulated
6 total defined contributions or lump sum benefit payable upon the
7 death of such member or participant.

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

13 * * *

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

1 "Mandatory pickup participant contributions." Contributions
2 equal to a percentage of compensation that are made by the
3 employer for active participants for current school service that
4 are picked up by the employer and credited in the plan as
5 follows:

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

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

8 * * *

9 "Participant." An active participant, inactive participant
10 or participant receiving distributions.

11 "Participant receiving distributions." A participant in the
12 plan who has commenced receiving distributions from the
13 participant's individual investment account, but who has not
14 received a total distribution of the vested interest in the
15 individual investment account.

16 * * *

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

19 "Plan document." The documents created by the board under
20 section 8402 (relating to plan document) that contain the terms
21 and provisions of the plan and trust as established by the board
22 regarding the establishment, administration and investment of
23 the plan and trust.

24 * * *

25 "Reemployed from USERRA leave." Resumption of active
26 membership or active participation as a school employee after a
27 period of USERRA leave, if the resumption of active membership
28 or active participation was within the time period and under
29 conditions and circumstances such that the school employee was
30 entitled to reemployment rights under 38 U.S.C. Ch. 43 (relating

1 to employment and reemployment rights of members of the
2 uniformed services).

3 * * *

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

8 * * *

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

14 * * *

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

20 "Standard single life annuity." For Class T-A, T-B and T-C
21 credited service of a member, an annuity equal to 2% of the
22 final average salary, multiplied by the total number of years
23 and fractional part of a year of credited service of a member.
24 For Class T-D credited service of a member, an annuity equal to
25 2.5% of the final average salary, multiplied by the total number
26 of years and fractional part of a year of credited service. For
27 Class T-E credited service of a member, an annuity equal to 2%
28 of the final average salary, multiplied by the total number of
29 years and fractional part of a year of credited service of a
30 member. For Class T-F credited service of a member, an annuity

1 equal to 2.5% of the final average salary, multiplied by the
2 total number of years and fractional part of a year of credited
3 service of a member. For Class T-G credited service of a member,
4 an annuity equal to 1.25% of the final average salary,
5 multiplied by the total number of years and fractional part of a
6 year of credited service of a member. For Class T-H credited
7 service of a member, an annuity equal to 1.0% of the final
8 average salary, multiplied by the total number of years and
9 fractional parts of a year of credited service of a member.

10 "State Employees' Defined Contribution Plan." The defined
11 contribution plan for State employees established by 71 Pa.C.S.
12 Pt. XXV (relating to retirement for State employees and
13 officers).

14 * * *

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

19 * * *

20 "Superannuation or normal retirement age."

21 Class of service	Age
22 T-A	62 or any age upon accrual of
23	35 eligibility points
24 T-B	62
25 T-C and T-D	62 or age 60 provided the
26	member has at least 30
27	eligibility points or any
28	age upon accrual of 35
29	eligibility points
30 T-E and T-F	65 with accrual of at least

1 three eligibility points
2 or a combination of age
3 and eligibility points
4 totaling 92, provided the
5 member has accrued at
6 least 35 eligibility
7 points

8 T-G and T-H 67 with accrual of at least 3
9 eligibility points

10 * * *

11 "Trust." The School Employees' Defined Contribution Trust
12 established under Chapter 84 (relating to School Employees'
13 Defined Contribution Plan).

14 * * *

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

18 "Vestee." A member with five or more eligibility points in a
19 class of service other than Class T-E or Class T-F who has
20 terminated school service, has left his accumulated deductions
21 in the fund and is deferring filing of an application for
22 receipt of an annuity. For Class T-E and Class T-F members, a
23 member with ten or more eligibility points who has terminated
24 school service, has left his accumulated deductions in the fund
25 and is deferring filing of an application for receipt of an
26 annuity.

27 "Voluntary contributions." Contributions made by a
28 participant to the trust and credited to the participant's
29 individual investment account in excess of the mandatory pickup
30 participant contributions, either by after-tax salary deductions

1 paid through the employer or by an eligible rollover or direct
2 trustee-to-trustee transfers.

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

5 § 8103. Construction of part.

6 * * *

7 (f) Exclusive source of rights and benefits.--Regardless of
8 any other provision of law, pension and benefit rights of school
9 employees shall be determined solely by this part or any
10 amendment thereto, or the plan document established by the
11 board, and no collective bargaining agreement nor any
12 arbitration award between the employer and the employer's
13 employees or the employee's collective bargaining
14 representatives shall be construed to do any of the following:

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

16 (2) Require the board to administer pension or
17 retirement benefits not set forth in this part or not
18 established by the board in the plan document.

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

21 (4) Otherwise require action by any other government
22 body pertaining to pension or retirement benefits or rights
23 of school employees.

24 (g) References to certain Federal statutes.--References in
25 this part to the IRC or the Uniformed Services Employment and
26 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
27 3149), including administrative regulations promulgated under
28 the IRC or the Uniformed Services Employment and Reemployment
29 Rights Act of 1994, are intended to include laws and regulations
30 in effect on the effective date of this section and amended,

1 supplemented or supplanted on and after the effective date of
2 this section.

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

5 (1) That the limitations on benefits or other
6 requirements under IRC § 401(a) or other applicable
7 provisions of the IRC that are applicable to participants in
8 the plan do not apply to the participants or to the members
9 of the system and the benefits payable under this part.

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

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

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

24 § 8103.2. Reference to Public School Employees' Retirement
25 System.

26 (a) General rule.--As of the effective date of this section,
27 unless the context clearly indicates otherwise, a reference to
28 the Public School Employees' Retirement System in a statutory
29 provision, other than this part and 71 Pa.C.S. Pt. XXV (relating
30 to retirement for State employees and officers), shall include a

1 reference to the plan, and a reference to the Public School
2 Employees' Retirement Fund shall include a reference to the
3 trust.

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

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

9 § 8301. Mandatory and optional membership in the system and
10 participation in the plan.

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

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

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

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

1 in such service.

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

6 (b) Prohibited membership.--The school employees categorized
7 in subsection (a)(1) and (2) shall not have the right to elect
8 membership in the system and shall not be eligible to
9 participate in the plan.

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

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

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

23 § 8302. Credited school service.

24 (a) Computation of credited service.--In computing credited
25 school service of a member for the determination of benefits, a
26 full-time salaried school employee shall receive one year of
27 credit for each school year or the corresponding fraction
28 thereof, in accordance with the proportion of the full school
29 year for which the required regular member contributions have
30 been made to the fund, or for which such contributions otherwise

1 required for such service were not made to the fund solely by
2 reason of any provision of this part relating to the limitations
3 under IRC § 401(a)(17) or 415. A per diem or hourly school
4 employee shall receive one year of credited service for each
5 nonoverlapping period of 12 consecutive months in which he is
6 employed and for which contributions are made to the fund, or
7 would have been made to the fund but for such limitations under
8 the IRC, 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 in relation to the service
19 required as a comparable full-time salaried employee. In no case
20 shall a member receive more than one year of credited service
21 for any 12 consecutive months or a member who has elected
22 multiple service receive an aggregate in the two systems of more
23 than one year of credited service for any 12 consecutive months.

24 * * *

25 (c) Cancellation of credited service.--All credited service
26 in the system shall be cancelled if a member withdraws his
27 accumulated deductions[.], except that a partial or total
28 distribution of accumulated total defined contributions to a
29 participant who is also a member may not cancel service credited
30 in the system.

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

4 (1) For purposes of determining whether a member is
5 eligible to receive credited service in the system for a
6 period of active military service, other than active duty
7 service to meet periodic training requirements, rendered
8 after August 5, 1991, and that began before the effective
9 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73
10 (relating to military leave of absence) shall apply to all
11 individuals who were active members of the system when the
12 period of military service began, notwithstanding if the
13 member is not defined as an employee under 51 Pa.C.S. § 7301
14 (relating to definitions). School employees may not receive
15 service credit or exercise the options under 51 Pa.C.S. §
16 7306(a), (b) and (c) (relating to retirement rights) for
17 military leaves that begin on or after the effective date of
18 this subsection, except otherwise provided under this
19 subsection.

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

22 (i) A school employee who is reemployed from USERRA
23 leave as an active member of the system shall be treated
24 as not having incurred a break in school service by
25 reason of the USERRA leave and shall be granted
26 eligibility points as if the school employee had not been
27 on the USERRA leave. If a school employee who is
28 reemployed from USERRA leave as an active member of the
29 system subsequently makes regular member contributions,
30 shared-risk member contributions and any other member

1 contributions in the amounts and in the time periods
2 required by 38 U.S.C. Ch. 43 (relating to employment and
3 reemployment rights of members of the uniformed services)
4 and IRC § 414(u) as if the school employee had continued
5 in his school office or employment and performed school
6 service and been compensated during the period of USERRA
7 leave, then the school employee shall be granted school
8 service credit for the period of USERRA leave. The
9 employee shall have his benefits, rights and obligations
10 determined under this part as if he was an active member
11 who performed creditable school service during the USERRA
12 leave in the job position that he would have held had he
13 not been on USERRA leave and received the compensation on
14 which the member contributions to receive school service
15 credit for the USERRA leave were determined.

16 (ii) For purposes of determining whether a school
17 employee has made the required employee contributions for
18 school service credit for USERRA leave, if an employee
19 who is reemployed from USERRA leave as an active member
20 of the system terminates school service or dies in school
21 service before the expiration of the allowed payment
22 period, school service credit for the USERRA leave shall
23 be granted as if the required member contributions were
24 paid the day before termination or death. The amount of
25 the required member contributions shall be treated as an
26 incomplete payment subject to the provisions of section
27 8325 (relating to incomplete payments). Upon a subsequent
28 return to school service or to State service as a
29 multiple service member, the required member
30 contributions treated as incomplete payments shall be

1 treated as member contributions that were either
2 withdrawn in a lump sum at termination or paid as a lump
3 sum under section 8345(a)(4) (relating to member's
4 options). For this purpose, the exclusion of Class T-E
5 and Class T-F members from electing a form of payment
6 under section 8345(a)(4)(iii) shall be ignored.

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

12 (A) Granted credited service for the period of
13 USERRA leave for which the required member
14 contributions were not timely made.

15 (B) Eligible to subsequently make contributions.

16 (C) Granted either school service credit or
17 nonschool service credit for the period of USERRA
18 leave for which the required member contributions
19 were not timely made.

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

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

1 who, on or after the effective date of this subsection, is
2 granted a leave of absence under section 1178 of the Public
3 School Code, a leave of absence under 51 Pa.C.S. § 4102
4 (relating to leaves of absence for certain government
5 employees) or a military leave under 51 Pa.C.S. Ch. 73, that
6 is not USERRA leave shall be able to receive creditable
7 nonschool service as nonintervening military service should
8 the employee return to school service as an active member of
9 the system and is otherwise eligible to purchase the service
10 as nonintervening military service.

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

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

29 (e) Military service by a participant.--A participant who
30 has performed USERRA leave shall be treated and may make

1 contributions as follows:

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

25 (2) A participant who is reemployed from USERRA leave
26 and does not make the mandatory pickup participant
27 contributions or makes only part of the mandatory pickup
28 participant contributions within the allowed payment period
29 may not be eligible to make mandatory pickup participant
30 contributions and voluntary contributions at a later date for

1 the period of USERRA leave for which the mandatory pickup
2 participant contributions were not timely made.

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

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

26 (5) If a participant dies while performing USERRA leave,
27 then the beneficiaries or successor payees of the deceased
28 participant are entitled to any additional benefits, other
29 than benefit accruals relating to the period of qualified
30 military service, provided under this part had the

1 participant resumed and then terminated employment on account
2 of death.

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

5 § 8303. Eligibility points for retention and reinstatement of
6 service credits.

7 * * *

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

13 (1) as a member of Class T-C, Class T-E [or] Class T-F,
14 Class T-G or Class T-H for previous creditable school service
15 or creditable nonschool service; or

16 (2) as a member of Class T-D for previous creditable
17 school service, provided the member elects to become a Class
18 T-D member pursuant to section 8305.1 (relating to election
19 to become a Class T-D member);

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

24 (d) Purchase of previous noncreditable service.--Class T-C
25 and Class T-D members who are active members on the effective
26 date of this subsection shall have three years from the
27 effective date of this subsection to file a written application
28 with the board to purchase any previous noncreditable school
29 service. Class T-C and Class T-D members who are not active
30 members on the effective date of this subsection but who become

1 active members after the effective date of this subsection and
2 Class T-E [and class T-F], Class T-F, Class T-G and Class T-H
3 members shall have 365 days from entry into the system to file a
4 written application with the board to purchase any previous
5 noncreditable school service.

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

9 § 8305. Classes of service.

10 * * *

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

12 (1) A person who becomes a school employee and an active
13 member, or a person who becomes a multiple service member who
14 is a State employee and a member of the State Employees'
15 Retirement System, on or after the effective date of this
16 subsection and before July 2011 shall be classified as a
17 Class T-D member upon payment of regular member
18 contributions. Any prior school service credited as Class T-C
19 service shall be credited as Class T-D service, subject to
20 the limitations contained in paragraph (4).

21 * * *

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

30 * * *

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

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

10 (1) a Class T-H member, provided the person elects to
11 become a Class T-H member pursuant to section 8305.3
12 (relating to election to become a Class T-H member), upon
13 written election filed with the board and payment of regular
14 member contributions and the shared-risk contributions; or

15 (2) a Class DC participant, provided the person elects
16 to become a Class DC participant pursuant to section 8305.4
17 (relating to election to become a Class DC participant), upon
18 written election filed with the board and payment of
19 mandatory pickup participant contributions.

20 Section 107.1. Title 24 is amended by adding sections to
21 read:

22 § 8305.3. Election to become a Class T-H member.

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

27 (b) Time for making election.--A member must elect to become
28 a Class T-H member by filing a written election with the board
29 within 90 days of notification by the board that such member is
30 eligible for such election. A school employee who is eligible to

1 elect to become a Class T-H member who begins USERRA leave
2 during the election period without having elected Class T-H
3 membership may make the election within 90 days after being
4 reemployed from USERRA leave.

5 (c) Effect of election.--An election to become a Class T-H
6 member shall be irrevocable and shall commence from the original
7 date of eligibility. A member who elects Class T-H membership
8 shall receive Class T-H service credit on any and all future
9 service, regardless of whether the member terminates service or
10 has a break in service.

11 (d) Effect of failure to make election.--If a member fails
12 to timely file an election to become a Class T-H member, and
13 does not elect to become a Class DC participant under section
14 8305.4 (relating to election to become a Class DC participant),
15 then the member shall be enrolled as a member of Class T-G, and
16 the member shall never be able to elect Class T-H service,
17 regardless of whether the member terminates service or has a
18 break in service.

19 § 8305.4. Election to become a Class DC participant.

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

24 (b) Time for making election.--A member must elect to become
25 a Class DC participant by filing a written election with the
26 board within 90 days of notification by the board that such
27 member is eligible for such election. A school employee who is
28 eligible to elect to become a Class DC participant who begins
29 USERRA leave during the election period without having elected
30 to become a Class DC participant may make the election within 90

1 days after being reemployed from USERRA leave.

2 (c) Effect of election.--An election to become a Class DC
3 participant shall be irrevocable and shall commence from the
4 original date of eligibility. A member who elects to become a
5 Class DC participant shall remain a Class DC participant on any
6 and all future service, regardless of whether the participant
7 terminates service or has a break in service.

8 (d) Effect of failure to make election.--If a member fails
9 to timely file an election to become a Class DC participant, and
10 does not elect to become a member of Class T-H under section
11 8305.3 (relating to election to become a Class T-H member), then
12 the member shall be enrolled as a member of Class T-G, and the
13 member shall never be able to elect to become a Class DC
14 participant, regardless of whether the member terminates service
15 or has a break in service.

16 Section 108. Sections 8306, 8307, 8308, 8310, 8321,
17 8322.1(a), 8323(a), (c) and (d)(1), 8324, 8325.1(a), 8326(a) and
18 (c), 8327, 8328(a), (b), (c), (e)(1) and (g) and 8330 of Title
19 24 are amended to read:

20 § 8306. Eligibility points.

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

1 (a.1) USERRA leave.--A member or participant who is
2 reemployed from USERRA leave or who dies while performing USERRA
3 leave shall be granted the eligibility points that he would have
4 accrued had he continued in his school office or employment
5 instead of performing USERRA leave. If a school employee who is
6 reemployed from USERRA leave makes the member or mandatory
7 pickup participant contributions to be granted school service
8 credit for the USERRA leave, no additional eligibility points
9 may be granted.

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

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

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

10 (b) Withdrawal annuity.--

11 (1) A vestee in Class T-C or Class T-D with five or more
12 eligibility points or an active or inactive Class T-C or
13 Class T-D member who terminates school service having five or
14 more eligibility points shall, upon filing a proper
15 application, be entitled to receive an early annuity.

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

21 (3) A vestee in Class T-G or Class T-H with five or more
22 eligibility points or an active or inactive Class T-G or
23 Class T-H member who terminates school service having five or
24 more eligibility points shall, upon filing a proper
25 application, be entitled to receive an early annuity,
26 provided the member has attained the age of 62.

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

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

5 § 8308. Eligibility for vesting.

6 Any Class T-C [or], Class T-D, Class T-G or Class T-H member
7 who terminates school service, or if a multiple service member
8 and an active member of the State Employees' Retirement System
9 who terminates State service, with five or more eligibility
10 points shall be entitled to vest his retirement benefits until
11 the member's required beginning date. Any Class T-E or Class T-F
12 member who terminates school service, or if a multiple service
13 member and an active member of the State Employees' Retirement
14 System who terminates State service, with ten or more
15 eligibility points shall be entitled to vest his retirement
16 benefits until his required beginning date.

17 § 8310. Eligibility for refunds.

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

22 § 8321. Regular member contributions for current service.

23 (a) General.--Regular member contributions shall be made to
24 the fund on behalf of each active member for current service
25 except for any period of current service in which the making of
26 such contributions has ceased solely by reason of any provision
27 of this part relating to the limitations under IRC § 401(a)(17)
28 or 415.

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

1 (1) Commencing with the annual actuarial valuation
2 performed under section 8502(j) (relating to administrative
3 duties of board), for the period ending June 30, 2014, and
4 every three years thereafter, the board shall compare the
5 actual investment rate of return, net of fees, to the annual
6 interest rate adopted by the board for the calculation of the
7 normal contribution rate, based on the market value of
8 assets, for the prior ten-year period. If the actual
9 investment rate of return, net of fees, is less than the
10 annual interest rate adopted by the board by an amount of 1%
11 or more, the shared-risk contribution rate of Class T-E [and
12 T-F], Class T-F, Class T-G and Class T-H members will
13 increase by .5%. If the actual investment rate of return, net
14 of fees, is equal to or exceeds the annual interest rate
15 adopted by the board by less than 1%, the shared-risk
16 contributions rate of Class T-E [and T-F], Class T-F, Class
17 T-G and Class T-H members will decrease by .5%[. Class T-E
18 and T-F members will contribute at the total member
19 contribution rate in effect when they are hired. The],
20 provided the total member contribution rate on the date of
21 the actuarial valuation is above the member's basic
22 contribution rate. If the actual investment rate of return,
23 net of fees, is more than the annual interest rate adopted by
24 the board by an amount of 1% or more, the shared-risk
25 contribution rate of Class T-E, Class T-F, Class T-G and
26 Class T-H members will decrease by .5%. If the actual
27 investment rate of return, net of fees, is equal to or below
28 the annual interest rate adopted by the board by less than
29 1%, the shared-risk contribution rate of Class T-E, Class T-
30 F, Class T-G and Class T-H members will increase by .5%,

1 provided the total member contribution rate on the date of
2 the actuarial valuation is below the member's basic
3 contribution rate.

4 (2) Notwithstanding paragraph (1), the total member
5 contribution rate for Class T-E members shall not be less
6 than [7.5%] 5.5%, nor more than 9.5%. The total member
7 contribution rate for Class T-F members shall not be less
8 than [10.3%] 8.3%, nor more than 12.3%. The total member
9 contribution rate for Class T-G members shall not be less
10 than 3.5% nor more than 7.5%. The total member contribution
11 rate for Class T-H members shall not be less than 2.5% nor
12 more than 6.5%. Notwithstanding this subsection, if the
13 system's actuarial funded status is 100% or more as of the
14 date used for the comparison required under this subsection,
15 as determined in the current annual actuarial valuation, the
16 shared-risk contribution rate shall [be] not be greater than
17 zero. In the event that the annual interest rate adopted by
18 the board for the calculation of the normal contribution rate
19 is changed during the period used to determine the shared-
20 risk contribution rate, the board, with the advice of the
21 actuary, shall determine the applicable rate during the
22 entire period, expressed as an annual rate. The following
23 provisions apply:

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

29 [(2)] (ii) For any fiscal year in which the employer
30 contribution rate is lower than the final contribution

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

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

10 § 8322.1. Pickup contributions.

11 (a) Treatment for purposes of IRC § 414(h).--All
12 contributions to the fund required to be made under sections
13 8321 (relating to regular member contributions for current
14 service), 8322 (relating to joint coverage member contributions)
15 and 8305 (relating to classes of service), with respect to
16 current school service rendered by an active member on or after
17 January 1, 1983, shall be picked up by the employer and shall be
18 treated as the employer's contribution for purposes of IRC §
19 414(h).

20 * * *

21 § 8323. Member contributions for creditable school service.

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

1 contributions been made with full coverage at the rate of
2 contribution necessary to be credited as Class T-C service,
3 Class T-D service if the member is a Class T-D member, Class T-E
4 service if the member is a Class T-E member [or], Class T-F
5 service if the member is a Class T-F member, Class T-G service
6 if the member is a Class T-G member or Class T-H service if the
7 member is a Class T-H member and had such contributions been
8 credited with statutory interest during the period the
9 contributions would have been made and during all periods of
10 subsequent school and State service up to the date of purchase.

11 * * *

12 (c) Approved leave of absence other than sabbatical leave
13 and activated military service leave.--The contributions to be
14 paid by an active member for credit for an approved leave of
15 absence, other than sabbatical leave and activated military
16 service leave, shall be sufficient to transfer his membership to
17 Class T-C or to Class T-D if the member is a Class T-D member,
18 to Class T-E if the member is a Class T-E member [or], to Class
19 T-F if the member is a Class T-F member, to Class T-G service if
20 the member is a Class T-G member or to Class T-H service if the
21 member is a Class T-H member and further to provide an annuity
22 as a Class T-C member or Class T-D member if the member is a
23 Class T-D member, to Class T-E if the member is a Class T-E
24 member [or], to Class T-F if the member is a Class T-F member,
25 to Class T-G service if the member is a Class T-G member or to
26 Class T-H service if the member is a Class T-H member for such
27 additional credited service. Such amount shall be the sum of the
28 amount required in accordance with the provisions of subsection
29 (b) and an amount determined as the sum of the member's basic
30 contribution rate and the normal contribution rate as provided

1 in section 8328 (relating to actuarial cost method) during such
2 period multiplied by the compensation which was received or
3 which would have been received during such period and with
4 statutory interest during all periods of subsequent school and
5 State service up to the date of purchase.

6 * * *

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

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

29 * * *

30 § 8324. Contributions for purchase of credit for creditable

1 nonschool service and noncreditable school service.

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

8 (b) Nonintervening military service.--The amount due for the
9 purchase of credit for military service other than intervening
10 military service shall be determined by applying the member's
11 basic contribution rate plus the normal contribution rate as
12 provided in section 8328 (relating to actuarial cost method) at
13 the time of entry of the member into school service subsequent
14 to such military service to one-third of his total compensation
15 received during the first three years of such subsequent
16 credited school service and multiplying the product by the
17 number of years and fractional part of a year of creditable
18 nonintervening military service being purchased together with
19 statutory interest during all periods of subsequent school and
20 State service to date of purchase. Upon certification of the
21 amount due, payment may be made in a lump sum within 90 days or
22 in the case of an active member or an eligible State employee
23 who is an active member of the State Employees' Retirement
24 System it may be amortized with statutory interest through
25 salary deductions to the system in amounts agreed upon by the
26 member and the board. The salary deduction amortization plans
27 agreed to by members and the board may include a deferral of
28 payment amounts and statutory interest until the termination of
29 school service or State service as the board in its sole
30 discretion decides to allow. The board may limit salary

1 deduction amortization plans to such terms as the board in its
2 sole discretion determines. In the case of an eligible State
3 employee who is an active member of the State Employees'
4 Retirement System, the agreed upon salary deductions shall be
5 remitted to the State Employees' Retirement Board, which shall
6 certify and transfer to the board the amounts paid. Application
7 may be filed for all such military service credit upon
8 completion of three years of subsequent credited school service
9 and shall be credited as Class T-C service. In the event that a
10 Class T-E member makes a purchase of credit for such military
11 service, then such service shall be credited as Class T-E
12 service. In the event that a Class T-F member makes a purchase
13 of credit for such military service, then such service shall be
14 credited as Class T-F service. In the event that a Class T-G
15 member makes a purchase of credit for such military service,
16 then such service shall be credited as Class T-G service. In the
17 event that a Class T-H member makes a purchase of credit for
18 such military service, then such service shall be credited as
19 Class T-H service.

20 (c) Intervening military service.--Contributions on account
21 of credit for intervening military service shall be determined
22 by the member's basic contribution rate and compensation at the
23 time of entry of the member into active military service,
24 together with statutory interest during all periods of
25 subsequent school and State service to date of purchase. Upon
26 application for such credit the amount due shall be certified in
27 the case of each member by the board, in accordance with methods
28 approved by the actuary, and contributions may be made by one of
29 the following methods:

30 (1) Regular monthly payments during active military

1 service.

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

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

17 (d) Other creditable nonschool service and noncreditable
18 school service.--

19 (1) Contributions on account of Class T-C credit for
20 creditable nonschool service other than military service
21 shall be determined by applying the member's basic
22 contribution rate plus the normal contribution rate as
23 provided in section 8328 at the time of the member's entry
24 into school service subsequent to such creditable nonschool
25 service to his total compensation received during the first
26 year of subsequent credited school service and multiplying
27 the product by the number of years and fractional part of a
28 year of creditable nonschool service being purchased together
29 with statutory interest during all periods of subsequent
30 school or State service to the date of purchase, except that

1 in the case of purchase of credit for creditable nonschool
2 service as set forth in section 8304(b)(5) (relating to
3 creditable nonschool service) the member shall pay only the
4 employee's share unless otherwise provided by law. Upon
5 certification of the amount due, payment may be made in a
6 lump sum within 90 days or in the case of an active member or
7 an eligible State employee who is an active member of the
8 State Employees' Retirement System it may be amortized with
9 statutory interest through salary deductions to the system in
10 amounts agreed upon by the member and the board. The salary
11 deduction amortization plans agreed to by the members and the
12 board may include a deferral of payment amounts and statutory
13 interest until the termination of school service or State
14 service as the board in its sole discretion decides to allow.
15 The board may limit salary deduction amortization plans to
16 such terms as the board in its sole discretion determines. In
17 the case of an eligible State employee who is an active
18 member of the State Employees' Retirement System, the agreed
19 upon salary deductions shall be remitted to the State
20 Employees' Retirement Board, which shall certify and transfer
21 to the board the amounts paid.

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

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

15 (3) Contributions on account of Class T-E [or], Class T-
16 F, Class T-G or Class T-H credit for noncreditable school
17 service other than military service shall be the present
18 value of the full actuarial cost of the increase in the
19 projected superannuation annuity caused by the additional
20 service credited on account of the purchase. Upon
21 certification of the amount due, payment may be made in a
22 lump sum within 90 days or, in the case of an active member
23 or an eligible State employee who is an active member of the
24 State Employees' Retirement System, it may be amortized with
25 statutory interest through salary deductions to the system in
26 amounts agreed upon by the member and the board. The salary
27 deduction amortization plans agreed to by the members and the
28 board may include a deferral of payment amounts and statutory
29 interest until the termination of school service or State
30 service as the board in its sole discretion decides to allow.

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

8 (e) Creditable work experience.--Contributions on account of
9 Class T-C, Class T-E [or], Class T-F, Class T-G or Class T-H
10 credit for creditable work experience pursuant to section
11 8304(b)(6) shall be the present value of the full actuarial cost
12 of the increase in the projected superannuation annuity caused
13 by the additional service credited on account of the purchase of
14 creditable work experience. The amount paid for the purchase of
15 credit for creditable work experience shall not be payable as a
16 lump sum under section 8345(a)(4)(iii) (relating to member's
17 options). Any individual eligible to receive an annuity,
18 excluding an annuity received under the Federal Social Security
19 Act (42 U.S.C. § 301 et seq.), in another pension system, other
20 than a military pension system, shall not be eligible to
21 purchase this service.

22 (f) Creditable maternity leave.--Contributions on account of
23 Class T-C, Class T-E or Class T-F credit for creditable
24 maternity leave pursuant to section 8304(b)(7) shall be
25 determined by applying the member's basic contribution rate plus
26 the normal contribution rate as provided in section 8328 at the
27 time of the member's return to school service to the total
28 compensation received during the first year of subsequent school
29 service and multiplying the product by the number of years and
30 fractional part of a year of creditable service being purchased,

1 together with statutory interest during all periods of
2 subsequent school or State service to the date of purchase. The
3 amount paid for the purchase of credit for creditable maternity
4 leave shall not be eligible for withdrawal as a lump sum under
5 section 8345(a)(4)(iii).

6 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

7 (a) General rule.--In addition to other applicable
8 limitations set forth in this part, and notwithstanding any
9 provision of this part to the contrary, the annual compensation
10 of each noneligible member and each participant taken into
11 account for benefit purposes under this subchapter shall not
12 exceed the limitation under IRC § 401(a)(17). On and after July
13 1, 1996, any reference in this part to the limitation under IRC
14 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
15 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
16 compensation limit set forth in this subsection. The OBRA '93
17 annual compensation limit is \$150,000, as adjusted by the
18 commissioner for increases in the cost of living in accordance
19 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
20 effect for a calendar year applies to any determination period
21 which is a period, not exceeding 12 months, over which
22 compensation is determined, beginning in such calendar year. If
23 a determination period consists of fewer than 12 months, the
24 OBRA '93 compensation limit will be multiplied by a fraction,
25 the numerator of which is the number of months in the
26 determination period and the denominator of which is 12.

27 * * *

28 § 8326. Contributions by the Commonwealth.

29 (a) Contributions on behalf of active members.--The
30 Commonwealth shall make contributions into the fund on behalf of

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

13 * * *

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

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

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

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

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

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

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

7 * * *

8 § 8327. Payments by employers.

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

28 (b) Deduction from appropriations.--

29 (1) To facilitate the payment of amounts due from any
30 employer to the fund and the trust through the State

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

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

1 in payments to a chartering school district made pursuant to
2 this section shall be deducted from the amount due to the
3 charter school district pursuant to the Public School Code of
4 1949.

5 (c) Payments by employers after June 30, 1995, and before
6 June 30, 2018.--After June 30, 1995, and before June 30, 2018,
7 each employer, including the Commonwealth as employer of
8 employees of the Department of Education, State-owned colleges
9 and universities, Thaddeus Stevens College of Technology,
10 Western Pennsylvania School for the Deaf, Scotland School for
11 Veterans' Children and The Pennsylvania State University, shall
12 make payments to the fund and the trust each quarter in an
13 amount computed in the following manner:

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

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

30 (3) For any employer, whether or not a school entity, in

1 computing the amount of payment due each quarter, there shall
2 be excluded from the total compensation referred to in this
3 subsection and subsection (a) any amount of compensation of a
4 noneligible member on the basis of which member or
5 participant contributions have not been made by reason of the
6 limitation under IRC § 401(a)(17), except as otherwise
7 provided in this part. Any amount of contribution to the fund
8 paid by the employer on behalf of a noneligible member on the
9 basis of compensation which was subject to exclusion from
10 total compensation in accordance with the provisions of this
11 paragraph shall, upon the board's determination or upon
12 application by the employer, be returned to the employer with
13 valuation interest. Any amount of contribution to the trust
14 paid by the employer on behalf of a noneligible member on the
15 basis of compensation that was subject to exclusion from
16 total compensation in accordance with the provisions of this
17 paragraph shall, upon the board's determination or upon
18 application by the employer, be returned to the employer plus
19 interest and investment gains or losses on such amount but
20 minus investment fees and administrative charges.

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 of Education, State-owned
24 colleges and universities, Thaddeus Stevens College of
25 Technology, Western Pennsylvania School for the Deaf, Scotland
26 School for Veterans' Children and The Pennsylvania State
27 University, shall make payments to the fund and the trust each
28 quarter in an amount computed in the following manner:

29 (1) For an employer that is a school entity, the amount
30 shall be the sum of the percentages as determined under

1 section 8328 applied to the total compensation during the pay
2 periods in the preceding quarter of all employees who were
3 active members of the system during such period, including
4 members on activated military service leave and USERRA leave.
5 In the event a member on activated military service leave or
6 USERRA leave does not return to service for the necessary
7 time or receives an undesirable, bad conduct or dishonorable
8 discharge or does not elect to receive credit for activated
9 military service under section 8302(b.1)(3), the contribution
10 made by the employer on behalf of such member shall be
11 returned with valuation interest upon application by the
12 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 quarter, 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 that 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) Agreement.--The agreement of an employer listed in the
30 definition of school employee under section 8102 (relating to

1 definitions) or any other law to make contributions to the fund
2 or to enroll its employees as members in the system shall be
3 deemed to be an agreement to make contributions to the trust or
4 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) Reemployed from USERRA leave.--When a school employee
9 reemployed from USERRA leave makes the member contributions
10 required to be granted school service credit for the USERRA
11 leave after June 30, 2018, either by actual payment or by
12 actuarial debt under section 8325 (relating to incomplete
13 payments), the employer that employed the school employee when
14 the member contributions are made, or the last employer before
15 termination in the case of payment under section 8325, shall
16 make the employer contributions that would have been made under
17 this section if the employee making the member contributions
18 after he is reemployed from USERRA leave continued to be
19 employed in his school office or position instead of performing
20 USERRA leave.

21 § 8328. Actuarial cost method.

22 (a) Employer contribution rate.--The amount of the total
23 employer contributions shall be computed by the actuary as a
24 percentage of the total compensation of all active members and
25 active participants, as applicable, during the period for which
26 the amount is determined and shall be so certified by the board.
27 The total employer contribution rate shall be the sum of the
28 final contribution rate as computed in subsection (h) plus the
29 premium assistance contribution rate as computed in subsection
30 (f), plus the additional contribution rate as computed in

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

8 (b) Normal contribution rate.--The normal contribution rate
9 shall be determined after each actuarial valuation. Until all
10 accrued liability contributions have been completed, the normal
11 contribution rate shall be determined, on the basis of an annual
12 interest rate and such mortality and other tables as shall be
13 adopted by the board in accordance with generally accepted
14 actuarial principles, as a level percentage of the compensation
15 of [the average new active member] all active members, which
16 percentage, if contributed from the start of their employment on
17 the basis of [his] their prospective compensation through [the]
18 their entire period of active school service, would be
19 sufficient to fund the liability for any prospective benefit
20 payable to [him] them, in excess of that portion funded by [his]
21 their prospective member contributions, excluding the shared-
22 risk contributions. In no case shall the employer's normal cost
23 be less than zero.

24 (c) Accrued liability contribution rate.--

25 (1) For the fiscal years beginning July 1, 2002, and
26 ending June 30, 2011, the accrued liability contribution rate
27 shall be computed as the rate of total compensation of all
28 active members which shall be certified by the actuary as
29 sufficient to fund over a period of ten years from July 1,
30 2002, the present value of the liabilities for all

1 prospective benefits of active members, except for the
2 supplemental benefits provided in sections 8348 (relating to
3 supplemental annuities), 8348.1 (relating to additional
4 supplemental annuities), 8348.2 (relating to further
5 additional supplemental annuities), 8348.3 (relating to
6 supplemental annuities commencing 1994), 8348.4 (relating to
7 special supplemental postretirement adjustment), 8348.5
8 (relating to supplemental annuities commencing 1998), 8348.6
9 (relating to supplemental annuities commencing 2002) and
10 8348.7 (relating to supplemental annuities commencing 2003),
11 in excess of the total assets in the fund (calculated by
12 recognizing the actuarially expected investment return
13 immediately and recognizing the difference between the actual
14 investment return and the actuarially expected investment
15 return over a five-year period), excluding the balance in the
16 annuity reserve account, and of the present value of normal
17 contributions and of member contributions payable with
18 respect to all active members on July 1, 2002, during the
19 remainder of their active service.

20 (2) For the fiscal years beginning July 1, 2003, and
21 ending June 30, 2011, the amount of each annual accrued
22 liability contribution shall be equal to the amount of such
23 contribution for the fiscal year, beginning July 1, 2002,
24 except that, if the accrued liability is increased by
25 legislation enacted subsequent to June 30, 2002, but before
26 July 1, 2003, such additional liability shall be funded over
27 a period of ten years from the first day of July, coincident
28 with or next following the effective date of the increase.
29 The amount of each annual accrued liability contribution for
30 such additional legislative liabilities shall be equal to the

1 amount of such contribution for the first annual payment.

2 (3) Notwithstanding any other provision of law,
3 beginning July 1, 2004, and ending June 30, 2011, the
4 outstanding balance of the increase in accrued liability due
5 to the change in benefits enacted in 2001 and the outstanding
6 balance of the net actuarial loss incurred in fiscal year
7 2000-2001 shall be amortized in equal dollar annual
8 contributions over a period that ends 30 years after July 1,
9 2002, and the outstanding balance of the net actuarial loss
10 incurred in fiscal year 2001-2002 shall be amortized in equal
11 dollar annual contributions over a period that ends 30 years
12 after July 1, 2003. For fiscal years beginning on or after
13 July 1, 2004, if the accrued liability is increased by
14 legislation enacted subsequent to June 30, 2003, such
15 additional liability shall be funded in equal dollar annual
16 contributions 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.

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

1 installments over a ten-year period). In the event that the
2 accrued liability is increased by legislation enacted
3 subsequent to June 30, 2010, as a result of an increase in
4 benefits determined on a total plan basis, such additional
5 liability shall be funded as a level percentage of
6 compensation over a period of ten years from the July 1
7 second succeeding the date such legislation is enacted.

8 (5) For the fiscal year beginning on or after July 1,
9 2017, the actuarially calculated assets in the fund
10 determined in accordance with paragraph (4) shall be no less
11 than 70% and no more than 130% of market value.

12 * * *

13 (e) Experience adjustment factor.--

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

1 * * *

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

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

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

22 * * *

23 (j) Additional contribution rate dedicated to pay off
24 unfunded accrued liability.--Until the system's actuarial funded
25 status is 100% or more as determined by the annual actuarial
26 evaluation, for each fiscal year beginning with July 1, 2027,
27 the total contribution rate as calculated according to this
28 section shall be increased annually in accordance with the
29 following schedule, notwithstanding any other provisions of this
30 section:

	<u>Fiscal year beginning:</u>	<u>Additional contribution rate:</u>
1		
2	<u>July 1, 2027</u>	<u>0.01</u>
3	<u>July 1, 2028</u>	<u>0.02</u>
4	<u>July 1, 2029</u>	<u>0.05</u>
5	<u>July 1, 2030</u>	<u>0.06</u>
6	<u>July 1, 2031</u>	<u>0.08</u>
7	<u>July 1, 2032</u>	<u>0.11</u>
8	<u>July 1, 2033</u>	<u>0.11</u>
9	<u>July 1, 2034</u>	<u>0.14</u>
10	<u>July 1, 2035</u>	<u>0.14</u>
11	<u>July 1, 2036</u>	<u>0.17</u>
12	<u>July 1, 2037</u>	<u>0.19</u>
13	<u>July 1, 2038</u>	<u>0.21</u>
14	<u>July 1, 2039</u>	<u>0.23</u>
15	<u>July 1, 2040</u>	<u>0.26</u>
16	<u>July 1, 2041</u>	<u>0.25</u>
17	<u>July 1, 2042</u>	<u>0.30</u>
18	<u>July 1, 2043</u>	<u>0.31</u>
19	<u>July 1, 2044</u>	<u>0.33</u>
20	<u>July 1, 2045</u>	<u>0.35</u>
21	<u>July 1, 2046</u>	<u>0.38</u>
22	<u>July 1, 2047</u>	<u>0.38</u>
23	<u>July 1, 2048</u>	<u>0.40</u>
24	<u>July 1, 2049</u>	<u>0.42</u>

25 § 8330. Appropriations by the Commonwealth.

26 (a) Annual submission of budget.--The board shall prepare
27 and through the Governor submit annually to the General Assembly
28 an itemized budget consisting of the amounts necessary to be
29 appropriated by the Commonwealth out of the General Fund
30 required to meet the separate obligations to the fund and the

1 trust accruing during the fiscal period beginning July 1 of the
2 following year.

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

10 Section 109. Title 24 is amended by adding a section to
11 read:

12 § 8331. Employer funding mandate protection.

13 (a) Limited expansion of contractual right to funding.--
14 Beginning on the July 1 after the actuarial valuation in which
15 the actuary certifies that final contribution rate is the
16 actuarially required contribution, each active member shall have
17 a contractual right to the timely payment of the annual
18 actuarially required contributions under sections 8328 (relating
19 to actuarial cost method) and 8502(k) (relating to
20 administrative duties of board) by such member's employer. The
21 following apply:

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

25 (2) Any claim of contract impairment shall be brought
26 against the employer of the member for whom contributions
27 were not paid and neither the board nor the system or their
28 employees or agents shall be a defendant in any such action
29 or liable for any payments or damages arising from such
30 impairment.

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

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

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

11 (3) to find facts or to expedite a final judgment in
12 connection with such a challenge or request for declaratory
13 relief.

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

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

21 (e) Limitation of contract right.--Nothing in this section
22 shall be construed to create a contract right or claim of
23 contract impairment in any member as to any benefit formula,
24 benefit payment option, or any other provision of this part
25 other than the funding mandate of the member's employer, or to
26 change the jurisdiction of the board or the courts regarding any
27 claim other than for payment of the annual actuarially required
28 contributions.

29 (f) Employer contributions.--Nothing in this section shall
30 be construed to supersede or conflict with the rights and

1 obligations set forth in section 8330 (relating to
2 appropriations by the Commonwealth).

3 Section 110. Section 8341 of Title 24 is amended to read:
4 § 8341. Return of 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 accumulated deductions by
8 his required beginning date.

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

12 § 8342. Maximum single life annuity.

13 (a) General rule.--Upon termination of service, any full
14 coverage member who is eligible to receive an annuity pursuant
15 to the provisions of section 8307(a) or (b) (relating to
16 eligibility for annuities) and has made an application in
17 accordance with the provisions of section 8507(f) (relating to
18 rights and duties of school employees [and members], members and
19 participants) shall be entitled to receive a maximum single life
20 annuity attributable to his credited service and equal to the
21 sum of the following single life annuities beginning at the
22 effective date of retirement and, in case the member on the
23 effective date of retirement is under superannuation age,
24 multiplied by a reduction factor calculated to provide benefits
25 actuarially equivalent to an annuity starting at superannuation
26 age: Provided however, That on or after July 1, 1976, in the
27 case of any member other than a Class T-G or Class T-H member
28 who has attained age 55 and has 25 or more eligibility points
29 such sum of single life annuities shall be reduced by a
30 percentage determined by multiplying the number of months,

1 including a fraction of a month as a full month, by which the
2 effective date of retirement precedes superannuation age by
3 1/4%: Further provided, That on or after July 1, 2018, in the
4 case of any Class T-G or Class T-H member who has attained age
5 62 and has 25 or more eligibility points and who terminates
6 service on or after attaining age 55, such sum of single life
7 annuities shall be reduced by a percentage determined by
8 multiplying the number of months, including a fraction of a
9 month as a full month, by which the effective date of retirement
10 precedes superannuation age by 1/4%: Further provided, In no
11 event shall a Class T-E [or], Class T-F, Class T-G or Class T-H
12 member receive an annual benefit, calculated as of the effective
13 date of retirement, greater than the member's final average
14 salary:

15 (1) A [standard single life annuity multiplied by the]
16 single life annuity that is the sum of annuities determined
17 separately for each class of service [multiplier] and
18 calculated on the basis of the number of years of credited
19 school service other than concurrent service.

20 (2) A standard single life annuity multiplied by the
21 class of service multiplier and calculated on the basis of
22 the number of years of concurrent service and multiplied by
23 the ratio of total compensation received in the school system
24 during the period of concurrent service to the total
25 compensation received during such period.

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

30 * * *

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

6 § 8344. Disability annuities.

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

24
$$Y^*/Y \text{ or } 16.667/Y$$

25 where Y = total number of years of credited service and Y* =
26 total years of credited service if the member were to continue
27 as a school employee until attaining superannuation age, or if
28 the member has attained superannuation age then the number of
29 years of credited service. For purposes of calculating a
30 disability annuity for a member of Class T-G or Class T-H, the

1 standard single life annuity shall equal 2% of the final average
2 salary, multiplied by the total number of years and fractional
3 part of a year of service credited for such class of service. In
4 no event shall the disability annuity plus any cost-of-living
5 increases be less than \$100 for each full year of credited
6 service. The member shall be entitled to the election of a joint
7 and survivor annuity on that portion of the disability annuity
8 to which he is entitled under section 8342 (relating to maximum
9 single life annuity).

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

20 * * *

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

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

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

28 and who] does not return to school service may file an
29 application with the board for an amount equal to the
30 accumulated deductions, shared-risk member contributions and

1 statutory interest standing to his credit at the effective date
2 of disability less the total payments received on account of his
3 member's annuity.

4 * * *

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

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

13 § 8345. Member's options.

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

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

9 (1) Option 1.--A life annuity to the member with a
10 guaranteed total payment equal to the present value of the
11 maximum single life annuity on the effective date of
12 retirement with the provision that, if, at his death, he has
13 received less than such present value, the unpaid balance
14 shall be payable to his beneficiary.

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

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

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

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

29 (ii) The sum of all annuities payable to the
30 designated survivor annuitants shall not be greater than

1 the annuity payable to the member.

2 (iii) A portion of the benefit may be payable as a
3 lump sum, except that such lump sum payment shall not
4 exceed an amount equal to the accumulated deductions
5 standing to the credit of the member. The balance of the
6 present value of the maximum single life annuity adjusted
7 in accordance with section 8342(b) shall be paid in the
8 form of an annuity with a guaranteed total payment, a
9 single life annuity, or a joint and survivor annuity or
10 any combination thereof but subject to the restrictions
11 of subparagraphs (i) and (ii) of this paragraph. [This
12 subparagraph shall not apply to a Class T-E or Class T-F
13 member.] For purposes of this subparagraph, the term
14 "actuarially equivalent," as applied to any lump sum
15 withdrawal attributable to contributions credited to the
16 member's savings account of Class T-E, Class T-F, Class
17 T-G or Class T-H members, together with statutory
18 interest thereon, shall mean equal present values,
19 computed on the basis of the interest rate and such
20 mortality and other tables as adopted by the board
21 pursuant to section 8328(b) (relating to actuarial cost
22 method) in effect on the effective date of retirement of
23 the member.

24 * * *

25 § 8346. Termination of annuities.

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

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

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

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

15 * * *

16 (b) Return to school service during emergency.--When, in the
17 judgment of the employer, an emergency creates an increase in
18 the work load such that there is serious impairment of service
19 to the public or in the event of a shortage of appropriate
20 subject certified teachers or other personnel, an annuitant or
21 participant receiving distributions may be returned to school
22 service for a period not to extend beyond the school year during
23 which the emergency or shortage occurs, without loss of his
24 annuity or distributions, provided that the annuitant meets the
25 conditions set forth in subsection (b.2). The annuitant or
26 participant receiving distributions shall not be entitled to
27 earn any credited service, and no contributions may be made to
28 the fund or the trust by the annuitant or participant receiving
29 distributions, the employer or the Commonwealth on account of
30 such employment. Such service shall not be subject to member or

1 participant contributions or be eligible for qualification as
2 creditable school service or for participation in the plan,
3 mandatory pickup participant contributions, voluntary
4 contributions or employer defined contributions.

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

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

26 * * *

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

28 (1) An annuitant who returns to school service as an
29 active member of the system and earns three eligibility
30 points by performing credited school service or reemployment

1 from USERRA leave following the most recent period of receipt
2 of an annuity under this part, or an annuitant who enters
3 State service and:

4 (i) is a multiple service member; or

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

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

24 (i) an annuity (prior to optional modification)
25 calculated as if the freezing of the former annuitant's
26 account pursuant to subsection (a) had not occurred,
27 adjusted by crediting Class T-C school service as Class
28 T-D service as provided for in section 8305(c) (relating
29 to classes of service) and further adjusted according to
30 paragraph (3), provided that a former annuitant of the

1 system or a former annuitant of the State Employees'
2 Retirement System who retired under a provision of law
3 granting additional service credit if termination of
4 school or State service or retirement occurred during a
5 specific period of time shall not be permitted to retain
6 the additional service credit under the prior law when
7 the annuity is computed for his most recent retirement;
8 or

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

16 * * *

17 § 8347. Death benefits.

18 (a) Members eligible for annuities.--Any member or former
19 member on USERRA leave, other than an annuitant, who dies and
20 was eligible for an annuity in accordance with section 8307(a)
21 or (b) (relating to eligibility for annuities) shall be
22 considered as having applied for an annuity from the fund to
23 become effective the day before his death; and, in the event he
24 has not elected an option, it shall be assumed that he elected
25 Option 1 and assigned as beneficiary that person last designated
26 in writing to the board. For purposes of this section, a Class
27 T-G or Class T-H member with five or more eligibility points
28 shall be considered eligible for an annuity under section
29 8307(a) or (b) (relating to eligibility for annuities) and
30 eligible for a death benefit under section 8309 (relating to

1 eligibility for death benefits) even if the member had not
2 attained the age of 62.

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

8 * * *

9 § 8349. Payment of benefits from the system.

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

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

19 (1) A lump sum payment.

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

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

25 * * *

26 Section 113. Title 24 is amended by adding a chapter to
27 read:

28 CHAPTER 84

29 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

30 Sec.

- 1 8401. Establishment.
- 2 8402. Plan document.
- 3 8403. Individual investment accounts.
- 4 8404. Participant contributions.
- 5 8405. Mandatory pickup participant contributions.
- 6 8406. Employer defined contributions.
- 7 8407. Eligibility for benefits.
- 8 8408. Death benefits.
- 9 8409. Vesting.
- 10 8410. Termination of distributions.
- 11 8411. Powers and duties of board.
- 12 8411.1. Relation of administrators of School Employees' Defined
- 13 Contribution Plan to providers of 403(b) plans.
- 14 8412. Responsibility for investment loss.
- 15 8413. Investments based on participant's investment allocation
- 16 choices.
- 17 8414. Expenses.
- 18 8415. Tax qualification.
- 19 § 8401. Establishment.

20 (a) School Employees' Defined Contribution Plan.--The School
21 Employees' Defined Contribution Plan is established. The board
22 shall administer and manage the plan, which shall be a defined
23 contribution plan exclusively for the benefit of those school
24 employees who participate in the plan and their beneficiaries
25 within the meaning of and in conformity with IRC § 401(a). The
26 board shall determine the terms and provisions of the plan not
27 inconsistent with this part, the IRC and other applicable law
28 and shall provide for the plan's administration.

29 (b) School Employees' Defined Contribution Trust.--The
30 School Employees' Defined Contribution Trust is established as

1 part of the plan in accordance with this part. The trust shall
2 be comprised of the individual investment accounts, all assets
3 and moneys in those accounts and any assets and monies held by
4 the board as part of the plan that are not allocated to the
5 individual investment accounts. The members of the board shall
6 be the trustees of the trust, which shall be administered
7 exclusively for the benefit of those school employees who
8 participate in the plan and their beneficiaries within the
9 meaning of and in conformity with IRC § 401(a). The board shall
10 determine the terms and provisions of the trust not inconsistent
11 with this part, the IRC and other applicable law and shall
12 provide for the investment and administration of the trust.

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

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

1 that, any other law to the contrary notwithstanding, the board
2 may establish a nominee registration procedure for the purpose
3 of registering securities to facilitate the purchase, sale or
4 other disposition of securities under the provisions of this
5 part.

6 § 8402. Plan document.

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

18 § 8403. Individual investment accounts.

19 The board:

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

28 (2) Shall separately track participant contributions,
29 including investment gains and losses, and employer
30 contributions, including investment gains and losses, but all

1 interest, investment gains and losses and administrative
2 fees, costs and expenses shall be allocated proportionately.

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

8 § 8404. Participant contributions.

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

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

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

1 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 school service rendered by an active participant shall be picked
7 up by the employer and shall be treated as the employer's
8 contribution for purposes of IRC § 414(h). After the effective
9 date of this section, an employer employing a participant in the
10 plan shall pick up the required mandatory participant
11 contributions by a reduction in the compensation of the
12 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 thereon shall be refunded to the employer by the board.
16 § 8407. Eligibility for benefits.

17 (a) Termination of service.--A participant who terminates
18 school service shall be eligible to withdraw the vested
19 accumulated total defined contributions standing to the
20 participant's credit in the participant's individual investment
21 account or a lesser amount as the participant may request.
22 Payment shall be made in a lump sum unless the board has
23 established other forms of distribution in the plan document. A
24 participant who withdraws the vested accumulated total defined
25 contributions shall no longer be a participant in the plan,
26 notwithstanding that the former school employee may continue to
27 be a member of the system with Class T-G or Class T-H service
28 credit, or may contract to receive an annuity or other form of
29 payment from a provider retained by the board for such purposes.

30 (b) Required distributions.--All payments under this section

1 shall start and be made in compliance with the minimum
2 distribution requirements and incidental death benefit rules of
3 IRC § 401(a) (9). The board shall take any action and make any
4 distributions it may determine are necessary to comply with
5 those requirements.

6 (c) Prohibited distributions.--A school employee must be
7 terminated from all positions that result in either membership
8 in the system or participation in the plan to be eligible to
9 receive a distribution.

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

14 (e) Small individual investment accounts.--A participant who
15 terminates school 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 § 8408. 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 provided in the plan document.

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

11 § 8409. Vesting.

12 (a) Participant and voluntary contributions.--Subject to the
13 forfeiture and attachment provisions of section 8533 (relating
14 to taxation, attachment and assignment of funds) or otherwise as
15 provided by law, a participant shall be immediately vested with
16 respect to all mandatory pickup participant contributions and
17 voluntary contributions paid by or on behalf of the participant
18 to the trust plus interest and investment gains or losses on the
19 participant contributions but minus investment fees and
20 administrative charges.

21 (b) Employer defined contributions.--

22 (1) Subject to the forfeiture and attachment provisions
23 of section 8533 or otherwise as provided by law, a
24 participant shall be vested with respect to employer defined
25 contributions paid to the participant's individual investment
26 account in the trust plus interest and investment gains or
27 losses on the employer defined contributions but minus
28 investment fees and administrative charges according to the
29 following schedule:

30 (i) until such time as the participant has earned

1 three eligibility points as a member of the plan, 0%; or
2 (ii) at and after the attainment of three
3 eligibility points as a member of the plan, 100%.

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

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

13 (c) USERRA leave and eligibility points.--A participant in
14 the plan who is reemployed from USERRA leave or who dies while
15 performing USERRA leave shall receive eligibility points under
16 this section for the school service that would have been
17 performed had the member not performed USERRA leave.

18 § 8410. Termination of distributions.

19 (a) Return to school service.--

20 (1) A participant receiving distributions or an inactive
21 participant who returns to school service shall cease
22 receiving distributions and shall not be eligible to receive
23 distributions until the participant subsequently terminates
24 school service, without regard to whether the participant is
25 a mandatory, optional or prohibited member of the system or
26 participant in the plan.

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

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

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

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

17 § 8411. Powers and duties of board.

18 The board, in addition to its powers and duties set forth in
19 Chapter 85 (relating to administration and miscellaneous
20 provisions), shall have the following powers and duties to
21 establish the plan and trust and to administer the provisions of
22 this part:

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

25 (2) The board shall pay all administrative fees, costs
26 and expenses of managing, investing and administering the
27 plan, the trust and the individual investment accounts from
28 the balance of such individual investment accounts, except as
29 otherwise provided in this part or as the General Assembly
30 otherwise provides through appropriations from the General

1 Fund.

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

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

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

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

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

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

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

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

27 (11) The board shall determine what constitutes a
28 termination of school service.

29 (12) The board may establish procedures for
30 distributions of small accounts as required or permitted by

1 IRC.

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

6 (i) Procedures by which eligible participants may
7 change voluntary contribution amounts or their investment
8 choices on a periodic basis or make other elections
9 regarding their participation in the plan.

10 (ii) Procedures for deducting mandatory pickup
11 participant contributions and voluntary contributions
12 from a participant's compensation.

13 (iii) Procedures for rollovers and trustee-to-
14 trustee transfers allowed under the IRC and permitted by
15 the board as part of the plan.

16 (iv) Standards and criteria for providing not less
17 than ten options which are offered by three or more
18 providers of investment options to eligible individuals
19 regarding investments of amounts deferred under the plan.
20 The standards and criteria must provide for a variety of
21 investment options and shall be reviewed in accordance
22 with criteria established by the board.

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

29 (vi) Procedures, standards and criteria for the
30 making of distributions from the plan upon termination

1 from employment or death or in other circumstances
2 consistent with the purpose of the plan.

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

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

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

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

18 (18) The board may establish procedures in the plan
19 document for automatic increases in a participant's voluntary
20 contributions, whether or not the participant is then making
21 voluntary contributions, and procedures for a participant to
22 elect not to have increased voluntary contributions.

23 § 8411.1. Relation of administrators of School Employees'
24 Defined Contribution Plan to providers of 403(b)
25 plans.

26 (a) General rule.--A financial institution or pension
27 management organization entering into a written agreement under
28 section 8411 (relating to powers and duties of board) may offer
29 or provide services to any plan established or maintained by a
30 school district under IRC § 403(b) or 457 if the written

1 agreement for the administration of the School Employees'
2 Defined Contribution Plan is not combined with any other written
3 agreement for the administration of a school district's 403(b)
4 plan or 457 plan. Each school district that provides a 403(b)
5 plan shall make available, in the manner provided by subsection
6 (c), to participants, multiple financial institutions or pension
7 management organizations that have not entered into a written
8 agreement to section 8411 and which provide services to the
9 school district's 403(b) plan or 457 plan.

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

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

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

26 (c) Provider selection.--A school district that establishes
27 or maintains a plan under IRC § 403(b) or 457 shall select a
28 minimum of four financial institutions or pension management
29 organizations, in addition to the financial institution or
30 pension management organization that entered into an agreement

1 under section 8411, to provide services to the 403(b) plan or
2 457 plan. If fewer than four such additional financial
3 institutions or pension management organizations are determined
4 to be available or able to meet the requirements established in
5 this section, then the school district shall select the number
6 of available providers able to meet the school district's
7 requirements. A financial institution or pension management
8 organization shall be designated a 403(b) plan or 457 plan
9 provider if the financial institution or pension management
10 organization enters into an agreement in accordance with
11 subsection (b).

12 § 8412. Responsibility for investment loss.

13 The Commonwealth, the board, an employer or a school entity
14 or other political subdivision shall not be responsible for any
15 investment loss incurred under the plan or for the failure of
16 any investment to earn any specific or expected return or to
17 earn as much as any other investment opportunity or to cost less
18 than any other investment opportunity, whether or not such other
19 opportunity was offered to participants in the plan.

20 § 8413. Investments based on participant's investment
21 allocation choices.

22 (a) Investment by participant.--All contributions, interest
23 and investment earnings shall be invested based on a
24 participant's investment allocation choices, provided that the
25 board may provide for a default investment option. All
26 investment allocation choices shall be credited proportionally
27 between contributions from the participant and employer defined
28 contributions. Each participant shall be credited individually
29 with the amount of contributions, interest and investment
30 earnings.

1 (b) Investment of contributions made by entities other than
2 Commonwealth.--Investment of contributions by any corporation,
3 institution, insurance company, custodial bank or other entity
4 that the board has approved shall not be unreasonably delayed,
5 and in no case shall the investment of contributions be delayed
6 more than 30 days from the date of payroll deduction or
7 voluntary contributions are made to the date that funds are
8 invested. Any interest earned on the funds pending investment
9 shall be used to pay administrative costs and fees that would
10 otherwise be required to be borne by participants who are then
11 participating in the plan or that are funded by contributions
12 from the employers.

13 § 8414. Expenses.

14 All expenses, fees and costs of administering the plan and
15 the trust and investing the assets of the trust shall be borne
16 by the participants and paid from assessments against the
17 balances of the individual investment accounts as established by
18 the board, except that for fiscal years 2016-2017 and 2017-2018,
19 the expenses, fees and costs of establishing and administering
20 the plan and trust shall be paid by the Commonwealth through
21 annual appropriations.

22 § 8415. Tax qualification.

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

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

28 (1) (i) Except as provided under subparagraph (ii) and
29 notwithstanding a provision of this part, a contribution
30 or benefit related to the plan may not exceed a

1 limitation under IRC § 415 with respect to a governmental
2 plan that is in effect on the date the contribution or
3 benefit payment takes effect.

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

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

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

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

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

27 § 8501. Public School Employees' Retirement Board.

28 (a) Status and membership.--The board shall be an
29 independent administrative board and shall consist of 15
30 members: the Secretary of Education, ex officio; the State

1 Treasurer, ex officio; the Secretary of Banking and Securities,
2 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] one to be appointed
5 by 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 participants of the
10 plan who have terminated school service and are receiving or are
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 his 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 employer of any such member shall provide leave to
4 allow such member to execute the duties of the board, including
5 but not limited to, attendance at the location of all regular
6 and special board and committee meetings. The members of the
7 board who are not members of either the school system or the
8 State Employees' Retirement System may be paid \$100 per day when
9 attending meetings and all board members shall be reimbursed for
10 any necessary expenses. However, when the duties of the board as
11 mandated are not executed, no compensation or reimbursement for
12 expenses of board members shall be paid or payable during the
13 period in which such duties are not executed.

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

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

24 § 8502. Administrative duties of board.

25 (a) Employees.--

26 (1) Effective 30 days after the effective date of this
27 paragraph, the positions of secretary, assistant secretary
28 and investment professional shall be placed under the
29 unclassified service provisions of the act of August 5, 1941
30 (P.L.752, No.286), known as the Civil Service Act, as those

1 positions are vacated. All other positions of the board shall
2 be placed in either the classified or unclassified service
3 according to the definition of the terms under the Civil
4 Service Act.

5 (2) Notwithstanding any other provision of law, the
6 compensation of investment professionals shall be established
7 by the board. The compensation of all other officers and
8 employees of the board who are not covered by a collective
9 bargaining agreement shall be established by the board
10 consistent with the standards of compensation established by
11 the Executive Board of the Commonwealth.

12 (3) The board may utilize the staff of employees
13 provided for under this subsection for both the system and
14 the plan, but shall allocate the fees, costs and expenses
15 incurred under this subsection between the system and the
16 plan as appropriate.

17 (b) Professional personnel.--

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

22 (2) The board may utilize the same individuals and firms
23 contracted under this subsection for both the system and the
24 plan but shall allocate the fees, costs and expenses incurred
25 under this subsection between the system and the plan as
26 appropriate.

27 (c) Expenses.--

28 (1) The board shall, through the Governor, submit to the
29 General Assembly annually a budget covering the
30 administrative expenses of [this part.] the system and a

1 separate budget covering the administrative expenses of the
2 plan. The separate budgets shall include those expenses
3 necessary to establish the plan and trust.

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

7 (3) For fiscal years beginning on or after July 1, 2018,
8 the expenses of the plan as approved by the General Assembly
9 shall be paid from interest, under section 8413(b) (relating
10 to investments based on participant's investment allocation
11 choices) or assessments on the balances of the participants'
12 individual investment accounts or as otherwise provided in
13 this part.

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

24 * * *

25 (e) Records.--

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

30 (2) Any record, material or data received, prepared,

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

8 (i) in the case of an alternative investment or
9 alternative investment vehicle involve the release of
10 sensitive investment or financial information relating to
11 the alternative investment or alternative investment
12 vehicle which the fund or trust was able to obtain only
13 upon agreeing to maintain its confidentiality;

14 (ii) cause substantial competitive harm to the
15 person from whom sensitive investment or financial
16 information relating to the investment was received; or

17 (iii) have a substantial detrimental impact on the
18 value of an investment to be acquired, held or disposed
19 of by the fund or trust, or would cause a breach of the
20 standard of care or fiduciary duty set forth in this
21 part.

22 (3) The following apply:

23 (i) The sensitive investment or financial
24 information excluded from [inspection] access under
25 paragraph (2)(i), to the extent not otherwise excluded
26 from [inspection] access, shall constitute a public
27 record subject to public [inspection] access under the
28 Right-to-Know Law once the board is no longer required by
29 its agreement to maintain confidentiality.

30 (ii) The sensitive investment or financial

1 information excluded from [inspection] access under
2 paragraph (2)(ii), to the extent not otherwise excluded
3 from [inspection] access, shall constitute a public
4 record subject to public [inspection] access under the
5 Right-to-Know Law once:

6 (A) the [inspection] access no longer causes
7 substantial competitive harm to the person from whom
8 the information was received; or

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

11 whichever is later.

12 (iii) The sensitive investment or financial
13 information excluded from [inspection] access under
14 paragraph (2)(iii), to the extent not otherwise excluded
15 from [inspection] access, shall constitute a public
16 record subject to public [inspection] access under the
17 Right-to-Know Law once:

18 (A) the [inspection] access no longer has a
19 substantial detrimental impact on the value of an
20 investment of the fund or trust and would not cause a
21 breach of the standard of care or fiduciary duty set
22 forth in this part; or

23 (B) the entity in which the investment was made
24 is liquidated;

25 whichever is later.

26 (4) Except for the provisions of paragraph (3), nothing
27 in this subsection shall be construed to designate any
28 record, material or data received, prepared, used or retained
29 by the board or its employees, investment professionals or
30 agents relating to an investment as a public record subject

1 to public [inspection] access under the Right-to-Know Law.

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

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

8 (ii) The identity of the manager of the alternative
9 investment vehicle.

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

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

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

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

27 (vii) The aggregate value of the remaining portfolio
28 assets attributable to the system's or plan's investment
29 in the alternative investment vehicle, provided that the
30 system or plan shall not be required to disclose the

1 value under circumstances in which, because of the
2 limited number of portfolio assets remaining in the
3 alternative investment vehicle, the disclosure could
4 reveal the values of specifically identifiable remaining
5 portfolio assets to the detriment of the alternative
6 investment.

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

10 (6) Any record, material or data received, prepared,
11 used or retained by the board or its employees or agents
12 relating to the contributions, account value or benefits
13 payable to or on account of a participant shall not
14 constitute a public record subject to public access under the
15 Right-to-Know Law, if, in the reasonable judgment of the
16 board, the access would disclose any of the following:

17 (i) The existence, date, amount and any other
18 information pertaining to the voluntary contributions,
19 including rollover contributions and trustee-to-trustee
20 transfers, of any participant.

21 (ii) The investment option selections of any
22 participant.

23 (iii) The balance of a participant's individual
24 investment account, including the amount distributed to
25 the participant, and any investment gains or losses, or
26 rates of return.

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

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

30 (7) The following shall apply:

1 (i) Nothing in this part shall be construed to mean
2 that the release or publicizing of a record, material or
3 data that would not constitute a public record under this
4 subsection shall be a violation of the board's fiduciary
5 duties.

6 (ii) This subsection shall apply to a record,
7 material or data under this subsection, notwithstanding
8 whether:

9 (A) the record, material or data was created,
10 generated or stored before the effective date of this
11 section;

12 (B) the record, material or data was previously
13 released or made public; or

14 (C) a request for the record, material or data
15 was made or is pending final response under the
16 former act of June 21, 1957 (P.L.390, No.212),
17 referred to as the Right-to-Know Law, or the Right-
18 to-Know Law.

19 * * *

20 (h) Regulations and procedures.--The board shall, with the
21 advice of the Attorney General and the actuary, adopt and
22 promulgate rules and regulations for the uniform administration
23 of the system. The actuary shall approve in writing all
24 computational procedures used in the calculation of
25 contributions and benefits pertaining to the system, and the
26 board shall by resolution adopt such computational procedures,
27 prior to their application by the board. Such rules, regulations
28 and computational procedures as so adopted from time to time and
29 as in force and effect at any time, together with such tables as
30 are adopted and published pursuant to subsection (j) as

1 necessary for the calculation of annuities and other benefits,
2 shall be as effective as if fully set forth in this part. Any
3 actuarial assumption specified in or underlying any such rule,
4 regulation or computational procedure and utilized as a basis
5 for determining any benefit shall be applied in a uniform
6 manner.

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

15 (j) Actuarial investigation and valuation.--The board shall
16 have the actuary make an annual valuation of the various
17 accounts of the fund within six months of the close of each
18 fiscal year. In the fiscal year 1975 and in every fifth year
19 thereafter, the board shall have the actuary conduct an
20 actuarial investigation and evaluation of the system based on
21 data including the mortality, service, and compensation
22 experience provided by the board annually during the preceding
23 five years concerning the members and beneficiaries of the
24 system. The board shall by resolution adopt such tables as are
25 necessary for the actuarial valuation of the fund and
26 calculation of contributions, annuities, and other benefits
27 based on the reports and recommendations of the actuary. Within
28 30 days of their adoption, the secretary of the board shall
29 cause those tables which relate to the calculation of annuities
30 and other benefits to be published in the Pennsylvania Bulletin

1 in accordance with the provisions of 45 Pa.C.S. § 725(a)
2 (relating to additional contents of Pennsylvania Bulletin) and,
3 unless the board specifies therein a later effective date, such
4 tables shall become effective on such publication. The board
5 shall include a report on the significant facts, recommendations
6 and data developed in each five-year actuarial investigation and
7 evaluation of the system in the annual financial statement
8 published pursuant to the requirements of subsection (n) for the
9 fiscal year in which such investigation and evaluation were
10 concluded.

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

1 under section 8321(b) (relating to regular member contributions
2 for current service), which shall be paid to the fund and
3 credited to the appropriate accounts. These certifications shall
4 be regarded as final and not subject to modification by the
5 Secretary of the Budget.

6 * * *

7 (m) Member contributions and interest.--The board shall
8 cause each member's contributions, including payroll deductions,
9 pickup contributions, shared-risk contributions and all other
10 payments, including, but not limited to, amounts collected by
11 the State Employees' Retirement System for the reinstatement of
12 previous school service or creditable nonschool service and
13 amounts paid to return benefits paid after the date of return to
14 school service or entering State service representing lump sum
15 payments made pursuant to section 8345(a)(4)(iii) (relating to
16 member's options) and member's annuity payments, but not
17 including other benefits returned pursuant to section 8346(a.1)
18 and (a.2) (relating to termination of annuities), to be credited
19 to the account of such member and shall pay all such amounts
20 into the fund. Such contributions shall be credited with
21 statutory interest until date of termination of service, except
22 in the case of a vestee, who shall have such interest credited
23 until the effective date of retirement or until the return of
24 his accumulated deductions, if he so elects; and in the case of
25 a multiple service member who shall have such interest credited
26 until termination of service in both the school and the State
27 systems.

28 (n) Annual financial [statement] statements.--The board
29 shall prepare and have published, on or before January 1 of each
30 year, [a financial statement] financial statements as of the

1 fiscal year ending June 30 of the previous year showing the
2 condition of the fund, the trust and the various accounts,
3 including, but not limited to, the board's accrual and
4 expenditure of directed commissions, and setting forth such
5 other facts, recommendations and data as may be of use in the
6 advancement of knowledge concerning annuities and other benefits
7 provided by this part. The board shall submit said financial
8 [statement] statements to the Governor and shall make copies
9 available to the employers for the use of the school employees
10 and the public.

11 (o) Independent [audit] audits.--The board shall provide for
12 [an annual audit] annual audits of the system and the plan by an
13 independent certified public accounting firm[, which audit]. The
14 audits shall include the board's accrual and expenditure of
15 directed commissions. The board may use the same independent
16 certified public accounting firm for the audits of both the
17 system and the plan.

18 * * *

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

1 Section 115. Section 8502.2(a) of Title 24 is amended to
2 read:

3 § 8502.2. Health insurance.

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

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

13 (2) Determination of the benefits structure.

14 (3) Determination of enrollment procedures.

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

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

20 * * *

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

25 § 8503. Duties of board to advise and report to employers [and
26 members], members and participants.

27 * * *

28 (b) Member status statements.--The board shall furnish
29 annually on or before December 31, a statement to each member
30 showing the accumulated deductions standing to the credit of the

1 member and the number of years and fractional part of a year of
2 service credited in each class of service, as applicable, as of
3 June 30 of that year. Each member's statement shall include a
4 request that the member make any necessary corrections or
5 revisions regarding his designated beneficiary, whose name at
6 the request of the member shall remain confidential and not
7 appear on this statement.

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

18 * * *

19 § 8505. Duties of board regarding applications and elections of
20 members and participants.

21 * * *

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

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

4 * * *

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

13 * * *

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

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

1 such benefits to the executor, administrator, surviving spouse
2 or next-of-kin of the deceased member or participant, and
3 payment pursuant hereto shall fully discharge the fund or plan
4 from any further liability to make payment of such benefits to
5 any other person.

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

20 * * *

21 § 8506. Duties of employers.

22 (a) Status of members and participants.--The employer shall,
23 each month, notify the board in a manner prescribed by the board
24 of the salary changes effective during the past month, the date
25 of all removals from the payroll, and the type of leave of any
26 member or participant who has been removed from the payroll for
27 any time during that month, and:

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

1 leave;

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

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

11 * * *

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

30 (d) New employees subject to mandatory membership or

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

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

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

30 * * *

1 (i) Termination of service by members.--The employer shall,
2 in the case of any member terminating school service, advise
3 such member in writing of any benefits from the system to which
4 he may be entitled under the provisions of this part and shall
5 have the member prepare, on or before the date of termination of
6 school service, one of the following three forms, a copy of
7 which shall be given to the member and the original of which
8 shall be filed with the board:

9 (1) An application for the return of accumulated
10 deductions.

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

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

21 * * *

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

25 (1) Any school employee who:

26 (i) ceases to be an active member or active
27 participant to perform USERRA service; or

28 (ii) is granted a leave of absence under 51 Pa.C.S.
29 § 4102 (relating to leaves of absence for certain
30 government employees) or a military leave of absence

1 under 51 Pa.C.S. § 7302 (relating to granting military
2 leaves of absence).

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

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

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

9 (1) Differential wage payments and military leave of absence
10 payments.--Notwithstanding the exclusion of differential wage
11 payments as defined in IRC § 414(u)(12) from compensation under
12 this part, the employer of any school employee on USERRA leave
13 shall report differential wage payments made to the employee to
14 the board, and the employer of any school employee on leave of
15 absence under 51 Pa.C.S. § 4102 shall report any payment made to
16 the employee in the form and manner established by the board.
17 § 8507. Rights and duties of school employees [and members],
18 members and participants.

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

1 benefits based on erroneous information or on any of the
2 required information which he failed to provide. In any case in
3 which the board finds that a member or participant is receiving
4 an annuity based on false information, the additional amounts
5 received predicated on such false information together with
6 statutory interest doubled and compounded shall be deducted from
7 the present value of any remaining benefits to which the member
8 or participant is legally entitled and such remaining benefits
9 shall be correspondingly decreased.

10 * * *

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

23 (d.3) Voluntary contributions by a participant.--Any
24 participant who desires to make voluntary contributions to be
25 credited to his individual investment account shall notify the
26 board and, upon compliance with the requirements, procedures and
27 limitations established by the board in the plan document, may
28 do so subject to the limitations under IRC §§ 401(a) and 415 and
29 other applicable law.

30 (e) Beneficiary for death benefits from system.--Every

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

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

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

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

27 (1) Withdraw his accumulated deductions.

28 (2) Vest his retirement rights, if eligible, and if he
29 is a joint coverage member, and so desires, elect to become a
30 full coverage member and agree to pay within 30 days of the

1 date of termination of service the lump sum required.

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

6 * * *

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

15 * * *

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

24 * * *

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

27 § 8521. Management of fund and accounts.

28 * * *

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

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

16 * * *

17 § 8522. Public School Employees' Retirement Fund.

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

1 health insurance account).

2 (b) Individual investment accounts and trust.--The
3 individual investment accounts that are part of the trust are
4 not 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 instead shall be paid to the trust and credited
9 to the individual investment accounts.

10 § 8524. State accumulation account.

11 The State accumulation account shall be the ledger account to
12 which shall be credited all contributions of the Commonwealth
13 and other employers as well as the earnings of the fund, except
14 the premium assistance contributions and earnings thereon in the
15 health insurance account. Valuation interest shall be allowed on
16 the total amount of such account less any earnings of the fund
17 credited during the year. The reserves necessary for the payment
18 of annuities and death benefits resulting from membership in the
19 system as approved by the board and as provided in Chapter 83
20 (relating to membership, contributions and benefits) shall be
21 transferred from the State accumulation account to the annuity
22 reserve account. At the end of each year the required interest
23 shall be transferred from the State accumulation account to the
24 credit of the members' savings account and the annuity reserve
25 account. The administrative expenses of the board shall be
26 charged to the State accumulation account. Employer defined
27 contributions, mandatory pickup contributions and a
28 participant's voluntary contributions, together with any income
29 or interest earned thereon, may be temporarily placed into the
30 State accumulation account pending allocation or distribution

1 to the participant's individual investment account.

2 § 8525. Annuity reserve account.

3 (a) Credits and charges to account.--The annuity reserve
4 account shall be the ledger account to which shall be credited
5 the reserves held for the payment of annuities and death
6 benefits resulting from membership in the system on account of
7 all annuitants and the contributions from the Commonwealth and
8 other employers as determined in accordance with section 8328
9 (relating to actuarial cost method) for the payment of the
10 supplemental annuities provided in sections 8348 (relating to
11 supplemental annuities), 8348.1 (relating to additional
12 supplemental annuities), 8348.2 (relating to further additional
13 supplemental annuities), 8348.3 (relating to supplemental
14 annuities commencing 1994), 8348.4 (relating to special
15 supplemental postretirement adjustment), 8348.5 (relating to
16 supplemental annuities commencing 1998), 8348.6 (relating to
17 supplemental annuities commencing 2002) and 8348.7 (relating to
18 supplemental annuities commencing 2003). The annuity reserve
19 account shall be credited with valuation interest. After the
20 transfers provided in sections 8523 (relating to members'
21 savings account) and 8524 (relating to State accumulation
22 account), all annuity and death benefit payments shall be
23 charged to the annuity reserve account and paid from the fund.

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

1 transferred to the members' savings account shall be transferred
2 from the annuity reserve account to the State accumulation
3 account.

4 § 8531. State guarantee regarding the system.

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

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

18 § 8533. Taxation, attachment and assignment of funds.

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

29 (a.1) Individual investment accounts and distributions.--No
30 participant or beneficiary, successor payee or alternate payee

1 of a participant shall have the ability to commute, sell,
2 assign, alienate, anticipate, mortgage, pledge, hypothecate,
3 commutate or otherwise transfer or convey any benefit or
4 interest in an individual investment account or rights to
5 receive or direct distributions under this part or under
6 agreements entered into under this part except as otherwise
7 provided in this part and in the case of either a member or a
8 participant.

9 (b) Forfeiture.--

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

16 (2) In accordance with section 16(b) of Article V of the
17 Constitution of Pennsylvania and notwithstanding paragraph
18 (1), the Public Employee Pension Forfeiture Act or 42 Pa.C.S.
19 § 3352 (relating to pension rights), the accumulated
20 mandatory participant contributions and accumulated voluntary
21 contributions standing to the credit of a participant shall
22 not be forfeited but shall be available for payment of fines
23 and restitution as provided by law. Amounts in the trust that
24 have been ordered to be distributed to an alternate payee as
25 the result of an equitable distribution of marital property
26 as part of an approved domestic relations order entered
27 before the date of the order or action in a court or other
28 tribunal resulting in a forfeiture of a participant's
29 interest in the trust shall not be subject to the Public
30 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any

1 accumulated employer defined contributions forfeited as a
2 result of this subsection or other law shall be retained by
3 the board and used for the payment of expenses of the plan.

4 * * *

5 (d) Direct rollover.--Effective with distributions made on
6 or after January 1, 1993, and notwithstanding any other
7 provision of this part to the contrary, a distributee may elect,
8 at the time and in the manner prescribed by the board, to have
9 any portion of an eligible rollover distribution paid directly
10 to an eligible retirement plan by way of a direct rollover. For
11 purposes of this subsection, a "distributee" includes a member
12 [and], a participant, a member's surviving spouse [and], a
13 participant's surviving spouse, a member's former spouse who is
14 an alternate payee under an approved domestic relations
15 order[.], a participant's former spouse who is an alternate
16 payee under an approved domestic relations order and anyone else
17 authorized under IRC and the plan terms approved by the board to
18 have an eligible rollover distribution paid directly to an
19 eligible retirement plan by way of a direct rollover. For
20 purposes of this subsection, the term "eligible rollover
21 distribution" has the meaning given such term by IRC § 402(f)(2)
22 (A) and "eligible retirement plan" has the meaning given such
23 term by IRC § 402(c)(8)(B), except that a qualified trust shall
24 be considered an eligible retirement plan only if it accepts the
25 distributee's eligible rollover distribution; however, in the
26 case of an eligible rollover distribution to a surviving spouse,
27 an eligible retirement plan is an "individual retirement
28 account" or an "individual retirement annuity" as those terms
29 are defined in IRC § 408(a) and (b).

30 Section 119. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)

1 of Title 24 are amended to read:

2 § 8533.1. Approval of domestic relations orders.

3 (a) Certification regarding members.--A domestic relations
4 order pertaining to a member of the system shall be certified as
5 an approved domestic relations order by the secretary of the
6 board, or his designated representative, only if such order
7 meets all of the following:

8 (1) Requires the system to provide any type or form of
9 benefit or any option applicable to members already provided
10 under this part.

11 (2) Requires the system to provide no more than the
12 total amount of benefits than the member would otherwise
13 receive (determined on the basis of actuarial value) unless
14 increased benefits are paid to the member or alternate payee
15 based upon cost-of-living increases or increases based on
16 other than actuarial value.

17 (3) Specifies the amount or percentage of the member's
18 benefits to be paid by the system to each such alternate
19 payee or the manner in which the amount or percentage is to
20 be determined.

21 (4) Specifies the retirement option to be selected by
22 the member upon retirement or states that the member may
23 select any retirement option offered by this part upon
24 retirement.

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

30 (6) Does not grant an alternate payee any of the rights,

1 options or privileges of a member under this part.

2 (7) Requires the member to execute an authorization
3 allowing each alternate payee to monitor the member's
4 compliance with the terms of the domestic relations order
5 through access to information concerning the member
6 maintained by the system. An authorization granted under this
7 section shall be construed as an authorization for the
8 alternate payee to receive information concerning the
9 administration, calculation and payment of the alternate
10 payee's share of the benefits payable under this part and not
11 as an authorization to exercise the rights afforded to
12 members or obtain information that is not related to the
13 administration, calculation and payment of alternate payee's
14 share of the benefits payable under this part.

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

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

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

27 (3) Does not require the plan to recover or distribute
28 any funds that were distributed to the participant or at the
29 participant's direction prior to the approval of the domestic
30 relations order by the secretary of the board or his

1 designated representative.

2 (4) Requires the plan to pay to the alternate payee no
3 more than the lesser of the vested amount of the
4 participant's individual investment account specified by the
5 domestic relations order or the vested amount of the
6 participant's individual investment account as of the date of
7 the transfer of the alternate payee's share to the alternate
8 payee.

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

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

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

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

26 (9) Requires the participant to execute an authorization
27 allowing each alternate payee to monitor the participant's
28 compliance with the terms of the domestic relations order
29 through access to information concerning the participant
30 maintained by the plan. Any authorization granted under this

1 section shall be construed as an authorization for the
2 alternate payee to receive information concerning the
3 participant that relates to the administration, calculation
4 and payment of the alternate payee's share of the
5 participant's account and not as an authorization to exercise
6 the rights afforded to participants or obtain information
7 that is not related to the administration, calculation and
8 payment of alternate payee's share of the participant's
9 individual investment account.

10 (10) Requires the immediate distribution of the
11 alternate payee's share of the participant's individual
12 investment account, which may be made by direct payment,
13 eligible rollover or trustee-to-trustee transfer to another
14 eligible plan or qualified account owned by the alternate
15 payee.

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

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

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

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

29 (d) Obligation discharged.--Only the requirements of this
30 part and any regulations promulgated hereunder shall be used to

1 govern the approval or disapproval of a domestic relations
2 order. Therefore, if the secretary of the board, or his
3 designated representative, acts in accordance with the
4 provisions of this part and any promulgated regulations in
5 approving or disapproving a domestic relations order, then the
6 obligations of the system or plan with respect to such approval
7 or disapproval shall be discharged.

8 § 8533.2. Irrevocable beneficiary.

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

23 § 8533.3. Irrevocable survivor annuitant.

24 Notwithstanding any other provisions of this part, a domestic
25 relations order may provide for an irrevocable survivor
26 annuitant pertaining to a member. A domestic relations order
27 requiring the designation of an irrevocable survivor annuitant
28 of a member of the fund shall be deemed to be one that requires
29 a member to designate an alternate payee as a survivor annuitant
30 and that prohibits the removal or change of that survivor

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

10 § 8533.4. Amendment of approved domestic relations orders.

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

17 * * *

18 Section 120. Title 24 is amended by adding a section to
19 read:

20 § 8533.5. Irrevocable successor payee.

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

26 (b) Determination.--A domestic relations order requiring the
27 designation of an irrevocable successor payee shall be deemed to
28 be one that requires a participant who is receiving payments
29 from an annuity or other distribution option to designate an
30 alternate payee as a successor payee and that prohibits the

1 removal or change of that successor payee without approval of a
2 court of competent jurisdiction, except by operation of law.

3 (c) Certification.--A domestic relations order under
4 subsection (b) may be certified as an approved domestic
5 relations order by the secretary of the board, or his designated
6 representative, in which case the irrevocable successor payee so
7 ordered by the court cannot be changed by the participant
8 without approval by the court.

9 (d) Ineligibility.--A person ineligible to be designated as
10 a successor payee may not be designated as an irrevocable
11 successor payee. A court may not name an irrevocable successor
12 payee if the alternate payee is eligible to receive a lump sum
13 distribution of the alternate payee's portion of the marital
14 portion of the pension benefit.

15 Section 121. Sections 8534 and 8535 of Title 24 are amended
16 to read:

17 § 8534. Fraud and adjustment of errors.

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

23 (b) Adjustment of errors.--Should any change or mistake in
24 records result in any member, participant, beneficiary, [or]
25 survivor annuitant or successor payee receiving from the system
26 or plan more or less than he would have been entitled to receive
27 had the records been correct, then regardless of the intentional
28 or unintentional nature of the error and upon the discovery of
29 such error, the board shall correct the error and if the error
30 affects contributions to or payments from the system, then so

1 far as practicable shall adjust the payments which may be made
2 for and to such person in such a manner that the actuarial
3 equivalent of the benefit to which he was correctly entitled
4 shall be paid. If the error affects contributions to or payments
5 from the plan, the board shall take such action as shall be
6 provided for in the plan document.

7 § 8535. Payments to school entities by Commonwealth.

8 For each school year beginning with the 1995-1996 school year
9 and ending with the 2017-2018 school year, each school entity
10 shall be paid by the Commonwealth for contributions based upon
11 school service of active members of the system after June 30,
12 1995, as follows:

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

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

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

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

22 § 8535.1. Payments to school entities by Commonwealth
23 commencing with the 2018-2019 school year.

24 For each school year, beginning with the 2018-2019 school
25 year, each school entity shall be paid by the Commonwealth for
26 contributions based upon school service of active members of the
27 system and active participants of the plan after June 30, 2017,
28 as follows:

29 (1) The Commonwealth shall pay each school entity for
30 contributions made to the fund or the trust based upon school

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

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

28 (3) School entities shall have up to five days after
29 receipt of the Commonwealth's portion of the employer's
30 liability to forward the payment to the fund or the trust.

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

7 (4) Employers whose payments to the Public School
8 Employees' Retirement Fund are delinquent shall be charged
9 interest by the Public School Employees' Retirement Fund at
10 the annual interest rate adopted by the board under section
11 8328 (relating to actuarial cost method) in effect in the
12 fiscal year in which the payments are required to be paid.

13 § 8537. Internal Revenue Code limitations.

14 Notwithstanding any provisions of this part to the contrary,
15 no contribution or benefit related to the School Employees'
16 Defined Contribution Plan may be made or payable to the extent
17 that the contribution or benefit exceeds a limitation under IRC
18 § 415 in effect with respect to a "governmental plan" as defined
19 in IRC § 414(d) on the date the contribution or benefit payment
20 becomes effective. An increase in a limitation under IRC § 415
21 shall be applicable to all current and future participants.

22 § 8538. Public Pension Management and Asset Investment Review
23 Commission.

24 (a) Establishment.--A Public Pension Management and Asset
25 Investment Review Commission shall be established, which shall
26 be composed of five appointees, one appointed by each of the
27 following:

28 (1) The Governor.

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

30 (3) The Minority Leader of the Senate.

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

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

3 The appointees shall be investment professionals and retirement
4 advisors and shall be appointed within 90 days of the effective
5 date of this section.

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

8 (1) Study the performance of current investment
9 strategies and procedures of the Public School Employees'
10 Retirement System, comparing realized rates of return to
11 established benchmarks and considering associated fees paid
12 for active and passive management.

13 (2) Study the costs and benefits of both active and
14 passive investment strategies in relation to future
15 investment activities of the Public School Employees'
16 Retirement System.

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

20 (3.1) The commission shall evaluate and make
21 recommendations on:

22 (i) Improving investment fee transparency on
23 alternative investments as specified in the Standardized
24 Reporting Guidelines of the Institutional Limited
25 Partners Association.

26 (ii) Implementing the recommendations of the Society
27 of Actuaries Blue Ribbon Panel on stress testing, to test
28 the ability of the plan to withstand a period of
29 investment returns above or below the level of assumed
30 return.

1 (4) Publish extensive and detailed findings online,
2 including findings about:

3 (i) Assets.

4 (ii) Returns.

5 (iii) Financial managers.

6 (iv) Consultants.

7 (v) Requests for proposals.

8 (vi) Investment performance measured against
9 benchmarks.

10 (5) Report its findings and recommendations to the
11 Governor and the General Assembly within six months of its
12 first organizational meeting.

13 (c) Quorum.--A majority of appointed members shall
14 constitute a quorum for the purpose of conducting business. The
15 members shall select one of their number to be chairperson and
16 another to be vice chairperson.

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

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

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

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

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

28 (e) Information gathering.--The Public Pension Management
29 and Asset Investment Review Commission may conduct hearings and
30 otherwise gather pertinent information and analysis that it

1 considers appropriate and necessary to fulfill its duties.

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

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

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

13 Section 123. The definition of "eligible person" in section
14 8702(a) of Title 24 is amended to read:

15 § 8702. Definitions.

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

22 "Eligible person." An individual who is:

23 (1) an annuitant or survivor annuitant or the spouse or
24 dependent of an annuitant or survivor annuitant[.]; or

25 (2) a participant receiving distributions or a successor
26 payee, or the spouse or dependent of a participant receiving
27 distributions or a successor payee.

28 * * *

29 ARTICLE II

30 Section 201. Section 7306(a) introductory paragraph of Title

1 51 is amended and the section is amended by adding a subsection
2 to read:

3 § 7306. Retirement rights.

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

15 * * *

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

17 (1) An employee who is an active or inactive participant
18 of the School Employees' Defined Contribution Plan at the
19 time the employee is granted a military leave of absence
20 shall be entitled to make contributions to the School
21 Employees' Defined Contribution Trust for the leave as
22 provided in 24 Pa.C.S. Pt. IV (relating to retirement for
23 school employees).

24 (2) An employee who is an active participant or inactive
25 participant on leave without pay of the State Employees'
26 Defined Contribution Plan at the time he is granted a
27 military leave of absence shall be entitled to make
28 contributions to the State Employees' Defined Contribution
29 Trust for the leave as provided in 71 Pa.C.S. Pt. XXV
30 (relating to retirement for State employees and officers).

ARTICLE III

Section 301. (Reserved).

Section 302. The definitions of "alternate payee," "average noncovered salary," "beneficiary," "class of service multiplier," "compensation," "creditable nonstate service," "credited service," "date of termination of service," "distribution," "domestic relations order," "eligibility points," "final average salary," "inactive member," "intervening military service," "irrevocable beneficiary," "reemployed from USERRA leave," "regular member contributions," "required beginning date," "retirement counselor," "salary deductions," "shared-risk member contributions," "special vestee," "standard single life annuity," "State employee," "superannuation age," "valuation interest" and "vestee" in section 5102 of Title 71 are amended and the section is amended by adding definitions to read:

§ 5102. Definitions.

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

* * *

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

"Accumulated mandatory participant contributions." The total of the mandatory pickup participant contributions paid into the trust on account of a participant's State service together with

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

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

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

16 * * *

17 "Active participant." A State employee for whom mandatory
18 pickup participant contributions are being made to the trust or
19 for whom contributions otherwise required for State service
20 required to be credited in the plan are not being made solely by
21 reason of any provision of this part relating to the limitations
22 under section 401(a)(17) or 415 of the Internal Revenue Code of
23 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415).

24 * * *

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

30 * * *

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

8 * * *

9 "Beneficiary." [The] In the case of the system, the person
10 or persons last designated in writing to the board by a member
11 to receive his accumulated deductions or a lump sum benefit upon
12 the death of such member. In the case of the plan, the person or
13 persons last designated in writing to the board by the
14 participant to receive the participant's vested accumulated
15 total defined contributions or a lump sum benefit upon the death
16 of the participant.

17 * * *

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

19 (1) A sworn police officer.

20 (2) An enforcement officer.

21 (3) A wildlife conservation officer or other
22 commissioned law enforcement personnel employed by the
23 Pennsylvania Game Commission who has and exercises the same
24 law enforcement powers as a wildlife conservation officer.
25 The term shall not include a deputy wildlife conservation
26 officer.

27 (4) A Delaware River Port Authority policeman.

28 (5) A park ranger.

29 (6) A Capitol Police officer.

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

1 educational institution, community college or The
2 Pennsylvania State University.

3 (8) An installation police officer at Fort Indiantown
4 Gap or other designated Commonwealth military installation or
5 facility commissioned under 51 Pa.C.S. § 711 (relating to
6 installation of police officers for Fort Indiantown Gap and
7 other designated Commonwealth military installations and
8 facilities).

9 (9) A correction officer.

10 "Class of service multiplier."

11	Class of Service		Multiplier
12	A		1
13	AA	for all purposes	
14		except	
15		calculating	
16		regular member	
17		contributions on	
18		compensation	
19		paid prior to	
20		January 1, 2002	1.25
21	AA	for purposes of	
22		calculating	
23		regular member	
24		contributions	
25		on compensation	
26		paid prior to	
27		January 1, 2002	1
28	A-3	for all purposes	
29		except the	
30		calculation of	

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

1		<u>regular member</u>		
2		<u>contributions</u>		<u>1</u>
3	<u>A-6</u>	<u>for all purposes</u>		
4		<u>except the</u>		
5		<u>calculation of</u>		
6		<u>regular member</u>		
7		<u>contributions</u>		<u>.5</u>
8	<u>A-6</u>	<u>for purposes of</u>		
9		<u>calculating</u>		
10		<u>regular member</u>		
11		<u>contributions</u>		<u>.8</u>
12	B			.625
13	C			1
14	D			1.25
15	D-1	prior to January		
16		1, 1973		1.875
17	D-1	on and		
18		subsequent to		
19		January 1, 1973		1.731
20	D-2	prior to January		
21		1, 1973		2.5
22	D-2	on and		
23		subsequent to		
24		January 1, 1973		1.731
25	D-3	prior to January		
26		1, 1973		3.75
27	D-3	on and		
28		subsequent to		
29		January 1, 1973		1.731
30				except prior to December 1, 1974

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

1				of judicial
2				service
3	E, E-1	on and		
4		subsequent to		
5		January 1, 1973	1.50	for each of the
6				first ten years
7				of judicial
8				service and
9			1.125	for each
10				subsequent year
11				of judicial
12				service
13	E-2	prior to		
14		September 1,		
15		1973	1.5	
16	E-2	on and		
17		subsequent to		
18		September 1,		
19		1973	1.125	
20	G		0.417	
21	H		0.500	
22	I		0.625	
23	J		0.714	
24	K		0.834	
25	L		1.000	
26	M		1.100	
27	N		1.250	
28	T-C (Public School			
29	Employees'			
30	Retirement Code)		1	

1 T-E (Public School
 2 Employees'
 3 Retirement Code) 1
 4 T-F (Public School
 5 Employees'
 6 Retirement Code) 1
 7 T-G (Public School
 8 Employees'
 9 Retirement Code) 1
 10 T-H (Public School
 11 Employees'
 12 Retirement Code) 1

13 * * *

14 "Compensation." Pickup contributions and mandatory pickup
 15 participant contributions plus remuneration actually received as
 16 a State employee excluding refunds for expenses, contingency and
 17 accountable expense allowances; excluding any severance payments
 18 or payments for unused vacation or sick leave; and excluding
 19 payments for military leave and any other payments made by an
 20 employer while on USERRA leave, leave of absence granted under
 21 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
 22 government employees), military leave of absence granted under
 23 51 Pa.C.S. § 7302 (relating to granting military leaves of
 24 absence) or other types of military leave, including other types
 25 of leave payments, stipends, differential wage payments as
 26 defined in IRC § 414(u)(12) and any other payments: Provided,
 27 however, That for purposes of determining member and employer
 28 contributions to the system and for calculating annuities and
 29 benefits from the system resulting from service performed as a
 30 Class A-5 exempt employee who first became a member on or after

1 January 1, 2018, compensation shall not include remuneration
2 received in any pay period for voluntary overtime service or
3 duty that exceeds 10% of a Class A-5 exempt employee's base
4 salary or wages in that pay period: Provided further, That
5 compensation received prior to January 1, 1973, shall be subject
6 to the limitations for retirement purposes in effect December
7 31, 1972, if any: Provided further, That the limitation under
8 section 401(a) (17) of the Internal Revenue Code of 1986 (Public
9 Law 99-514, 26 U.S.C. § 401(a) (17)) taken into account for the
10 purpose of member contributions, including any additional member
11 contributions in addition to regular or joint coverage member
12 contributions and Social Security integration contributions,
13 regardless of class of service, shall apply to each member who
14 first became a member of the State Employees' Retirement System
15 on or after January 1, 1996, and who by reason of such fact is a
16 noneligible member subject to the application of the provisions
17 of section 5506.1(a) (relating to annual compensation limit
18 under IRC § 401(a) (17)) and shall apply to each participant
19 pertaining to his participation in the plan.

20 * * *

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

23 (1) service as a State employee;

24 (2) service converted to State service pursuant to
25 section 5303.1 (relating to election to convert county
26 service to State service); or

27 (3) school service converted to State service pursuant
28 to section 5303.2 (relating to election to convert school
29 service to State service) [for which an active member may
30 obtain credit].

1 "Credited service." State or creditable nonstate service for
2 which the required contributions have been made to the fund or
3 for which the contributions otherwise required for such service
4 were not made solely by reason of section 5502.1 (relating to
5 waiver of regular member contributions and Social Security
6 integration member contributions) or any provision of this part
7 relating to the limitations under section 401(a)(17) or 415 of
8 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
9 § 401(a)(17) or 415), except as otherwise provided in this part,
10 or for which salary deductions or lump sum payments to the
11 system have been agreed upon in writing.

12 "Date of termination of service." The latest of the
13 following dates:

14 (1) the last day of service for which pickup
15 contributions are made for an active member or for which the
16 contributions otherwise required for such service are not
17 made solely by reason of any provision of this part relating
18 to the limitations under section 401(a)(17) or 415 of the
19 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
20 401(a)(17) or 415);

21 (2) in the case of an inactive member on leave without
22 pay or an inactive participant on leave without pay, the date
23 of his resignation or the date his employment is formally
24 discontinued by his employer[.]; or

25 (3) mandatory pickup participant contributions are made
26 for an active participant.

27 * * *

28 "Distribution." Payment of all or any portion of a person's
29 interest in either the State Employees' Retirement Fund or the
30 State Employees' Defined Contribution Trust, or both, which is

1 payable under this part.

2 "Domestic relations order." Any judgment, decree or order,
3 including approval of a property settlement agreement, entered
4 on or after the effective date of this definition by a court of
5 competent jurisdiction pursuant to a domestic relations law
6 which relates to the marital property rights of the spouse or
7 former spouse of a member or participant, including the right to
8 receive all or a portion of the moneys payable to that member or
9 participant under this part in furtherance of the equitable
10 distribution of marital assets. The term includes orders of
11 support as that term is defined by 23 Pa.C.S. § 4302 (relating
12 to definitions) and orders for the enforcement of arrearages as
13 provided in 23 Pa.C.S. § 3703 (relating to enforcement of
14 arrearages).

15 * * *

16 "Eligibility points." Points which are accrued by an active
17 member, active participant or a multiple service member who is
18 an active member in the Public School Employees' Retirement
19 System for credited service or a member who has been reemployed
20 from USERRA leave or a member who dies while performing USERRA
21 leave and are used in the determination of eligibility for
22 benefits.

23 "Employer defined contributions." Contributions equal to a
24 percentage of an active participant's compensation that are made
25 by the Commonwealth or other employer to the trust to be
26 credited in an active participant's individual investment
27 account as follows:

28 (1) 2% of compensation for service credited as a Class
29 A-5 member;

30 (2) 2% of compensation for service credited as a Class

1 A-6 member; and

2 (3) 3.5% of compensation for service performed solely as
3 a participant.

4 * * *

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

6 (1) For members with an effective date of retirement
7 before January 1, 2018, and for purposes of calculating
8 standard single life annuities and benefits resulting from
9 credited service other than Class A-5 service and Class A-6
10 service regardless of the effective date of retirement, the
11 highest average compensation received as a member during any
12 three nonoverlapping periods of four consecutive calendar
13 quarters during which the member was a State employee, with
14 the compensation for part-time service being annualized on
15 the basis of the fractional portion of the year for which
16 credit is received; except if the employee was not a member
17 for three nonoverlapping periods of four consecutive calendar
18 quarters, the total compensation received as a member,
19 annualized in the case of part-time service, divided by the
20 number of nonoverlapping periods of four consecutive calendar
21 quarters of membership[;].

22 (2) For purposes of calculating standard single life
23 annuities and benefits from the system attributable to
24 service as a member of Class A-5 or Class A-6, the highest
25 average compensation received as a member during any five
26 calendar years during which the member was a State employee,
27 with the compensation for part-time service or for any
28 partial year of credit annualized on the basis of the
29 fractional portion of the year for which credit is received;
30 except if the employee was not a member during five calendar

1 years, the average of the number of calendar years during
2 which the employee was an active member.

3 (3) For all members and for the calculation of all
4 standard single life annuities without regard to class of
5 membership and credited service, in the case of a member with
6 multiple service, the final average salary shall be
7 determined on the basis of the compensation received by him
8 as a [State employee or as a school employee] member of the
9 system or as a member of the Public School Employees'
10 Retirement System, or both[;], and, in the case of a member
11 with [Class A-3 or Class A-4 service and] service in more
12 than one [or more other classes] class of service, the final
13 average salary for purposes of calculating annuities and
14 benefits from all classes of service shall be determined on
15 the basis of the compensation received by him in all classes
16 of State service credited in the system; and, in the case of
17 a member who first became a member on or after January 1,
18 1996, the final average salary shall be determined as
19 hereinabove provided but subject to the application of the
20 provisions of section 5506.1(a) (relating to annual
21 compensation limit under IRC § 401(a)(17)). Final average
22 salary shall be determined by including in compensation
23 payments deemed to have been made to a member reemployed from
24 USERRA leave to the extent member contributions have been
25 made as provided in section 5302(f)(2) (relating to credited
26 State service) and payments made to a member on leave of
27 absence under 51 Pa.C.S. § 4102 (relating to leaves of
28 absence for certain government employees) as provided in
29 section 5302(f)(6).

30 * * *

1 "Inactive member." A member for whom no pickup contributions
2 are being made to the fund, except in the case of an active
3 member for whom such contributions otherwise required for
4 current State service are not being made solely by reason of
5 section 5502.1 (relating to waiver of regular member
6 contributions and Social Security integration member
7 contributions) or any provision of this part relating to the
8 limitations under section 401(a)(17) or 415 of the Internal
9 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
10 or 415), but who has accumulated deductions standing to his
11 credit in the fund and who is not eligible to become or has not
12 elected to become a vestee or has not filed an application for
13 an annuity.

14 "Inactive member on leave without pay." The term does not
15 include a State employee who is performing service solely as a
16 participant in the plan unless the participant concurrently is
17 employed as a Class A-5 exempt employee and on leave without
18 pay.

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

29 "Inactive participant on leave without pay." The term does
30 not include a Class A-5 exempt employee who is an active member

1 on leave without pay unless the Class A-5 exempt employee
2 concurrently is employed in an office or position in which the
3 Class A-5 exempt employee is a participant in the plan and on
4 leave without pay.

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

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

18 * * *

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

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

1 * * *

2 "Mandatory pickup participant contributions." Contributions
3 equal to a percentage of compensation that are made by the
4 Commonwealth or other employer for active participants for
5 current State service that are picked up by the employer and
6 credited in the plan as follows:

7 (1) 3.5% of compensation for service credited as a Class
8 A-5 member;

9 (2) 3.5% of compensation for service credited as a Class
10 A-6 member; and

11 (3) 7.5% of compensation for service performed solely as
12 a participant.

13 * * *

14 "Member's annuity." The single life annuity which is
15 actuarially equivalent, at the effective date of retirement and
16 taking into account any delay in the receipt of the portion of
17 the annuity based on Class A-5 service or Class A-6 service, if
18 the effective date of retirement is under the age at which the
19 member can receive a withdrawal annuity based on Class A-5
20 service or Class A-6 service, to the sum of the regular
21 accumulated deductions, shared-risk accumulated deductions, the
22 additional accumulated deductions and the social security
23 integration accumulated deductions standing to the member's
24 credit in the members' savings account.

25 * * *

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

28 "Participant receiving distributions." A participant in the
29 plan who has commenced receiving distributions from his
30 individual investment account but who has not received a total

1 distribution of his vested interest in the individual investment
2 account.

3 * * *

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

6 "Plan document." The documents created by the board under
7 section 5802 (relating to plan document) that contain the terms
8 and provisions of the plan and trust as established by the board
9 regarding the establishment, administration and investment of
10 the plan and trust.

11 * * *

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

20 * * *

21 "Regular member contributions." The product of the basic
22 contribution rate, the class of service multiplier [if greater
23 than one] and the compensation of the member[.], subject to any
24 adjustment under section 5501.1(c) (relating to shared-risk
25 member contributions and shared-gain adjustments to regular
26 member contributions).

27 "Required beginning date." The latest date by which
28 distributions of a member's interest or a participant's interest
29 in his individual investment account must commence under section
30 401(a) (9) of the Internal Revenue Code of 1986 (Public Law 99-

1 514, 26 U.S.C. § 401(a)(9)).

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

6 "Salary deductions." The amounts certified by the board,
7 deducted from the compensation of an active member or active
8 participant, or the school service compensation of a multiple
9 service member who is an active member of the Public School
10 Employees' Retirement System, and paid into the fund or trust.

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

14 * * *

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

19 * * *

20 "Special vestee." An employee of The Pennsylvania State
21 University who is a member of the State Employees' Retirement
22 System with five or more but less than ten eligibility points
23 and who has a date of termination of service from The
24 Pennsylvania State University of June 30, 1997, because of the
25 transfer of his job position or duties to a controlled
26 organization of the Penn State Geisinger Health System or
27 because of the elimination of his job position or duties due to
28 the transfer of other job positions or duties to a controlled
29 organization of the Penn State Geisinger Health System, provided
30 that:

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

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

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

11 (4) the member elects to leave the member's total
12 accumulated deductions in the fund and to defer receipt of an
13 annuity until attainment of superannuation age or the
14 member's required beginning date.

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

19 "State employee." Any person holding a State office or
20 position under the Commonwealth, employed by the State
21 Government of the Commonwealth, in any capacity whatsoever,
22 except an independent contractor or any person compensated on a
23 fee basis or any person paid directly by an entity other than a
24 State Employees' Retirement System employer, and shall include
25 members of the General Assembly, and any officer or employee of
26 the following:

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

28 (ii) State-owned educational institutions.

29 (iii) Community colleges.

30 (iv) The Pennsylvania State University, except an

1 employee in the College of Agriculture who is paid wholly
2 from Federal funds or an employee who is participating in
3 the Federal Civil Service Retirement System. The
4 university shall be totally responsible for all employer
5 contributions under section 5507 (relating to
6 contributions to the system by the Commonwealth and other
7 employers) and all employer defined contributions to the
8 trust under section 5806 (relating to employer defined
9 contributions).

10 (2) The Pennsylvania Turnpike Commission, the Delaware
11 River Port Authority, the Port Authority Transit Corporation,
12 the Philadelphia Regional Port Authority, the Delaware River
13 Joint Toll Bridge Commission, the State Public School
14 Building Authority, The General State Authority, the State
15 Highway and Bridge Authority, the Delaware Valley Regional
16 Planning Commission, the Interstate Commission of the
17 Delaware River Basin, and the Susquehanna River Basin
18 Commission any time subsequent to its creation, provided the
19 commission or authority agrees to contribute and does
20 contribute to the fund or trust, from time to time, the
21 moneys required to build up the reserves necessary for the
22 payment of the annuities or other benefits of such officers
23 and employees without any liability on the part of the
24 Commonwealth to make appropriations for such purposes, and
25 provided in the case of employees of the Interstate
26 Commission of the Delaware River Basin, that the employee
27 shall have been a member of the system for at least ten years
28 prior to January 1, 1963.

29 (3) Any separate independent public corporation created
30 by statute, not including any municipal or quasi-municipal

1 corporation, so long as he remains an officer or employee of
2 such public corporation, and provided that such officer or
3 employee of such public corporation was an employee of the
4 Commonwealth immediately prior to his employment by such
5 corporation, and further provided such public corporation
6 shall agree to contribute and contributes to the fund or
7 trust, from time to time, the moneys required to build up the
8 reserves necessary for the payment of the annuities or other
9 benefits of such officers and employees without any liability
10 on the part of the Commonwealth to make appropriations for
11 such purposes.

12 * * *

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

17 "Superannuation age." For classes of service in the system
18 other than Class A-3 [and], Class A-4, Class A-5 and Class A-6,
19 any age upon accrual of 35 eligibility points or age 60, except
20 for a member of the General Assembly who has no service as a
21 member of the General Assembly in Class A-3, Class A-4, Class A-
22 5 or Class A-6, an enforcement officer, a correction officer, a
23 psychiatric security aide, a Delaware River Port Authority
24 policeman or an officer of the Pennsylvania State Police, age
25 50, and, except for a member with Class G, Class H, Class I,
26 Class J, Class K, Class L, Class M or Class N service, age 55
27 upon accrual of 20 eligibility points. For Class A-3 and Class
28 A-4 service, any age upon attainment of a superannuation score
29 of 92, provided the member has accrued 35 eligibility points, or
30 age 65, or for park rangers or capitol police officers, age 55

1 with 20 years of service as a park ranger or capitol police
2 officer, except for a member of the General Assembly whose
3 service as a member of the General Assembly is rendered as a
4 Class A-3 or Class A-4 member, an enforcement officer, a
5 correction officer, a psychiatric security aide, a Delaware
6 River Port Authority policeman or an officer of the Pennsylvania
7 State Police, age 55. For Class A-5 and Class A-6 service, age
8 67. A vestee with Class A-3 or Class A-4 service credit attains
9 superannuation age on the birthday the vestee attains the age
10 resulting in a superannuation score of 92, provided that the
11 vestee has at least 35 eligibility points, or attains another
12 applicable superannuation age, whichever occurs first.

13 * * *

14 "Sworn police officer." A State police officer who is
15 employed and serving as an officer of the Pennsylvania State
16 Police.

17 * * *

18 "Trust." The State Employees' Defined Contribution Trust
19 established under Chapter 58 (relating to State Employees'
20 Defined Contribution Plan).

21 * * *

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

25 "Vestee." A member with:

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

30 (2) Class G, Class H, Class I, Class J, Class K, Class

1 L, Class M or Class N service with five or more eligibility
2 points[, or a member with]; or

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

5 and who has terminated State service and has elected to leave
6 his total accumulated deductions in the fund and to defer
7 receipt of an annuity.

8 "Voluntary contributions." Contributions made by a
9 participant to the trust and credited to his individual
10 investment account in excess of his mandatory pickup participant
11 contributions, either by salary deductions paid through the
12 Commonwealth or other employer, or through an eligible rollover
13 or through a direct trustee-to-trustee transfer.

14 Section 303. Section 5103 of Title 71 is amended to read:
15 § 5103. Notice to members and participants.

16 Notice by publication, including, without being limited to,
17 newsletters, newspapers, forms, first class mail, letters,
18 manuals and, to the extent authorized by a policy adopted by the
19 board, electronically, including, without being limited to, e-
20 mail or [World Wide Web sites] Internet websites, distributed or
21 made available to members and participants in a manner
22 reasonably calculated to give actual notice of [those sections
23 of the State Employees' Retirement Code] the provisions of this
24 part that require notice to members or participants shall be
25 deemed sufficient notice for all purposes.

26 Section 304. Title 71 is amended by adding a section to
27 read:

28 § 5104. Reference to State Employees' Retirement System.

29 (a) Construction.--As of the effective date of this section,
30 unless the context clearly indicates otherwise, any reference to

1 the State Employees' Retirement System in a statutory provision
2 other than this part and 24 Pa.C.S. Pt. IV (relating to
3 retirement for school employees) shall include a reference to
4 the State Employees' Defined Contribution Plan and any reference
5 to the State Employees' Retirement Fund shall include a
6 reference to the State Employees' Defined Contribution Trust.

7 (b) Agreement.--The agreement of an employer listed in the
8 definition of "State employee" or any other law to make
9 contributions to the fund or to enroll its employees as members
10 in the system shall be deemed to be an agreement to make
11 contributions to the trust or to enroll its employees in the
12 plan.

13 Section 305. Section 5301 heading, (a), (b), (c) and (d) of
14 Title 71 are amended and the section is amended by adding
15 subsections to read:

16 § 5301. Mandatory and optional membership in the system and
17 participation in the plan.

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

- 21 (1) Governor.
- 22 (2) Lieutenant Governor.
- 23 (3) Members of the General Assembly.
- 24 (4) Heads or deputy heads of administrative departments.
- 25 (5) Members of any independent administrative board or
26 commission.
- 27 (6) Members of any departmental board or commission.
- 28 (7) Members of any advisory board or commission.
- 29 (8) Secretary to the Governor.
- 30 (9) Budget Secretary.

1 (10) Legislative employees.

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

4 (12) School employees who have elected membership in an
5 independent retirement program approved by the employer,
6 provided that in no case, except as hereinafter provided,
7 shall the employer contribute on account of such elected
8 membership at a rate greater than the employer normal
9 contribution rate as determined in section 5508(b) (relating
10 to actuarial cost method). For the fiscal year 1986-1987 an
11 employer may contribute on account of such elected membership
12 at a rate which is the greater of 7% or the employer normal
13 contribution rate as determined in section 5508(b) and for
14 the fiscal year 1992-1993 and all fiscal years after that at
15 a rate of 9.29%.

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

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

23 (15) Employees of the Philadelphia Regional Port
24 Authority who have elected to retain membership in the
25 pension plan or retirement system in which they were enrolled
26 as employees of the predecessor Philadelphia Port Corporation
27 prior to the creation of the Philadelphia Regional Port
28 Authority.

29 (16) Employees of the Juvenile Court Judges' Commission
30 who, before the effective date of this paragraph, were

1 transferred from the State System of Higher Education to the
2 Juvenile Court Judges' Commission as a result of an
3 interagency transfer of staff approved by the Office of
4 Administration and who, while employees of the State System
5 of Higher Education, had elected membership in an independent
6 retirement program approved by the employer.

7 (17) State employees, other than any Class A-5 exempt
8 employees performing service as Class A-5 exempt employees,
9 whose first period of State service starts on or after
10 January 1, 2018.

11 (a.1) Mandatory participation in the plan.--A State employee
12 who is a member of the system as a member of Class A-5 or Class
13 A-6 shall be a mandatory participant in the plan for that same
14 service as of the effective date of Class A-5 or Class A-6
15 membership in the system except for service as a Class A-5
16 exempt employee. A State employee who elected to be solely a
17 participant in the plan shall be a mandatory participant in the
18 plan for all service except for service as a Class A-5 exempt
19 employee.

20 (b) Optional membership in the system.--The State employees
21 listed in subsection (a)(1) through (11) shall have the right to
22 elect membership in the system; once such election is exercised,
23 membership shall continue until the termination of State
24 service. State employees listed in subsection (a)(17) shall have
25 the right to elect membership in Class A-5 or Class A-6 provided
26 they have not previously elected to be solely participants in
27 the plan.

28 (b.1) Optional participation in the plan.--The State
29 employees who are optional members of the system as a member of
30 Class A-5 or Class A-6 also are optional participants in the

1 plan. The State employees who elect membership in the system as
2 members of Class A-5 or Class A-6 also automatically elect
3 participation in the plan as of the date they elect membership
4 in the system, except for service as a Class A-5 exempt
5 employee. A State employee can elect participation in the plan
6 without also electing membership in the system under section
7 5306.4 (relating to election to become a Class A-6 member or
8 solely a participant in the plan).

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

12 (c.1) Prohibited participation in the plan.--The State
13 employees listed in subsection (a) (11), (12), (13), (14) and
14 (15) or who first become a member of the system before January
15 1, 2018, or who could have elected membership in the system but
16 did not do so in the required time period shall not be eligible
17 to be active participants in the plan. Class A-5 exempt
18 employees shall not be eligible to participate in the plan for
19 service performed as a Class A-5 exempt employee. State
20 employees who are not mandatory participants in the plan under
21 subsection (a.1) or eligible for optional participation in the
22 plan under subsection (b.1) shall not be eligible to participate
23 in the plan.

24 (d) Return to service.--

25 (1) An annuitant who returns to service as a State
26 employee before January 1, 2018, or returns to State service
27 as a Class A-5 exempt employee after December 31, 2017, shall
28 resume active membership in the system as of the effective
29 date of employment, except as otherwise provided in section
30 5706(a) (relating to termination of annuities), regardless of

1 the optional membership category of the position.

2 (2) An annuitant or a participant receiving
3 distributions who returns to service as a State employee on
4 or after January 1, 2018, shall resume active membership in
5 the system and, if an active member of Class A-5 or Class A-
6 6, shall be an active participant in the plan as of the
7 effective date of employment, except as otherwise provided in
8 section 5706(a), regardless of the optional membership or
9 participation category of the position: Provided, however,
10 That a participant or former participant who previously
11 elected to be solely a participant under section 5306.4 shall
12 be a participant in the plan except for service as a Class A-
13 5 exempt employee.

14 * * *

15 Section 306. Sections 5302(a), (b), (e) and (f), 5303(b)(1)
16 and (2), (d)(1) and (e)(1) and (4), 5303.2(a), 5304(a) and (b),
17 5305(b) and 5305.1 of Title 71 are amended to read:

18 § 5302. Credited State service.

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

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

22 (b) Creditable leaves of absence.--

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

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

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

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

13 * * *

14 (e) Cancellation of credited service.--

15 (1) All credited service in the system shall be
16 cancelled if a member withdraws his total accumulated
17 deductions, except that a member with Class A-3 [or], Class
18 A-4, Class A-5 or Class A-6 service credit and one or more
19 other classes of service credit shall not have his service
20 credit as a member of any classes of service other than as a
21 member of Class A-3 [or], Class A-4, Class A-5 or Class A-6
22 cancelled when the member receives a lump sum payment of
23 accumulated deductions resulting from Class A-3 [or], Class
24 A-4, Class A-5 or Class A-6 service pursuant to section
25 5705.1 (relating to payment of accumulated deductions
26 resulting from [Class A-3 and Class A-4] more than one class
27 of service).

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

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

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

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

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

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

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

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

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

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

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

24 (2.1) (i) A participant who is reemployed from USERRA
25 leave shall be treated as not having incurred a break in
26 State service by reason of the USERRA leave and shall be
27 granted eligibility points as if the participant had not
28 been on USERRA leave. If a participant who is reemployed
29 from USERRA leave subsequently makes mandatory pickup
30 participant contributions in the amounts and in the time

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

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

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

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

4 (3.1) A State employee who is a participant in the plan
5 and performs USERRA leave from which the employee could have
6 been reemployed from USERRA leave had the employee returned
7 to State service in the time frames required by 38 U.S.C. Ch.
8 43 for reemployment rights, but did not do so, shall not be
9 eligible to make mandatory pickup participant contributions
10 or voluntary contributions for the period of USERRA leave
11 should the employee later return to State service and be a
12 participant in the plan.

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

23 (4.1) An active participant or inactive participant on
24 leave without pay who on or after the effective date of this
25 paragraph is granted a leave of absence under 51 Pa.C.S. §
26 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
27 USERRA leave shall not be able to make mandatory pickup
28 participant contributions or voluntary contributions during
29 or for the leave of absence or military leave and shall not
30 have employer defined contributions made during such leave,

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

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

13 (5.1) If a participant dies while performing USERRA
14 leave, the beneficiaries or successor payees of the deceased
15 participant are entitled to any additional benefits, other
16 than benefit accruals relating to the period of qualified
17 military service, provided under this part had the
18 participant resumed and then terminated employment on account
19 of death.

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

1 § 5303. Retention and reinstatement of service credits.

2 * * *

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

4 (1) Every active member of the system or a multiple
5 service member who is a school employee and a member of the
6 Public School Employees' Retirement System on or after the
7 effective date of this part shall receive eligibility points
8 in accordance with section 5307 for current State service,
9 previous State service, or creditable nonstate service upon
10 compliance with sections 5501 (relating to regular member
11 contributions for current service), 5501.1 (relating to
12 shared-risk member contributions [for Class A-3 and Class A-4
13 service] and shared-gain adjustments to regular member
14 contributions), 5504 (relating to member contributions for
15 the purchase of credit for previous State service or to
16 become a full coverage member), 5505 (relating to
17 contributions for the purchase of credit for creditable
18 nonstate service), 5505.1 (relating to additional member
19 contributions) or 5506 (relating to incomplete payments).
20 Subject to the limitations in sections 5306.1 (relating to
21 election to become a Class AA member) and 5306.2 (relating to
22 elections by members of the General Assembly), the class or
23 classes of service in which the member may be credited for
24 previous State service prior to the effective date of this
25 part shall be the class or classes in which he was or could
26 have at any time elected to be credited for such service,
27 except that a State employee who first becomes a member of
28 the system on or after January 1, 2011, or on or after
29 December 1, 2010, as a member of the General Assembly and:
30 (i) is credited with Class A-3 service for such

1 membership and is not a member of Class A-5, shall be
2 credited only with Class A-3 service for previous State
3 service performed before January 1, 2011, that was not
4 previously credited in the system; [or]

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

10 (iii) is credited with Class A-5 service for such
11 membership, shall be credited only with Class A-5 service
12 for previous State service, performed before January 1,
13 2018, other than service as a Class A-5 exempt employee,
14 that was not previously credited in the system; or

15 (iv) is credited with Class A-6 service for such
16 membership, shall be credited only with Class A-6 service
17 for previous State service, performed before January 1,
18 2018, other than service as a Class A-5 exempt employee,
19 which was not previously credited in the system.

20 The class of service in which a member shall be credited for
21 service subsequent to the effective date of this part shall
22 be determined in accordance with section 5306 (relating to
23 classes of service).

24 * * *

25 (2) A special vestee or person otherwise eligible to be
26 a special vestee who returns to State service, other than
27 solely as a participant in the plan, or withdraws his
28 accumulated deductions pursuant to section 5311 (relating to
29 eligibility for refunds) or 5701 (relating to return of total
30 accumulated deductions) shall receive or retain eligibility

1 points in accordance with paragraph (1) but upon subsequent
2 termination of State service shall only be eligible to be an
3 annuitant vestee or inactive member without regard to
4 previous status as a special vestee and without regard to the
5 provisions of this part providing for special vestees.

6 * * *

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

8 (1) Any person who was an employee of any county in this
9 Commonwealth on the personal staff of an appellate court
10 judge prior to September 9, 1985, and who had that employment
11 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
12 (relating to local chamber facilities) shall be a member of
13 the system for all service rendered as an employee of the
14 Commonwealth on the personal staff of an appellate court
15 judge subsequent to the date of the transfer unless
16 specifically prohibited pursuant to section 5301(c) (relating
17 to mandatory and optional membership in the system and
18 participation in the plan). The employee shall be entitled to
19 have any prior service credit in that county or other
20 municipal pension plan or retirement system transferred to
21 the system and deemed to be State service for all purposes
22 under this part. However, for those employees who were in
23 continuous county employment which commenced prior to July
24 22, 1983, section 5505.1 shall not apply. The transfer of
25 prior service credit to the system shall occur upon the
26 transfer, by the member, county or other municipal pension
27 plan or retirement system, to the system of the amount of
28 accumulated member contributions, pick-up contributions and
29 credited interest standing in the employee's county or
30 municipal pension plan or retirement system account as of the

1 date that these funds are transferred to the system. In the
2 event that these funds have been refunded to the member, the
3 transfer of service credit shall occur when the member
4 transfers an amount equal to either the refund which the
5 member received from the county or municipal pension plan or
6 retirement system or the amount due under section 5504, if
7 less. In the case of a transfer by the member, the transfer
8 shall occur by December 31, 1987, in order for the member to
9 receive credit for the prior service. In the case of a
10 transfer by the county or other municipal pension plan or
11 retirement system, the transfer shall also occur by December
12 31, 1987. If the amount transferred to the system by the
13 member of a county or municipal pension plan or retirement
14 system is greater than the amount that would have accumulated
15 in the member's account if the employee had been a member of
16 the system, all excess funds shall be returned to the
17 employee within 90 days of the date on which such funds are
18 credited to the member's account in the system. Within 60
19 days of receipt of written notice that an employee has
20 elected to transfer credits under the provisions of this
21 subsection, the county or other municipal pension plans or
22 retirement systems shall be required to transfer to the
23 system an amount, excluding contributions due under section
24 5504(a), equal to the liability of the prior service in
25 accordance with county or other municipal pension plan or
26 retirement system benefit provisions, multiplied by the ratio
27 of system actuarial value of assets for active members to the
28 system actuarial accrued liability for active members. The
29 Public Employee Retirement Study Commission shall determine
30 the appropriate amount of employer contributions to be

1 transferred to the system by the county or other municipal
2 pension plans or retirement systems.

3 * * *

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

6 (1) Any employee of the Philadelphia Regional Port
7 Authority who becomes a State employee, as defined in section
8 5102 (relating to definitions), and an active member of the
9 system shall be eligible to obtain retirement credit for
10 prior uncredited service with the Philadelphia Port
11 Corporation, a Pennsylvania not-for-profit corporation
12 ("predecessor corporation"), provided that the Commonwealth
13 does not incur any liability for the funding of the annuities
14 attributable to the prior, uncredited "predecessor
15 corporation" service, the cost of which shall be determined
16 according to paragraph (2).

17 * * *

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

26 * * *

27 § 5303.2. Election to convert school service to State service.

28 (a) Eligibility.--An active member or inactive member on
29 leave without pay who was an employee transferred from the
30 Department of Education to the Department of Corrections

1 pursuant to section 908-B of the act of April 9, 1929 (P.L.177,
2 No.175), known as The Administrative Code of 1929, and who on
3 the effective date of that transfer did not participate in an
4 independent retirement program approved by the Department of
5 Education under 24 Pa.C.S. § 8301(a)(1) (relating to mandatory
6 and optional membership in the system and participation in the
7 plan) or section 5301(a)(12) (relating to mandatory and optional
8 membership in the system and participation in the plan),
9 notwithstanding any other provision of law or any collective
10 bargaining agreement, arbitration award, contract or term or
11 conditions of any retirement system or pension plan, may make a
12 one-time election to convert all service credited in the Public
13 School Employees' Retirement System as of June 30, 1999, and
14 transfer to the system all accumulated member contributions and
15 statutory interest credited in the members' savings account in
16 the Public School Employees' Retirement System as of June 30,
17 1999, plus statutory interest on that amount credited by the
18 Public School Employees' Retirement System from July 1, 1999, to
19 the date of transfer to the system.

20 * * *

21 § 5304. Creditable nonstate service.

22 (a) Eligibility.--

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

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

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

30 (3) An active member of Class A-5 or Class A-6 or a

1 multiple service member who has service credited only as
2 Class A-5 or Class A-6 and is a school employee and an active
3 member of the Public School Employees' Retirement System
4 shall be eligible for Class A-5 service credit if a Class A-5
5 member and Class A-6 service credit if a Class A-6 member for
6 creditable nonstate service as set forth in subsections (b)
7 and (c) for which the member makes the required contributions
8 to the fund.

9 * * *

10 (b) Limitations on eligibility.--An active member or a
11 multiple service member who is a school employee and an active
12 member of the Public School Employees' Retirement System shall
13 be eligible as provided under subsection (a) to receive credit
14 for nonstate service provided that he does not have credit for
15 such service in the system or in the [school system] Public
16 School Employees' Retirement System and is not entitled to
17 receive, eligible to receive now or in the future, or is
18 receiving retirement benefits for such service in the system or
19 under a retirement system administered and wholly or partially
20 paid for by any other governmental agency or by any private
21 employer, or a retirement program approved by the employer in
22 accordance with section 5301(a)(12) (relating to mandatory and
23 optional membership in the system and participation in the
24 plan), and further provided, that such service is certified by
25 the previous employer and contributions are agreed upon and made
26 in accordance with section 5505 (relating to contributions for
27 the purchase of credit for creditable nonstate service).

28 * * *

29 § 5305. Social security integration credits.

30 * * *

1 (b) Accrual of subsequent credits.--Any active member who
2 has social security integration accumulated deductions to his
3 credit or is receiving a benefit on account of social security
4 integration credits may accrue one social security integration
5 credit for each year of service as a State employee on or
6 subsequent to March 1, 1974_L, and a fractional credit for a
7 corresponding fractional year of service provided that
8 contributions are made to the fund, or would have been made to
9 the fund but for section 5502.1 (relating to waiver of regular
10 member contributions and Social Security integration member
11 contributions) or the limitations under IRC § 401(a)(17) or 415,
12 except as otherwise provided in this part, in accordance with
13 section 5502 (relating to Social Security integration member
14 contributions), and he:

15 (1) continues subsequent to March 1, 1974_L as an active
16 member in either the [State or school] system or, if a
17 multiple service member, as an active member in the Public
18 School Employees' Retirement System;

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; or

23 (3) terminates his status as a vestee or an annuitant
24 and returns to State service as an active member of the
25 system.

26 * * *

27 § 5305.1. Eligibility for actuarial increase factor.

28 A person who is:

29 (1) an active member;

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

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

4 (4) an active participant or an inactive participant on
5 leave without pay;

6 who terminates State service or school service, as the case may
7 be, after attaining age 70 and who applies for a superannuation
8 annuity with an effective date of retirement the day after the
9 date of termination of State service or school service shall
10 have that person's maximum single life annuity calculated
11 pursuant to section 5702(a.1) (relating to maximum single life
12 annuity).

13 Section 307. Section 5306(a), (a.1), (a.2), (a.3) and (b)(2)
14 of Title 71 are amended, subsection (a) is amended by adding a
15 paragraph and the section is amended by adding subsections to
16 read:

17 § 5306. Classes of service.

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

19 (1) A State employee who is a member of Class A on the
20 effective date of this part or who first becomes a member of
21 the system subsequent to the effective date of this part and
22 before January 1, 2011, or before December 1, 2010, as a
23 member of the General Assembly, shall be classified as a
24 Class A member and receive credit for Class A service upon
25 payment of regular and additional member contributions for
26 Class A service, provided that the State employee does not
27 become a member of Class AA pursuant to subsection (a.1) or a
28 member of Class D-4 pursuant to subsection (a.2).

29 (2) A State employee who first becomes a member of the
30 system on or after January 1, 2011, or on or after December

1 1, 2010, as a member of the General Assembly and before
2 January 1, 2018, shall be classified as a Class A-3 member
3 and receive credit for Class A-3 service upon payment of
4 regular member contributions and shared-risk member
5 contributions for Class A-3 service provided that the State
6 employee does not become a member of Class A-4 pursuant to
7 subsection (a.3), except that a member of the judiciary shall
8 be classified as a member of such other class of service for
9 which the member of the judiciary is eligible, shall elect
10 and make regular member contributions.

11 (3) A State employee who first becomes a member of the
12 system on or after January 1, 2011, or on or after December
13 1, 2010, as a member of the General Assembly, and a Class A-5
14 exempt employee on or after January 1, 2018, shall receive
15 credit for all service as a Class A-5 exempt employee as a
16 member of Class A-3 upon payment of the required member
17 contributions and shall not be eligible to be a member of
18 Class A-5 or Class A-6 or a participant in the plan for such
19 service. All other State service shall be credited in the
20 system or in the plan as otherwise provided under this part.
21 Class A-3 service provided for under this paragraph shall be
22 subject to an election to be credited as Class A-4 provided
23 that the State employee has not previously had the
24 opportunity to elect Class A-3 service and failed to do so.

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

26 (1) A person who becomes a State employee and an active
27 member of the system after June 30, 2001, and who first
28 became an active member before January 1, 2011, or before
29 December 1, 2010, as a member of the General Assembly, and
30 who is not a State police officer and not employed in a

1 position for which a class of service other than Class A is
2 credited or could be elected shall be classified as a Class
3 AA member and receive credit for Class AA State service upon
4 payment of regular member contributions for Class AA service
5 and, subject to the limitations contained in paragraph (7),
6 if previously a member of Class A or previously employed in a
7 position for which Class A service could have been earned,
8 shall have all Class A State service (other than State
9 service performed as a State police officer or for which a
10 class of service other than Class A was earned or could have
11 been elected) classified as Class AA service.

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

1 classified as Class AA service.

2 (3) Provided that an election to become a Class AA
3 member is made pursuant to section 5306.1 (relating to
4 election to become a Class AA member), a State employee,
5 other than a State employee who is a State police officer on
6 or after July 1, 1989, who on June 30, 2001, and July 1,
7 2001, is:

8 (i) a member of Class A, other than a member of
9 Class A who could have elected membership in a Class C,
10 Class D-3, Class E-1 or Class E-2; or

11 (ii) an inactive member on a leave without pay from
12 a position in which the State employee would be a Class A
13 active member if the employee was not on leave without
14 pay, other than a position in which the State employee
15 could elect membership in Class C, Class D-3, Class E-1
16 or Class E-2;

17 shall be classified as a Class AA member and receive
18 credit for Class AA State service performed after June 30,
19 2001, upon payment of regular member contributions for Class
20 AA service and, subject to the limitations contained in
21 paragraph (7), shall receive Class AA service credit for all
22 Class A State service, other than State service performed as
23 a State police officer or as a State employee in a position
24 for which the member could have elected membership in Class
25 C, Class D-3, Class E-1 or Class E-2, performed before July
26 1, 2001.

27 (4) Provided that an election to become a Class AA
28 member is made pursuant to section 5306.1, a former State
29 employee, other than a former State employee who was a State
30 police officer on or after July 1, 1989, who on June 30,

1 2001, and July 1, 2001, is a multiple service member and a
2 school employee and a member of the Public School Employees'
3 Retirement System, subject to the limitations contained in
4 paragraph (7), shall receive Class AA service credit for all
5 Class A State service, other than State service performed as
6 a State police officer or as a State employee in a position
7 in which the former State employee could have elected a class
8 of service other than Class A, performed before July 1, 2001.

9 (5) A former State employee who first becomes a member
10 before January 1, 2011, or before December 1, 2010, as a
11 member of the General Assembly, other than a former State
12 employee who was a State police officer on or after July 1,
13 1989, who is a school employee and who on or after July 1,
14 2001, becomes a multiple service member, subject to the
15 limitations contained in paragraph (7), shall receive Class
16 AA service credit for all Class A State service other than
17 State service performed as a State employee in a position in
18 which the former State employee could have elected a class of
19 service other than Class A.

20 (6) A State employee who after June 30, 2001, becomes a
21 State police officer or [who is employed in a position in
22 which the member could elect membership in a class of service
23 other than Class AA or Class D-4] a member of the judiciary
24 shall retain any Class AA service credited prior to becoming
25 a State police officer or being so employed but shall be
26 ineligible to receive Class AA credit thereafter and instead
27 shall receive Class A credit for service as a member of the
28 judiciary if the State employee first becomes a member of the
29 system before January 1, 2018, or if he first became a member
30 before January 1, 2011, or December 1, 2010, as a member of

1 the General Assembly, or Class A-3 credit for service other
2 than as a member of the judiciary and he first became a
3 member on or after January 1, 2011, or December 1, 2010, as a
4 member of the General Assembly, if the nonjudicial service is
5 service as a Class A-5 exempt employee, or Class A-5 service
6 credit, Class A-6 service credit or solely as a participant
7 in the plan if the State employee first became a member on or
8 after January 1, 2018, and the service is not as a Class A-5
9 exempt employee, unless a class of membership other than
10 Class A is elected.

11 (7) (i) State service performed as Class A service
12 before July 1, 2001, and State service for which Class A
13 service could have been credited but was not credited
14 because membership in the system was optional or
15 prohibited pursuant to section 5301 shall be credited as
16 Class AA service only upon the completion of all acts
17 necessary for the State service to be credited as Class A
18 service had this subsection not been enacted and upon
19 payment of required Class AA member contributions as
20 provided in section 5504 (relating to member
21 contributions for the purchase of credit for previous
22 State service or to become a full coverage member).

23 (ii) A person who is not a State employee or a
24 school employee on June 30, 2001, and July 1, 2001, and
25 who has previous State service (except a disability
26 annuitant who returns to State service after June 30,
27 2001, upon termination of the disability annuity) shall
28 not receive Class AA service credit for State service
29 performed before July 1, 2001, until such person becomes
30 an active member, or an active member of the Public

1 School Employees' Retirement System and a multiple
2 service member, and earns three eligibility points by
3 performing credited State service or credited school
4 service after June 30, 2001.

5 (a.2) Class of membership for members of the General
6 Assembly.--

7 (1) A person who:

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

11 (ii) is a member of the General Assembly on July 1,
12 2001, but is not an active member of the system because
13 membership in the system is optional pursuant to section
14 5301 and who becomes an active member after June 30,
15 2001, and before December 1, 2010;

16 and who was not a State police officer on or after July 1,
17 1989, shall be classified as a Class D-4 member and receive
18 credit as a Class D-4 member for all State service as a
19 member of the system as a member of the General Assembly upon
20 payment of regular member contributions for Class D-4 service
21 and, subject to the limitations contained in subsection (a.1)
22 (7), if previously a member of Class A or employed in a
23 position for which Class A service could have been earned,
24 shall receive Class AA service credit for all Class A State
25 service, other than State service performed as a State police
26 officer or for which a class of service other than Class A or
27 Class D-4 was or could have been elected or credited.

28 (2) Provided an election to become a Class D-4 member is
29 made pursuant to section 5306.2 (relating to elections by
30 members of the General Assembly), a State employee who was

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

15 (3) A member of the General Assembly who after June 30,
16 2001, becomes a State police officer shall retain any Class
17 AA service or Class D-4 service credited prior to becoming a
18 State police officer or being so employed but shall be
19 ineligible to receive Class AA or Class D-4 credit thereafter
20 and instead shall receive Class A credit or Class A-3 credit
21 if he first becomes a member of the system on or after
22 January 1, 2011[.], and before January 1, 2018, or as a Class
23 A-5 exempt employee, and Class A-5 or Class A-6 credit if he
24 first becomes a member of the system on or after January 1,
25 2018, and is not a Class A-5 exempt employee.

26 (4) Notwithstanding the provisions of this subsection,
27 no service as a member of the General Assembly performed
28 before December 1, 2010, that is not credited as Class D-4
29 service on November 30, 2010, shall be credited as Class D-4
30 service, unless such service was previously credited in the

1 system as Class D-4 service and the member withdrew his total
2 accumulated deductions as provided in section 5311 (relating
3 to eligibility for refunds) or 5701 (relating to return of
4 total accumulated deductions). No service as a member of the
5 General Assembly performed on or after December 1, 2010,
6 shall be credited as Class D-4 service unless the member
7 previously was credited with Class D-4 service credits.

8 (a.3) Class A-4 membership.--Provided that an election to
9 become a Class A-4 member is made pursuant to section 5306.3
10 (relating to election to become a Class A-4 member), a State
11 employee who first becomes a member before January 1, 2018, or
12 is a Class A-5 exempt employee who otherwise would be a member
13 of Class A-3 shall be classified as a Class A-4 member and
14 receive Class A-4 credit for all creditable State service
15 performed after the effective date of membership in the system,
16 except as a member of the judiciary, and for all creditable
17 State service performed as a Class A-5 exempt employee if the
18 employee first becomes a member on or after January 1, 2018,
19 upon payment of regular member contributions and shared-risk
20 member contributions for Class A-4 service.

21 (a.4) Class A-5 membership.--A State employee who first
22 becomes a member of the system on or after January 1, 2018,
23 other than as a Class A-5 exempt employee, and who does not make
24 an election to be a member of Class A-6 or an election to be
25 solely a participant in the plan under section 5306.4 (relating
26 to election to become a Class A-6 member or solely a participant
27 in the plan), shall be classified as a Class A-5 member and
28 receive credit for Class A-5 service for service other than as a
29 Class A-5 exempt employee upon payment of regular member
30 contributions and shared-risk member contributions for Class A-5

1 service. A Class A-5 exempt employee who first becomes a member
2 of the system on or after January 1, 2018, shall be classified
3 in the applicable class other than Class A-5 for service
4 performed as a Class A-5 exempt employee and classified as a
5 Class A-5 member for any service performed in a position or
6 office other than as a Class A-5 exempt employee.

7 (a.5) Class A-6 membership.--Provided that an election to
8 become a Class A-6 member is made pursuant to section 5306.4, a
9 State employee who otherwise would be a member of Class A-5
10 shall be classified as a Class A-6 member and receive Class A-6
11 credit for all creditable State service performed after the
12 effective date of membership in the system, except as a Class A-
13 5 exempt employee, upon payment of regular member contributions
14 and shared-risk member contributions for Class A-6 service.

15 (b) Other class membership.--

16 * * *

17 (2) Notwithstanding any other provision of this section,
18 a State employee [who] whose first period of State service
19 began before January 1, 2018, is appointed [bail
20 commissioner] an arraignment court magistrate of the
21 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5)
22 (relating to jurisdiction and venue) and is eligible to be a
23 member of the system as an arraignment court magistrate may,
24 within 30 days of the effective date of this sentence or
25 within 30 days of his initial appointment as [a bail
26 commissioner] an arraignment court magistrate, whichever is
27 later, elect Class E-2 service credit for service performed
28 as [a bail commissioner] an arraignment court magistrate
29 until the termination of State service. [This] The class of
30 service multiplier for E-2 service as [a bail commissioner]

1 an arraignment court magistrate shall be 1.5.

2 * * *

3 (e) Ineligibility for classes of service.--An individual who
4 is a State employee on January 1, 2018, but is not a member of
5 the system or who first becomes a State employee on or after
6 January 1, 2018, shall be ineligible for active membership in
7 the system other than as a member of Class A-5 or Class A-6, or
8 the several classes of State service for service performed as a
9 Class A-5 exempt employee as otherwise provided for under this
10 section. Any such State employee, if eligible, may be a
11 participant in the plan as a result of such State service.

12 Section 308. Sections 5306.1(c), 5306.2(b) and 5306.3(b),
13 (c) and (d) of Title 71 are amended to read:

14 § 5306.1. Election to become a Class AA member.

15 * * *

16 (c) Effect of election.--An election to become a Class AA
17 member shall become effective the later of July 1, 2001, or the
18 date when the election is filed with the board and shall remain
19 in effect until the termination of employment. Upon termination
20 and subsequent reemployment, the member's class of service shall
21 be credited in the class of service otherwise provided for in
22 this part and the State employee's eligibility for participation
23 in the plan shall be as provided in this part.

24 * * *

25 § 5306.2. Elections by members of the General Assembly.

26 * * *

27 (b) Effect of election.--Membership as a Class D-4 member
28 shall become effective on July 1, 2001, and shall remain in
29 effect until the termination of service as a member of the
30 General Assembly. Upon termination and a subsequent

1 reemployment, the member's class of service shall be credited in
2 the class of service otherwise provided for in this part and the
3 State employee's eligibility for participation in the plan shall
4 be as provided in this part.

5 * * *

6 § 5306.3. Election to become a Class A-4 member.

7 * * *

8 (b) Time for making election.--The election to become a
9 Class A-4 member must be made by the member filing written
10 notice with the board in a form and manner determined by the
11 board no later than 45 days after notice from the board of the
12 member's eligibility to elect Class A-4 membership. A State
13 employee who is eligible to elect to become a Class A-4 member
14 who begins USERRA leave during the election period without
15 having elected Class A-4 membership [may make the election
16 within 45 days after being reemployed from] shall have the
17 election period extended by the number of days on USERRA leave.

18 (c) Effect of election.--An election to become a Class A-4
19 member shall be irrevocable and shall become effective on the
20 effective date of membership in the system and shall remain in
21 effect for all future [creditable] State service creditable to
22 the system, other than service performed as a member of the
23 judiciary[.], but shall not apply to service not performed as a
24 Class A-5 exempt employee if the State employee first becomes a
25 member of the system on or after January 1, 2018. Payment of
26 regular member contributions and shared-risk member
27 contributions for Class A-4 State service performed prior to the
28 election of Class A-4 membership shall be made in a form, manner
29 and time determined by the board. Upon termination of State
30 service and subsequent reemployment, a member who elected Class

1 A-4 membership shall be credited as a Class A-4 member for
2 creditable State service performed after reemployment, except as
3 a member of the judiciary, provided that if the State employee
4 first becomes a member of the system on or after January 1,
5 2018, the reemployment is as a Class A-5 exempt employee,
6 regardless of termination of employment, termination of
7 membership by withdrawal of accumulated deductions or status as
8 an annuitant, vestee or inactive member after the termination of
9 service.

10 (d) Effect of failure to make election.--Failure to elect to
11 become a Class A-4 member within the election period set forth
12 in subsection (b) shall result in all of the member's State
13 service, other than service performed as a member of the
14 judiciary, or if the State employee first becomes a member of
15 the system on or after January 1, 2018, all service as a Class
16 A-5 exempt employee, being credited as Class A-3 service and not
17 subject to further election or crediting as Class A-4 service.
18 Upon termination and subsequent employment, a member who failed
19 to elect to become a Class A-4 member shall not be eligible to
20 make another election to become a Class A-4 member for either
21 past or future State service.

22 Section 309. Title 71 is amended by adding a section to
23 read:

24 § 5306.4. Election to become a Class A-6 member or solely a
25 participant in the plan.

26 (a) General rule.--A State employee who otherwise is
27 eligible for Class A-5 membership who has not previously elected
28 or declined to elect Class A-6 membership or to be solely a
29 participant in the plan may elect to become either a member of
30 Class A-6 or solely a participant in the plan.

1 (b) Time for making election.--The election to become a
2 Class A-6 member or solely a participant in the plan must be
3 made by the member filing written notice with the board in a
4 form and manner determined by the board no later than 45 days
5 after notice from the board of the member's eligibility to elect
6 Class A-6 membership or to be solely a participant in the plan.
7 This notice shall be given upon a State employee first beginning
8 State service in a position eligible to be a member of the
9 system that is not as a Class A-5 exempt employee. A State
10 employee who is eligible to elect to become a Class A-6 member
11 or solely a participant in the plan who begins USERRA leave
12 during the election period without having elected Class A-6
13 membership or to be solely a participant in the plan will have
14 the election period extended by the number of days on USERRA
15 leave.

16 (c) Effect of election to be a Class A-6 member.--An
17 election to become a Class A-6 member shall be irrevocable and
18 shall become effective on the effective date of membership in
19 the system and shall remain in effect for all future creditable
20 State service, other than service performed as a Class A-5
21 exempt employee. Payment of regular member contributions for
22 Class A-6 State service performed prior to the election of Class
23 A-6 membership shall be made in a form, manner and time
24 determined by the board. Upon termination and subsequent
25 reemployment, a member who elected Class A-6 membership shall be
26 credited as a Class A-6 member for creditable State service
27 performed after reemployment, except as a Class A-5 exempt
28 employee, regardless of termination of employment, termination
29 of membership by withdrawal of accumulated deductions or status
30 as an annuitant, vestee or inactive member after the termination

1 of service.

2 (d) Effect of election to be solely a participant in the
3 plan.--An election to become solely a participant in the plan
4 shall be irrevocable and shall become effective on the date that
5 membership in the system would have been effective had the
6 election not been made and shall remain in effect for all future
7 State service, other than service performed as a Class A-5
8 exempt employee. Payment of mandatory participant pickup
9 contributions for service solely as a participant in the plan
10 performed prior to the election shall be made in a form, manner
11 and time determined by the board. Upon termination and
12 subsequent reemployment, a State employee who elected to be
13 solely a participant in the plan shall resume active
14 participation for State service performed after reemployment,
15 except as a Class A-5 exempt employee, regardless of termination
16 of employment, termination of participation by a partial or
17 total distribution of vested total defined contributions or
18 status as an annuitant, vestee or inactive member of the system
19 as a Class A-5 exempt employee after the termination of service.

20 (e) Effect of failure to make election.--Failure to elect to
21 become a Class A-6 member or solely a participant in the plan
22 within the election period set forth in subsection (b) shall
23 result in all of the member's State service being credited as
24 Class A-5 service and not subject to further election or
25 crediting as Class A-6 service or solely as a participant in the
26 plan. Upon termination and subsequent employment, a member who
27 failed to elect to become a Class A-6 member or solely a
28 participant in the plan shall not be eligible to make another
29 election to become a Class A-6 member or solely a participant in
30 the plan for either past or future State service.

1 Section 310. Sections 5307, 5308, 5308.1 introductory
2 paragraph and (1), 5309, 5310, 5311(a), 5501.1, 5502, 5503.1(a)
3 and 5504 of Title 71 are amended to read:

4 § 5307. Eligibility points.

5 (a) General rule.--An active member of the system shall
6 accrue one eligibility point for each year of credited service
7 as a member of the [State or] system and if a multiple service
8 member as a member of the Public School Employees' Retirement
9 System. A member shall accrue an additional two-thirds of an
10 eligibility point for each year of Class D-3 credited service.
11 In the case of a fractional part of a year of credited service,
12 a member shall accrue the corresponding fractional portion of
13 eligibility points to which the class of service entitles him. A
14 State employee who is performing State service solely as a
15 participant in the plan shall accrue eligibility points at the
16 same rate and manner as if the State employee was performing
17 State service credited as a member of Class A-5. No eligibility
18 points shall accrue in the system or the plan for service as a
19 school employee credited as Class DC service in the Public
20 School Employees' Retirement System.

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

30 (b) Transitional rule.--

1 (1) In determining whether a member who is not a State
2 employee or school employee on June 30, 2001, and July 1,
3 2001, and who has previous State service (except a disability
4 annuitant who returns to State service after June 30, 2001,
5 upon termination of the disability annuity) has the five
6 eligibility points required by sections 5102 (relating to
7 definitions), 5308(b) (relating to eligibility for
8 annuities), 5309 (relating to eligibility for vesting),
9 5704(b) (relating to disability annuities) and 5705(a)
10 (relating to member's options), only eligibility points
11 earned by performing credited State service, USERRA leave or
12 credited school service as an active member of the Public
13 School Employees' Retirement System after June 30, 2001,
14 shall be counted until such member earns one eligibility
15 point by performing credited State service or, if a multiple
16 service member, credited school service after June 30, 2001,
17 at which time all eligibility points as determined pursuant
18 to subsection (a) shall be counted.

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

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

24 (ii) has Class G, Class H, Class I, Class J, Class
25 L, Class M or Class N service and has eight or more
26 eligibility points as determined pursuant to subsection
27 (a).

28 (c) Application of eligibility points.--Eligibility points
29 accrued for service as either member of the system or
30 participant in the plan may be used to determine the eligibility

1 for benefits from either the system or the plan unless the
2 provision is restricted to eligibility points accrued from
3 specific types of State service. Eligibility points accrued from
4 service as an active member of the Public School Employees'
5 Retirement System shall apply only if a State employee has
6 elected multiple service. Eligibility points accrued by a State
7 employee for service solely as a participant in the plan for
8 which he received a total distribution of accumulated total
9 defined contributions shall not apply when determining
10 eligibility for benefits from the system or the plan resulting
11 from any State service subsequently credited in the system or
12 performed after the total distribution.

13 § 5308. Eligibility for annuities.

14 (a) Superannuation annuity.--Attainment of superannuation
15 age by an active member [or], an inactive member on leave
16 without pay or a participant with service credited as a member
17 of the system with three or more eligibility points other than
18 eligibility points resulting from nonstate service or nonschool
19 service shall entitle him to receive a superannuation annuity
20 upon termination of State service and compliance with section
21 5907(f) (relating to rights and duties of State employees [and
22 members], members and participants).

23 (b) Withdrawal annuity.--

24 (1) Any vestee or any active member [or], inactive
25 member on leave without pay or participant with service
26 credited as a member of the system who terminates State
27 service having five or more eligibility points and who does
28 not have Class A-3 [or], Class A-4, Class A-5 or Class A-6
29 service credit or, if a multiple service member, Class T-E or
30 Class T-F service credit in the Public School Employees'

1 Retirement System, or who has Class G, Class H, Class I,
2 Class J, Class K, Class L, Class M or Class N service and
3 terminates State service having five or more eligibility
4 points, upon compliance with section 5907(f), (g) or (h)
5 shall be entitled to receive an annuity.

6 (2) Any vestee, active member [or] inactive member on
7 leave without pay or participant with service credited as a
8 member of the system who has Class A-3 [or] Class A-4, Class
9 A-5 or Class A-6 service credit or, if a multiple service
10 member, Class T-E or Class T-F service credit in the Public
11 School Employees' Retirement System who terminates State
12 service having ten or more eligibility points, upon
13 compliance with section 5907(f), (g) or (h), shall be
14 entitled to receive an annuity.

15 (3) Any vestee, active member or inactive member on
16 leave without pay or participant with service credited as a
17 member of the system who has either Class A-3 [or] Class A-
18 4, Class A-5 or Class A-6 service credit or, if a multiple
19 service member, Class T-E or Class T-F service credit in the
20 Public School Employees' Retirement System and also has
21 service credited in the system in one or more other classes
22 of service who has five or more, but fewer than ten,
23 eligibility points, upon compliance with section 5907(f), (g)
24 or (h), shall be eligible to receive an annuity calculated on
25 his service credited in classes of service other than Class
26 A-3 [or] Class A-4, Class A-5 or Class A-6, provided that
27 the member has five or more eligibility points resulting from
28 service in classes other than Class A-3 [or] Class A-4,
29 Class A-5 or Class A-6 or Class T-E or Class T-F service in
30 the Public School Employees' Retirement System.

1 (4) Notwithstanding paragraphs (2) and (3), no single
2 life annuity determined on service credited as Class A-5 or
3 Class A-6 shall be paid before a member attains age 62. In
4 the event that a member is eligible to receive an annuity on
5 service credited in classes other than Class A-5 or Class A-
6 6, the member may receive an annuity before attaining age 62
7 on classes of service other than Class A-5 and A-6, with
8 payment of an annuity on service credited in Class A-5 and
9 Class A-6, other than a payment of a lump sum under section
10 5705(a.1) (relating to member's options), deferred until the
11 annuitant attains age 62 as provided under sections 5702
12 (relating to maximum single life annuity) and 5705.

13 (c) Disability annuity.--An active member or inactive member
14 on leave without pay who has five or more eligibility points
15 other than eligibility points resulting from membership in the
16 Public School Employees' Retirement System or any active member
17 or inactive member on leave without pay who is an officer of the
18 Pennsylvania State Police or an enforcement officer shall, upon
19 compliance with section 5907(k), be entitled to a disability
20 annuity if he becomes mentally or physically incapable of
21 continuing to perform the duties for which he is employed and
22 qualifies in accordance with the provisions of section 5905(c)
23 (1) (relating to duties of the board regarding applications and
24 elections of members and participants).

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

28 § 5308.1. Eligibility for special early retirement.

29 Notwithstanding any provisions of this title to the contrary,
30 the following special early retirement provisions shall be

1 applicable to specified eligible members [as follows]:

2 (1) During the period of July 1, 1985, to September 30,
3 1991, an active member who has attained the age of at least
4 53 years and has accrued at least 30 eligibility points shall
5 be entitled, upon termination of State service and compliance
6 with section 5907(f) (relating to rights and duties of State
7 employees [and] members and participants), to receive a
8 maximum single life annuity calculated under section 5702
9 (relating to maximum single life annuity) without a reduction
10 by virtue of an effective date of retirement which is under
11 the superannuation age.

12 * * *

13 § 5309. Eligibility for vesting.

14 Any member who:

15 (1) Does not have Class A-3 [or] Class A-4, Class A-5
16 or Class A-6 service credit or, if a multiple service member,
17 Class T-E or Class T-F service credit in the Public School
18 Employees' Retirement System and terminates State service, or
19 if a multiple service member and an active member of the
20 Public School Employees' Retirement System terminates school
21 service, with five or more eligibility points, or any member
22 with Class G, Class H, Class I, Class J, Class K, Class L,
23 Class M or Class N service with five or more eligibility
24 points, shall be eligible until his required beginning date
25 to vest his retirement benefits.

26 (2) Has only Class A-3 [or] Class A-4, Class A-5 or
27 Class A-6 service credit [or] and, if a multiple service
28 member, only Class T-E or Class T-F service credit in the
29 Public School Employees' Retirement System and terminates
30 State service, or if a multiple service member and an active

1 member of the Public School Employees' Retirement System
2 terminates school service, with ten or more eligibility
3 points shall be eligible until his required beginning date to
4 vest his retirement benefits.

5 (3) Has either Class A-3 [or], Class A-4, Class A-5 or
6 Class A-6 service credit [or] and, if a multiple service
7 member, Class T-E or Class T-F service credit in the Public
8 School Employees' Retirement System, also has service
9 credited in the system in one or more other classes of
10 service and has five or more, but fewer than ten, eligibility
11 points and terminates State service, or if a multiple service
12 member and an active member of the Public School Employees'
13 Retirement System terminates school service, shall be
14 eligible until his required beginning date to vest his
15 retirement benefits calculated on his service credited in
16 classes of service other than Class A-3 [or], Class A-4,
17 Class A-5 or Class A-6 and to be credited with statutory
18 interest on total accumulated deductions, regardless of
19 whether or not any part of his accumulated deductions are a
20 result of Class A-3 [or], Class A-4, Class A-5 or Class A-6
21 service credit.

22 § 5310. Eligibility for death benefits.

23 In the event of the death of a member who is eligible for an
24 annuity in accordance with section 5308(a) or (b) (relating to
25 eligibility for annuities), his beneficiary shall be entitled to
26 a death benefit. For purposes of this section, a member with ten
27 or more eligibility points shall be considered eligible for an
28 annuity based on Class A-5 service or Class A-6 service even if
29 under superannuation age.

30 § 5311. Eligibility for refunds.

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

6 * * *

7 § 5501.1. Shared-risk member contributions [for Class A-3 and
8 Class A-4 service] and shared-gain adjustments to
9 regular member contributions.

10 (a) General.--Shared-risk member contributions shall be made
11 to the fund on behalf of each member of Class A-3 [or], Class A-
12 4, Class A-5 or Class A-6 for current service credited [as Class
13 A-3 or Class A-4] in each such class of service as provided
14 under this section, except for any period of current service in
15 which the making of the contributions has ceased solely by
16 reason of any provision of this part relating to the limitations
17 under IRC § 401(a)(17) or 415. Shared-risk member contributions
18 shall be credited to the members' savings account. A shared-gain
19 adjustment to regular member contributions for Class A-3, Class
20 A-4, Class A-5 and Class A-6 shall be made as provided under
21 this section.

22 (b) Determination of shared-risk contribution rate[.--] for
23 Class A-3, Class A-4, Class A-5 and Class A-6 service.--The
24 shared-risk contribution for Class A-3, Class A-4, Class A-5 and
25 Class A-6 service shall be determined as follows:

26 (1) For the period from the effective date of this
27 section until June 30, 2014, the shared-risk contribution
28 rate for Class A-3, Class A-4, Class A-5 and Class A-6 shall
29 be zero.

30 (2) For the period from July 1, 2014, to June 30, 2017,

1 if the annual interest rate adopted by the board for use
2 during the period from January 1, 2011, to December 31, 2013,
3 for the calculation of the normal contribution rate is more
4 than 1% greater than the actual rate of return, net of fees,
5 of the investments of the fund based on market value over the
6 period, the shared-risk contribution rate shall be .5%. In
7 all other situations, the shared-risk contribution rate shall
8 be zero.

9 (3) For each subsequent three-year period, if the
10 shared-gain adjustment to regular member contributions is
11 zero, the shared-risk contribution rate shall be increased by
12 .5% if the annual interest rate adopted by the board for use
13 during the previous ten-year period for the calculation of
14 the normal contribution rate is more than 1% greater than the
15 actual rate of return, net of fees, of the investments of the
16 fund based on market value over the period. The shared-risk
17 contribution rate shall be decreased by .5% if the annual
18 interest rate adopted by the board for use during the
19 previous ten-year period for the calculation of the normal
20 contribution rate is equal to or less than the actual rate of
21 return, net of fees, of the investments of the fund based on
22 market value over that period.

23 (4) Notwithstanding paragraphs (2) and (3), the shared-
24 risk contribution rate shall not be less than zero and shall
25 not be more than the experience adjustment factor resulting
26 from investment gains or losses during the determination
27 period in effect on the first day when the new rate would be
28 applied, expressed as a percentage of member compensation,
29 and shall not be more than 2%. For the determination of the
30 shared-risk contribution rate to be effective July 1, 2017,

1 the determination period shall be January 1, 2011, through
2 December 31, 2016. For the determination of the shared-risk
3 contribution rate to be effective July 1, 2020, the
4 determination period shall be January 1, 2011, through
5 December 31, 2019.

6 (5) The shared-risk contribution rate and the factors
7 entering into its calculation shall be certified by the
8 actuary as part of the annual valuations and the actuarial
9 investigation and evaluation of the system conducted every
10 five years under section 5902(j) (relating to administrative
11 duties of the board).

12 (6) In the event that the annual interest rate adopted
13 by the board for the calculation is changed during the period
14 used to determine the shared-risk contribution rate, the
15 board, with the advice of the actuary, shall determine the
16 applicable rate during the entire period, expressed as an
17 annual rate.

18 (7) For any fiscal year in which the actual
19 contributions by the Commonwealth or an employer are lower
20 than those required to be made under section 5507(d)
21 (relating to contributions to the system by the Commonwealth
22 and other employers), the prospective shared-risk
23 contribution rate for those employees whose employers are not
24 making the contributions required by section 5507(d) shall be
25 zero and shall not subsequently be increased, except as
26 otherwise provided in this section.

27 (8) If the actuary certifies that the accrued liability
28 contributions calculated in accordance with the actuarial
29 cost method provided in section 5508(b) (relating to
30 actuarial cost method), as adjusted by the experience

1 adjustment factor, are zero or less, then the shared-risk
2 contribution rate for the next fiscal year shall be zero and
3 shall not subsequently be increased, except as otherwise
4 provided in this section.

5 (c) Determination of shared-gain adjustment to regular
6 member contributions for Class A-3, Class A-4, Class A-5 and
7 Class A-6 service.--The regular member contributions for Class
8 A-3, Class A-4, Class A-5 and Class A-6 service shall be
9 determined as follows:

10 (1) For the period from the effective date of this
11 section until June 30, 2017, the regular member contributions
12 for Class A-3, Class A-4, Class A-5 and Class A-6 service
13 shall be determined as otherwise provided in this part.

14 (2) For the period from July 1, 2017, to June 30, 2020,
15 if the shared-risk contribution rate for Class A-3, Class A-
16 4, Class A-5 and Class A-6 service is zero and annual
17 interest rate adopted by the board for use during the period
18 from January 1, 2011, to December 31, 2016, for the
19 calculation of the normal contribution rate is more than 1%
20 lower than the actual rate of return, net of fees, of the
21 investments of the fund based on market value over the
22 period, then the regular member contribution rate of each
23 member for Class A-3, Class A-4, Class A-5 or Class A-6
24 service shall be reduced by .5%. In all other situations, the
25 regular member contributions shall be determined as otherwise
26 provided in this part.

27 (3) For each subsequent three-year period, the regular
28 member contribution rate shall be decreased by .5% if the
29 annual interest rate adopted by the board for use during the
30 previous ten-year period for the calculation of the normal

1 contribution rate is more than 1% lower than the actual rate
2 of return, net of fees, of the investments of the fund based
3 on market value over the period. The regular member
4 contribution rate shall be increased by .5% if the annual
5 interest rate adopted by the board for use during the
6 previous ten-year period for the calculation of the normal
7 contribution rate is equal to or greater than the actual rate
8 of return, net of fees, of the investments of the fund based
9 on market value over that period.

10 (4) Notwithstanding paragraphs (2) and (3), the regular
11 member contribution rate may not be greater than the product
12 of the basic contribution rate and the class of service
13 multiplier; and the amount of the adjustment to a lower
14 regular member contribution rate may not be greater than the
15 reduction in the actuarially required contribution rate by
16 the experience adjustment factor resulting from investment
17 gains or losses during the determination period in effect on
18 the first day when the new rate would be applied, expressed
19 as a percentage of member compensation. In no event may the
20 adjustment to the regular member contribution rate be more
21 than 2%. For the determination of the regular member
22 contribution rate to be effective July 1, 2020, the
23 determination period shall be January 1, 2011, through
24 December 31, 2019.

25 (5) The shared-gain adjustment to the regular member
26 contribution rate and the factors entering into its
27 calculation shall be certified by the actuary as part of the
28 annual valuations and the actuarial investigation and
29 evaluation of the system conducted every five years under
30 section 5902(j).

1 (6) If the annual interest rate adopted by the board for
2 the calculation is changed during the period used to
3 determine the shared-gain adjustment to the regular member
4 contribution rate, the board, with the advice of the actuary,
5 shall determine the applicable rate during the entire period,
6 expressed as an annual rate.

7 (d) Calculation of regular member contribution rate.--For
8 purposes of this section, the regular member contribution rate
9 for each member is the product of the basic contribution rate
10 and the class of service multiplier used to determine the
11 regular member contributions for each member.

12 § 5502. Social Security integration member contributions.

13 Except for any period of current service in which the making
14 of regular member contributions has ceased solely by reason of
15 section 5502.1 (relating to waiver of regular member
16 contributions and Social Security integration member
17 contributions) or any provision of this part relating to
18 limitations under IRC § 401(a)(17) or 415, contributions shall
19 be made on behalf of [a] an active member of any class who prior
20 to March 1, 1974, has elected Social Security integration
21 coverage. The amount of such contributions shall be 6 1/4% of
22 that portion of his compensation as an active member in excess
23 of the maximum wages taxable under the provisions of the Social
24 Security Act (49 Stat. 620, 42 U.S.C. § 301 et seq.), in
25 addition to the regular member contributions which, after such
26 election, shall be determined on the basis of the basic
27 contribution rate of 5% and the additional member contribution
28 of 1 1/4%: Provided, That a member may elect to discontinue
29 Social Security integration coverage and shall thereafter be
30 ineligible to accrue any further Social Security integration

1 credits or any additional benefits on account of Social Security
2 integration membership.

3 § 5503.1. Pickup contributions.

4 (a) Treatment for purposes of IRC § 414(h).--All
5 contributions to the fund required to be made under sections
6 5501 (relating to regular member contributions for current
7 service), 5501.1 (relating to shared-risk member contributions
8 [for Class A-3 and Class A-4 service] and shared-gain
9 adjustments to regular member contributions), 5502 (relating to
10 Social Security integration member contributions), 5503
11 (relating to joint coverage member contributions) and [section]
12 5505.1 (relating to additional member contributions), with
13 respect to current State service rendered by an active member on
14 or after January 1, 1982, shall be picked up by the Commonwealth
15 or other employer and shall be treated as the employer's
16 contribution for purposes of IRC § 414(h).

17 * * *

18 § 5504. Member contributions for the purchase of credit for
19 previous State service or to become a full coverage
20 member.

21 (a) Amount of contributions for service in other than Class
22 G through N.--

23 (1) The contributions to be paid by an active member or
24 eligible school employee for credit in the system for the
25 portion of total previous State service other than service in
26 Class G, Class H, Class I, Class J, Class K, Class L, Class M
27 and Class N that a member is eligible to have credited or to
28 become a full coverage member shall be sufficient to provide
29 an amount equal to the regular accumulated deductions,
30 shared-risk accumulated deductions and additional accumulated

1 deductions which would have been standing to the credit of
2 the member for such service had regular accumulated
3 deductions, shared-risk accumulated deductions and additional
4 member contributions been made with full coverage in the
5 class of service and at the rate of contribution applicable
6 during such period of previous service and had his regular
7 and additional accumulated deductions been credited with
8 statutory interest during all periods of subsequent State and
9 school service up to the date of purchase.

10 (2) Notwithstanding paragraph (1), members [with Class
11 A-3 State service] who are performing State service credited
12 in Class A-3, Class A-4, Class A-5 or Class A-6 shall make
13 contributions and receive credit as if [the previous]
14 previously uncredited State service was [Class A-3 service,
15 and members with Class A-4 State service shall make
16 contributions and receive credit as if the previous State
17 service was Class A-4 service,] performed in the class in
18 which they are an active member at the time the service is
19 credited even if it would have been credited as a different
20 class of service had the State employee been a member of the
21 system at the time the service was performed unless it was
22 mandatory that the State employee be an active member of the
23 system and the previous State service is being credited as
24 the result of a mandatory active membership requirement.
25 Notwithstanding section 5303(b) (relating to retention and
26 reinstatement of service credits) a State employee who is an
27 active member of the system as a result of concurrently
28 performing service in more than one position or office at the
29 time previously uncredited State service is credited shall
30 elect which position or office is used for the determination

1 of required contributions and crediting and classification of
2 the previously uncredited service.

3 (a.1) Converted county service.--No contributions shall be
4 required to restore credit for previously credited State service
5 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
6 and Class N. Such service shall be restored upon the
7 commencement of payment of the contributions required to restore
8 credit in the system for all other previous State service.

9 (b) Certification and method of payment.--

10 (1) The amount payable shall be certified in each case
11 by the board in accordance with methods approved by the
12 actuary and shall be paid in a lump sum within 30 days or in
13 the case of an active member or eligible school employee who
14 is an active member of the Public School Employees'
15 Retirement System may be amortized with statutory interest
16 through salary deductions to the system in amounts agreed
17 upon by the member and the board. The salary deduction
18 amortization plans agreed to by members and the board may
19 include a deferral of payment amounts and statutory interest
20 until the termination of school service or State service as
21 the board in its sole discretion decides to allow. The board
22 may limit the salary deduction amortization plans to such
23 terms as the board in its sole discretion determines. In the
24 case of an eligible school employee who is an active member
25 of the Public School Employees' Retirement System, the agreed
26 upon salary deductions shall be remitted to the Public School
27 Employees' Retirement Board, which shall certify and transfer
28 to the board the amounts paid.

29 (2) No payments for service or coverage shall be allowed
30 for which the required contributions would cause a violation

1 of the limitation related to contributions applicable to
2 governmental plans contained in IRC § 415. In the event that
3 any service credit or coverage based on such disallowed
4 contributions is granted after the effective date of this
5 paragraph, then such service credit shall be canceled and
6 benefits calculated without regard to such service or
7 contributions and any member contributions in excess of the
8 limitations and statutory interest credited on those
9 contributions shall be refunded to the member by the board.

10 Section 311. Section 5505(b), (c), (d) and (i)(2) and (4) of
11 Title 71 are amended and the section is amended by adding a
12 subsection to read:

13 § 5505. Contributions for the purchase of credit for creditable
14 nonstate service.

15 * * *

16 (b) Nonintervening military service.--

17 (1) The amount due for the purchase of credit for
18 military service other than intervening military service
19 shall be determined by applying the member's basic
20 contribution rate, the additional contribution rate plus the
21 Commonwealth normal contribution rate for active members at
22 the time of entry, subsequent to such military service, of
23 the member into State service to his average annual rate of
24 compensation as a member of the system over the first three
25 years of such subsequent State service and multiplying the
26 result by the number of years and fractional part of a year
27 of creditable nonintervening military service being purchased
28 together with statutory interest during all periods of
29 subsequent State and school service to date of purchase. Upon
30 application for credit for such service, payment shall be

1 made in a lump sum within 30 days or in the case of an active
2 member or eligible school employee who is an active member of
3 the Public School Employees' Retirement System it may be
4 amortized with statutory interest through salary deductions
5 to the system in amounts agreed upon by the member and the
6 board. The salary deduction amortization plans agreed to by
7 members and the board may include a deferral of payment
8 amounts and statutory interest until the termination of
9 school service or State service as the board in its sole
10 discretion decides to allow. The board may limit salary
11 deduction amortization plans to such terms as the board in
12 its sole discretion determines. In the case of an eligible
13 school employee who is an active member of the Public School
14 Employees' Retirement System, the agreed upon salary
15 deductions shall be remitted to the Public School Employees'
16 Retirement Board, which shall certify and transfer to the
17 board the amounts paid. Application may be filed for all such
18 military service credit upon completion of three years of
19 subsequent State service as a member of the system and shall
20 be credited as Class A service except as provided in section
21 5304(a).

22 (1.1) In the case of an active member who is purchasing
23 the military service as Class A-3 service, for purposes of
24 paragraph (1), the Commonwealth normal contribution rate for
25 active members at the time of entry, subsequent to the
26 military service, shall be determined using only the average
27 new Class A-3 member.

28 (1.2) In the case of an active member who is purchasing
29 the military service as Class A-5 service, for purposes of
30 paragraph (1), the Commonwealth normal contribution rate for

1 active members at the time of entry, subsequent to the
2 military service, shall be determined using only the average
3 new Class A-5 member, and the member's basic contribution
4 rate shall be multiplied by the class of service multiplier
5 used to calculated regular member contributions for Class A-5
6 service.

7 (1.3) In the case of an active member who is purchasing
8 the military service as Class A-6 service, for purposes of
9 paragraph (1), the Commonwealth normal contribution rate for
10 active members at the time of entry, subsequent to the
11 military service, shall be determined using only the average
12 new Class A-6 member, and the member's basic contribution
13 rate shall be multiplied by the class of service multiplier
14 used to calculate regular member contributions for Class A-6
15 service.

16 (2) Applicants may purchase credit as follows:

17 (i) one purchase of the total amount of creditable
18 nonintervening military service; or

19 (ii) one purchase per 12-month period of a portion
20 of creditable nonintervening military service.

21 The amount of each purchase shall be not less than one year
22 of creditable nonintervening military service.

23 (c) Intervening military service.--Contributions on account
24 of credit for intervening military service shall be determined
25 by the member's regular contribution rate, shared-risk
26 contribution rate, Social Security integration contribution
27 rate, the additional contribution rate which shall be applied
28 only to those members who began service on or after the
29 effective date of this amendatory act and compensation as a
30 member of the system at the time of entry of the member into

1 active military service, together with statutory interest during
2 all periods of subsequent State and school service to date of
3 purchase. Upon application for such credit the amount due shall
4 be certified in the case of each member by the board in
5 accordance with methods approved by the actuary, and
6 contributions may be made by:

7 (1) regular monthly payments during active military
8 service; or

9 (2) a lump sum payment within 30 days of certification;
10 or

11 (3) salary deductions to the system in amounts agreed
12 upon by the member or eligible school employee who is an
13 active member of the Public School Employees' Retirement
14 System and the board.

15 The salary deduction amortization plans agreed to by members and
16 the board may include a deferral of payment amounts and
17 statutory interest until the termination of school service or
18 State service as the board in its sole discretion decides to
19 allow. The board may limit salary deduction amortization plans
20 to such terms as the board in its sole discretion determines. In
21 the 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 to
25 the board the amounts paid.

26 (d) Nonmilitary and nonmagisterial service.--Contributions
27 on account of credit for creditable nonstate service other than
28 military and magisterial service by State employees who first
29 become members of the system before January 1, 2011, or before
30 December 1, 2010, as a member of the General Assembly shall be

1 determined by applying the member's basic contribution rate, the
2 additional contribution rate plus the Commonwealth normal
3 contribution rate for active members at the time of entry
4 subsequent to such creditable nonstate service of the member
5 into State service to his compensation as a member of the system
6 at the time of entry into State service and multiplying the
7 result by the number of years and fractional part of a year of
8 creditable nonstate service being purchased together with
9 statutory interest during all periods of subsequent State and
10 school service to the date of purchase. Upon application for
11 credit for such service payment shall be made in a lump sum
12 within 30 days or in the case of an active member or eligible
13 school employee who is an active member of the Public School
14 Employees' Retirement System it may be amortized with statutory
15 interest through salary deductions to the system in amounts
16 agreed upon by the member and the board. The salary deduction
17 amortization plans agreed to by members and the board may
18 include a deferral of payment amounts and statutory interest
19 until the termination of school service or State service as the
20 board in its sole discretion decides to allow. The board may
21 limit salary deduction amortization plans to such terms as the
22 board in its sole discretion determines. In the case of an
23 eligible school employee who is an active member of the Public
24 School Employees' Retirement System, the agreed upon salary
25 deduction shall be remitted to the Public School Employees'
26 Retirement Board, which shall certify and transfer to the board
27 the amounts paid.

28 * * *

29 (i) Purchases of nonstate service credit by State employees
30 who first became members of the system on or after December 1,

1 2010.--

2 * * *

3 (2) The full actuarial cost of the increased benefit
4 attributable to the purchased nonstate service credit shall
5 be the difference between:

6 (i) the present value of a standard single life
7 annuity, beginning at the earliest possible
8 superannuation age assuming Class A-3 service credit for
9 the nonstate service to be purchased[; and] by a member
10 of Class A-3 or Class A-4 who first becomes a member of
11 the system before January 1, 2018, and assuming Class A-5
12 service credit for the nonstate service to be purchased
13 by a member of Class A-5 and assuming Class A-6 service
14 credit for the nonstate service to be purchased by a
15 member of Class A-6; and

16 (ii) the present value of a standard single life
17 annuity, beginning at the earliest possible
18 superannuation age, excluding the nonstate service credit
19 to be purchased.

20 * * *

21 (4) The payment for credit purchased under this
22 subsection shall be certified in each case by the board in
23 accordance with methods approved by the actuary and shall be
24 paid in a lump sum within 30 days or in the case of an active
25 member or eligible school employee who is an active member of
26 the Public School Employees' Retirement System may be
27 amortized with statutory interest through salary deductions
28 to the system in amounts agreed upon by the member and the
29 board. The salary deduction amortization plans agreed to by
30 members and the board may include a deferral of payment

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

11 * * *

12 (k) Inapplicability of election and adjustments.--If a
13 member is purchasing creditable nonstate service, the regular
14 member contribution rate used to determine the contributions
15 necessary to purchase such credit shall be determined without
16 regard to any adjustments applicable under section 5501.1(c)
17 (relating to shared-risk member contributions and shared-gain
18 adjustments to regular member contributions).

19 Section 312. Section 5506.1(a) of Title 71 is amended to
20 read:

21 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

22 (a) General rule.--In addition to other applicable
23 limitations set forth in this part, and notwithstanding any
24 provision of this part to the contrary, the annual compensation
25 of each noneligible member and each participant, both before and
26 after any annualization, taken into account for benefit purposes
27 under this part shall not exceed the limitation under IRC §
28 401(a)(17). On and after January 1, 1996, any reference in this
29 part to the limitation under IRC § 401(a)(17) shall mean the
30 Omnibus Budget Reconciliation Act of 1993 (OBRA '93) (Public Law

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

12 * * *

13 Section 313. Section 5507(a), (b) and (d) of Title 71 are
14 amended and the section is amended by adding subsections to
15 read:

16 § 5507. Contributions to the system by the Commonwealth and
17 other employers.

18 (a) Contributions on behalf of active members.--The
19 Commonwealth and other employers whose employees are members of
20 the system or participants in the plan shall make contributions
21 to the fund on behalf of all active members in such amounts as
22 shall be certified by the board as necessary to provide,
23 together with the members' total accumulated deductions, annuity
24 reserves on account of prospective annuities other than those
25 provided in sections 5708 (relating to supplemental annuities),
26 5708.1 (relating to additional supplemental annuities), 5708.2
27 (relating to further additional supplemental annuities), 5708.3
28 (relating to supplemental annuities commencing 1994), 5708.4
29 (relating to special supplemental postretirement adjustment),
30 5708.5 (relating to supplemental annuities commencing 1998),

1 5708.6 (relating to supplemental annuities commencing 2002),
2 5708.7 (relating to supplemental annuities commencing 2003) and
3 5708.8 (relating to special supplemental postretirement
4 adjustment of 2002), in accordance with the actuarial cost
5 method provided in section 5508(a), (b), (c), (d) and (f)
6 (relating to actuarial cost method).

7 (b) Contributions on behalf of annuitants.--The Commonwealth
8 and other employers whose employees are members of the system or
9 participants in the plan shall make contributions on behalf of
10 annuitants in such amounts as shall be certified by the board as
11 necessary to fund the liabilities for supplemental annuities in
12 accordance with the actuarial cost method provided in section
13 5508(e) [(relating to actuarial cost method)].

14 (b.1) Payment of employer contributions to the system.--

15 (1) Payment of employer normal contributions shall be as
16 a percentage of compensation of active members.

17 (2) Payment of accrued liability contributions as
18 modified by the experience adjustment factor and supplemental
19 annuity contributions shall be as a percentage of
20 compensation of active members and active participants.

21 * * *

22 (d) Payment of final contribution rate.--Notwithstanding the
23 calculation of the actuarially required contribution rate and
24 the provisions of subsections (a) and (b), the Commonwealth and
25 other employers whose employees are members of the system or
26 participants in the plan shall make contributions to the fund on
27 behalf of all active members and annuitants in such amounts as
28 shall be certified by the board in accordance with section
29 5508(i).

30 * * *

1 (g) Payment of additional accrued liability contributions.--
2 In addition to all other contributions required under this
3 section and sections 5508 and 5941, the Commonwealth and other
4 employers whose employees are members of the system or
5 participants in the plan shall make contributions as certified
6 by the board as a percentage of the compensation of each member
7 and each participant as provided in this subsection, unless the
8 actuary certifies that the accrued liability contribution rate
9 determined under section 5508(c) is zero or less for that fiscal
10 year. Additional accrued liability contributions received by the
11 board as a result of this subsection shall be recognized as part
12 of the experience adjustment factor under section 5508(f).

<u>Fiscal year</u>	<u>Additional accrued liability</u>
<u>beginning date</u>	<u>contribution rate</u>
<u>July 1, 2017</u>	<u>0.00%</u>
<u>July 1, 2018</u>	<u>0.68%</u>
<u>July 1, 2019</u>	<u>0.64%</u>
<u>July 1, 2020</u>	<u>0.61%</u>
<u>July 1, 2021</u>	<u>0.58%</u>
<u>July 1, 2022</u>	<u>0.00%</u>
<u>July 1, 2023</u>	<u>0.00%</u>
<u>July 1, 2024</u>	<u>0.00%</u>
<u>July 1, 2025</u>	<u>0.00%</u>
<u>July 1, 2026</u>	<u>0.00%</u>
<u>July 1, 2027</u>	<u>0.00%</u>
<u>July 1, 2028</u>	<u>0.00%</u>
<u>July 1, 2029</u>	<u>0.00%</u>
<u>July 1, 2030</u>	<u>0.06%</u>
<u>July 1, 2031</u>	<u>0.19%</u>
<u>July 1, 2032</u>	<u>0.31%</u>

1	<u>July 1, 2033</u>	<u>0.42%</u>
2	<u>July 1, 2034</u>	<u>0.53%</u>
3	<u>July 1, 2035</u>	<u>0.63%</u>
4	<u>July 1, 2036</u>	<u>0.73%</u>
5	<u>July 1, 2037</u>	<u>0.82%</u>
6	<u>July 1, 2038</u>	<u>0.90%</u>
7	<u>July 1, 2039</u>	<u>0.98%</u>
8	<u>July 1, 2040</u>	<u>1.05%</u>

9 Section 314. Section 5508(a), (b), (c)(1), (e)(2), (f) and
10 (h) of Title 71 are amended and subsection (c) is amended by
11 adding a paragraph to read:

12 § 5508. Actuarial cost method.

13 (a) Employer contribution rate on behalf of active
14 members.--[The] For each fiscal year, the amount of the
15 Commonwealth and other employer contributions on behalf of all
16 active members shall be computed by the actuary as a percentage
17 of the total compensation of all active members during the
18 period for which the amount is determined and shall be so
19 certified by the board. The actuarially required contribution
20 rate on behalf of all active members shall consist of the
21 employer normal contribution rate, as defined in subsection (b),
22 and the accrued liability contribution rate as defined in
23 subsection (c). The actuarially required contribution rate on
24 behalf of all active members shall be modified by the experience
25 adjustment factor as calculated in subsection (f).

26 (b) Employer normal contribution rate.--The employer normal
27 contribution rate shall be determined after each actuarial
28 valuation on the basis of an annual interest rate and such
29 mortality and other tables as shall be adopted by the board in
30 accordance with generally accepted actuarial principles. The

1 employer normal contribution rate shall be determined as [a
2 level percentage of the compensation of the average new active
3 member, which percentage, if contributed on the basis of his
4 prospective compensation through his entire period of active
5 State service, would be sufficient to fund the liability for any
6 prospective benefit payable to him in excess of that portion
7 funded by his prospective member contributions, excluding
8 shared-risk member contributions.] follows:

9 (1) For fiscal years through fiscal year 2021-2022, as a
10 level percentage of the compensation of the average new
11 active member, which percentage, if contributed on the basis
12 of his prospective compensation through his entire period of
13 active State service, 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 shared-risk member contributions and
17 shared-gain adjustments to regular member contributions. In
18 no case shall the employer normal contribution rate in the
19 aggregate or for each class of service separately be less
20 than zero.

21 (2) For fiscal year 2022-2023 and each fiscal year
22 thereafter, as a level percentage of the compensation of all
23 active members, which percentage, if contributed from the
24 start of their employment on the basis of their prospective
25 compensation through their entire period of active State
26 service, would be sufficient to fund the liability for any
27 prospective benefit payable to them in excess of that portion
28 funded by their prospective member contributions, excluding
29 shared-risk member contributions and shared-gain adjustments
30 to regular member contributions. In no case shall the

1 employer normal contribution rate in the aggregate or for
2 each class of service separately be less than zero.

3 (c) Accrued liability contribution rate.--

4 (1) For the fiscal years beginning July 1, 2002, and
5 July 1, 2003, the accrued liability contribution rate shall
6 be computed as the rate of total compensation of all active
7 members which shall be certified by the actuary as sufficient
8 to fund over a period of ten years from July 1, 2002, the
9 present value of the liabilities for all prospective
10 benefits, except for the supplemental benefits as provided in
11 sections 5708 (relating to supplemental annuities), 5708.1
12 (relating to additional supplemental annuities), 5708.2
13 (relating to further additional supplemental annuities),
14 5708.3 (relating to supplemental annuities commencing 1994),
15 5708.4 (relating to special supplemental postretirement
16 adjustment), 5708.5 (relating to supplemental annuities
17 commencing 1998), 5708.6 (relating to supplemental annuities
18 commencing 2002), 5708.7 (relating to supplemental annuities
19 commencing 2003) and 5708.8 (relating to special supplemental
20 postretirement adjustment of 2002), in excess of the total
21 assets in the fund (calculated recognizing all investment
22 gains and losses over a five-year period), excluding the
23 balance in the supplemental annuity account, and the present
24 value of employer normal contributions and of member
25 contributions payable with respect to all active members on
26 December 31, 2001, and excluding contributions to be
27 transferred by county retirement systems or pension plans
28 pursuant to section 5507(c) (relating to contributions to the
29 system by the Commonwealth and other employers). The amount
30 of each annual accrued liability contribution shall be equal

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

11 * * *

12 (4) For fiscal years beginning on or after July 1, 2017,
13 the accrued liability contribution rate shall be computed as
14 provided for under this section, except that the rate shall
15 be computed as a rate of total compensation of all active
16 members and active participants for the applicable period. If
17 the accrued liability is changed by legislation enacted
18 subsequent to December 31, 2015, such change in liability
19 shall be funded in equal dollar installments as a percentage
20 of compensation of all active members and active participants
21 over a period of ten years from the first day of July
22 following the valuation date coincident with or next
23 following the date such legislation is enacted. In addition
24 to any employer defined contributions made to the trust, the
25 Commonwealth and other employers of participants shall make
26 the accrued liability contributions to the fund certified by
27 the board.

28 * * *

29 (e) Supplemental annuity contribution rate.--

30 * * *

1 (2) For fiscal years beginning on or after July 1, 2010,
2 contributions from the Commonwealth and other employers whose
3 employees are members of the system required to provide for
4 the payment of supplemental annuities as provided in sections
5 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
6 and 5708.8 shall be paid as part of the accrued liability
7 contribution rate as provided for in subsection (c)(3), and
8 there shall not be a separate supplemental annuity
9 contribution rate attributable to those supplemental
10 annuities. In the event that supplemental annuities are
11 increased by legislation enacted subsequent to December 31,
12 2009, the additional liability for the increase in benefits
13 shall be funded in equal dollar installments as a percentage
14 of compensation of all active members and active participants
15 over a period of ten years from the first day of July
16 following the valuation date coincident with or next
17 following the date such legislation is enacted.

18 (f) Experience adjustment factor.--

19 (1) For each fiscal year after the establishment of the
20 accrued liability contribution rate and the supplemental
21 annuity contribution rate for the fiscal year beginning July
22 1, 2010, any increase or decrease in the unfunded accrued
23 liability and any increase or decrease in the liabilities and
24 funding for supplemental annuities, due to actual experience
25 differing from assumed experience (recognizing all realized
26 and unrealized investment gains and losses over a five-year
27 period), changes in contributions caused by the final
28 contribution rate being different from the actuarially
29 required contribution rate, State employees making shared-
30 risk member contributions or having shared-gain adjustments

1 to their regular member contributions, payment of additional
2 accrued liability contributions under section 5507 (g),
3 changes in actuarial assumptions or changes in the terms and
4 conditions of the benefits provided by the system by
5 judicial, administrative or other processes other than
6 legislation, including, but not limited to, reinterpretation
7 of the provisions of this part, shall be amortized in equal
8 dollar annual contributions as a percentage of compensation
9 of all active members and active participants over a period
10 of 30 years beginning with the July 1 succeeding the
11 actuarial valuation determining said increases or decreases.

12 (2) The actuarially required contribution rate shall be
13 the sum of the normal contribution rate, the accrued
14 liability contribution rate and the supplemental annuity
15 contribution rate, modified by the experience adjustment
16 factor as calculated in paragraph (1).

17 * * *

18 (h) Temporary application of collared contribution rate.--
19 The collared contribution rate for each fiscal year shall be
20 determined by comparing the actuarially required contribution
21 rate calculated without regard for costs added by legislation to
22 the prior year's final contribution rate. If, for any of the
23 fiscal years beginning July 1, 2011, July 1, 2012, and on or
24 after July 1, 2013, the actuarially required contribution rate
25 calculated without regard for costs added by legislation is more
26 than 3%, 3.5% and 4.5%, respectively, of the total compensation
27 of all active members greater than the prior year's final
28 contribution rate, then the collared contribution rate shall be
29 applied and be equal to the prior year's final contribution rate
30 increased by the respective percentage above of total

1 compensation of all active members. Otherwise, and for all
2 subsequent fiscal years, the collared contribution rate shall
3 not [be applicable] apply. In no case shall the collared
4 contribution rate be less than 4% of total compensation of all
5 active members.

6 * * *

7 Section 315. Section 5509 of Title 71 is amended to read:

8 § 5509. Appropriations and assessments by the Commonwealth.

9 (a) Annual submission of budget.--The board shall prepare
10 and submit annually an itemized budget consisting of the amounts
11 necessary to be appropriated by the Commonwealth out of the
12 General Fund and special operating funds and the amounts to be
13 assessed the other employers required to meet the separate
14 obligations to the fund and the trust accruing during the fiscal
15 period beginning the first day of July of the following year.

16 (b) Appropriation and payment.--The General Assembly shall
17 make an appropriation sufficient to provide for the separate
18 obligations of the Commonwealth to the fund and the trust. Such
19 amount shall be paid by the State Treasurer through the
20 Department of Revenue into the fund or trust in accordance with
21 requisitions presented by the board. The contributions to the
22 system by the Commonwealth on behalf of active members who are
23 officers of the Pennsylvania State Police shall be charged to
24 the General Fund and to the Motor License Fund in the same
25 ratios as used to apportion the appropriations for salaries of
26 members of the Pennsylvania State Police. The contributions to
27 the system by the Commonwealth on behalf of active members who
28 are enforcement officers and investigators of the Pennsylvania
29 Liquor Control Board shall be charged to the General Fund and to
30 the State Stores Fund.

1 (c) Contributions from funds other than General Fund.--The
2 amounts assessed other employers who are required to make the
3 necessary separate contributions to the fund and the trust out
4 of funds other than the General Fund shall be paid by such
5 employers into the fund or trust in accordance with requisitions
6 presented by the board. The General Fund of the Commonwealth
7 shall not be held liable to appropriate the moneys required to
8 build up the reserves in the fund necessary for the payment of
9 benefits from the system to employees or to make the employer
10 defined contributions for employees of such other employers. In
11 case any such other employer shall fail to provide to the fund
12 the moneys necessary for such purpose, then the service of such
13 members of the system for such period for which money is not so
14 provided shall be credited and pickup contributions with respect
15 to such members shall continue to be credited to the members'
16 savings account. The annuity to which such member is entitled
17 shall be determined as actuarially equivalent to the present
18 value of the maximum single life annuity of each such member
19 reduced by the amount of employer contributions to the system
20 payable on account and attributable to his compensation during
21 such service, except that no reduction shall be made as a result
22 of the failure of an employer to make contributions required for
23 a period of USERRA leave.

24 Section 316. Title 71 is amended by adding a section to
25 read:

26 § 5510. Employer funding mandate protection.

27 (a) Limited expansion of contractual right to funding.--
28 Commencing on the July 1 following the actuarial valuation in
29 which the actuary certifies that the final contribution rate is
30 the actuarially required contribution, each active member shall

1 have a contractual right to the timely payment of the annual
2 actuarially required contributions under sections 5508 (relating
3 to actuarial cost method) and 5902(k) (relating to
4 administrative duties of the board) by such member's employer.

5 The following apply:

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

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

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

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

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

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

29 (c) Sovereign immunity waived.--Sovereign immunity is hereby
30 waived, and the provisions of 42 Pa.C.S. Ch. 85 (relating to

1 matters affecting government units) or lack of jurisdiction by
2 the Supreme Court shall not be raised as a defense against a
3 claim brought against an employer under this section.

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

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

14 (f) Employer contributions.--Nothing in this section shall
15 be deemed to supersede or conflict with the rights and
16 obligations set forth in section 5509 (relating to
17 appropriations and assessments by the Commonwealth).

18 Section 317. Sections 5701 and 5701.1 of Title 71 are
19 amended to read:

20 § 5701. Return of total accumulated deductions.

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

25 § 5701.1. Transfer of accumulated deductions.

26 When an employee of the Juvenile Court Judges' Commission
27 elects membership in an independent retirement program pursuant
28 to section 5301(f) (relating to mandatory and optional
29 membership in the system and participation in the plan), the
30 board shall transfer directly to the trustee or administrator of

1 the independent retirement program all accumulated deductions
2 resulting from service credited while an employee of the
3 Juvenile Court Judges' Commission.

4 Section 318. Sections 5702(a)(1), (4) and (6), (b) and (c),
5 5704(a), (c), (e) and (f) and 5705(a) of Title 71 are amended
6 and the sections are amended by adding subsections to read:

7 § 5702. Maximum single life annuity.

8 (a) General rule.--Any full coverage member who is eligible
9 to receive an annuity pursuant to the provisions of section
10 5308(a) or (b) (relating to eligibility for annuities) who
11 terminates State service, or if a multiple service member who is
12 a school employee who is an active member of the Public School
13 Employees' Retirement System who terminates school service,
14 before attaining age 70 shall be entitled to receive a maximum
15 single life annuity attributable to his credited service and
16 equal to the sum of the following single life annuities
17 beginning at the effective date of retirement:

18 (1) A single life annuity that is the sum of the
19 standard single life [annuity multiplied by the sum of the
20 products,] annuities determined separately for each class of
21 service[, obtained by multiplying] multiplied by the
22 appropriate class of service multiplier [by the ratio of
23 years of service credited in that class to the total credited
24 service] applicable to each standard single life annuity. In
25 case the member on the effective date of retirement is under
26 superannuation age for any service, a reduction factor
27 calculated to provide benefits actuarially equivalent to an
28 annuity starting at superannuation age shall be applied to
29 the product determined for that service[.]: Provided,
30 however, That any standard single life annuity resulting from

1 Class A-5 service or Class A-6 service shall be reduced by a
2 percentage determined by multiplying the number of months,
3 including a fraction of a month as a full month, by which the
4 effective date of retirement precedes superannuation age by
5 0.25% if the effective date of retirement is on or after the
6 date the member has attained age 62 and the member has 25 or
7 more eligibility points. The class of service multiplier for
8 any period of concurrent service shall be multiplied by the
9 proportion of total State and school compensation during such
10 period attributable to State service as a member of the
11 system. In the event a member has two multipliers for one
12 class of service [the class of service multiplier to be used
13 for calculating benefits for that class shall be the average
14 of the two multipliers weighted by the proportion of
15 compensation attributable to each multiplier during the three
16 years of highest annual compensation in that class of
17 service: Provided, That in the case of a member of Class E-1,
18 a portion but not all of whose three years of highest annual
19 judicial compensation is prior to January 1, 1973, two class
20 of service multipliers shall be calculated on the basis of
21 his entire judicial service, the one applying the judicial
22 class of service multipliers effective prior to January 1,
23 1973 and the second applying the class of service multipliers
24 effective subsequent to January 1, 1973. The average class of
25 service multiplier to be used for calculating benefits for
26 his judicial service shall be the average of the two
27 calculated multipliers weighted by the proportion of
28 compensation attributable to each of the calculated
29 multipliers during the three years of highest annual
30 compensation in that class of service.], separate standard

1 single life annuities shall be calculated for the portion of
2 service in such class applicable to each class of service
3 multiplier. In the case of a member with Class A-5 service
4 credit or Class A-6 service credit and credit in one or more
5 other classes of service who has not attained age 62 on the
6 effective date of retirement but who is otherwise eligible
7 for an annuity resulting from his Class A-5 service or Class
8 A-6 service, and who commences receipt of a superannuation
9 annuity or withdrawal annuity based on the other classes of
10 service, no annuity based on the member's Class A-5 service
11 credit or Class A-6 service credit shall be paid until the
12 attainment of age 62.

13 * * *

14 (4) If eligible, a single life annuity which is
15 actuarially equivalent to the amount by which his regular and
16 additional accumulated deductions attributable to any
17 credited service other than as a member of Class A-3, Class
18 A-4, Class A-5, Class A-6 and Class C are greater than one-
19 half of the actuarially equivalent value on the effective
20 date of retirement of the annuity as provided in paragraph
21 (1) attributable to service other than Class A-3, Class A-4,
22 Class A-5, Class A-6 and Class C for which regular or joint
23 coverage member contributions were made. [This paragraph
24 shall not apply to any member with State service credited as
25 Class A-3 or Class A-4.]

26 * * *

27 (6) If eligible, a single life annuity sufficient
28 together with the annuity provided for in paragraph (1) as a
29 Class A, Class AA, Class A-3 [and], Class A-4, Class A-5 or
30 Class A-6 member and the highest annuity provided for in

1 paragraph (2) to which he is entitled, or at his option could
 2 have been entitled, to produce that percentage of [a] the
 3 sums of the standard single life [annuity] annuities adjusted
 4 by the application of the class of service multiplier for
 5 Class A, Class AA, Class A-3 [or], Class A-4, Class A-5 or
 6 Class A-6 as set forth in paragraph (1) in the case where any
 7 service is credited as a member of Class A, Class AA, Class
 8 A-3 [or], Class A-4, Class A-5 or Class A-6 on the effective
 9 date of retirement as determined by his total years of
 10 credited service as a member of Class A, Class AA, Class A-3
 11 [and], Class A-4, Class A-5 or Class A-6 and by the following
 12 table:

13 Total Years of 14 Credited Service 15 as a Member of	16 Percentage of <u>Sums of</u> 17 Standard 18 Single Life 19 [Annuity] <u>Annuities</u> Adjusted for 20 Class A, Class AA, 21 Class A-3 [and], <u>Class A-4,</u> 22 <u>Class A-5</u> 23 <u>and Class A-6</u> 24 Class of 25 Service Multipliers
22 35-40	100%
23 41	102%
24 42	104%
25 43	106%
26 44	108%
27 45 or more	110%

28 * * *

29 (b) Present value of annuity.--The present value of the
 30 maximum single life annuity as calculated in accordance with

1 subsection (a) of this section shall be determined by
2 multiplying the maximum single life annuity by the cost of a
3 dollar annuity on the effective date of retirement[.], which
4 shall take into account any delay in the receipt of the portion
5 of the annuity based on Class A-5 service or Class A-6 service
6 if the effective date of retirement is before the member attains
7 age 62. Such present value shall be decreased only as required
8 under the provisions of section 5506 (relating to incomplete
9 payments), 5509(c) (relating to appropriations and assessments
10 by the Commonwealth) or 5703 (relating to reduction of annuities
11 on account of social security old-age insurance benefits).

12 (c) Limitation on amount of annuity.--The annuity paid to a
13 member under subsection (a) and reduced in accordance with the
14 option elected under section 5705 (relating to member's options)
15 shall not exceed the highest compensation received as a member
16 of the system during any period of twelve consecutive months of
17 credited service. No limit on the total annuity paid to a member
18 with Class D-3 service shall be applied in the case of a member
19 who served as a constitutional officer of the General Assembly.

20 * * *

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

26 § 5704. Disability annuities.

27 (a) Amount of annuity.--A member who has made application
28 for a disability annuity and has been found to be eligible in
29 accordance with the provisions of section 5905(c)(1) (relating
30 to duties of the board regarding applications and elections of

1 members and participants) shall receive a disability annuity
2 payable from the effective date of disability as determined by
3 the board and continued until a subsequent determination by the
4 board that the annuitant is no longer entitled to a disability
5 annuity. [The] If the sum of the products of the number of years
6 and fractional part of a year of credited service in each class
7 and the appropriate class of service multiplier is greater than
8 16.667, the disability annuity shall be a single life annuity
9 that is equal to [a] the sum of the standard single life
10 [annuity] annuities determined separately for each class of
11 service multiplied by the appropriate class of service
12 multiplier [applicable to the class of service at the time of
13 disability if the product of such class of service multiplier
14 and the total number of years of credited service is greater
15 than 16.667, otherwise the], otherwise each standard single life
16 annuity shall be multiplied by the lesser of the following
17 ratios:

18
$$MY^*/Y \text{ or } 16.667/Y$$

19 [where] Where $Y = \text{total number of years of credited service}$ [,];
20 $Y^* = \text{total years of credited service if the member were to}$
21 $\text{continue as a State employee until attaining superannuation age}$
22 $\text{as applicable to that class of service at the time of}$
23 $\text{disability, or if the member has attained superannuation age, as}$
24 $\text{applicable to that class of service at the time of disability,}$
25 $\text{then the number of years of credited service and } M = \text{the class}$
26 $\text{of service multiplier as applicable to that class of service at}$
27 $\text{the effective date of disability. A member of Class C shall}$
28 $\text{receive, in addition, any annuity to which he may be eligible}$
29 $\text{under section 5702(a)(3) (relating to maximum single life}$
30 $\text{annuity). The member shall be entitled to the election of a}$

1 joint and survivor annuity on that portion of the disability
2 annuity to which he is entitled under section 5702.

3 * * *

4 (c) Reduction on account of earned income.--Subsequent to
5 January 1, 1972, payments on account of disability shall be
6 reduced by that amount by which the earned income of the
7 annuitant, as reported in accordance with section 5908(b)
8 (relating to rights and duties of annuitants), for the preceding
9 calendar year together with the disability annuity payments
10 provided in this section other than subsection (b), for the
11 year, exceeds the product of:

12 [(i)] (1) the last year's salary of the annuitant as a
13 [State employee] member of the system; and

14 [(ii)] (2) the ratio of the current monthly payment to
15 the monthly payment at the effective date of disability;

16 Provided, That the annuitant shall not receive less than his
17 member's annuity or the amount to which he may be entitled under
18 section 5702 whichever is greater.

19 * * *

20 (e) Termination of State service.--Upon termination of
21 disability annuity payments in excess of an annuity calculated
22 in accordance with section 5702, a disability annuitant who[:

23 (1) does not have Class A-3 or Class A-4 service credit;

24 or

25 (2) has Class A-3 or Class A-4 service credit and fewer
26 than ten eligibility points;

27 and who] does not return to State service may file an
28 application with the board for an amount equal to the excess, if
29 any, of the sum of the shared-risk accumulated deductions plus
30 the regular and additional accumulated deductions standing to

1 his credit at the effective date of disability over one-third of
2 the total disability annuity payments received. If the annuitant
3 on the date of termination of service was eligible for an
4 annuity as provided in section 5308(a) or (b) (relating to
5 eligibility for annuities), he may file an application with the
6 board for an election of an optional modification of his
7 annuity.

8 (f) Supplement for service connected disability.--

9 (1) If a member has been found to be eligible for a
10 disability annuity and if the disability has been found to be
11 a service connected disability and if the member is receiving
12 workers' compensation payments for other than medical
13 benefits, such member shall receive a supplement equal to
14 [70% of his final average salary] the amount determined under
15 paragraph (2) less the sum of the annuity as determined under
16 subsection (a) and any payments paid or payable on account of
17 such disability under the act of June 2, 1915 (P.L.736,
18 No.338), known as the Workers' Compensation Act, the act of
19 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
20 Occupational Disease Act, and the Social Security Act (49
21 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
22 continue as long as he is determined to be disabled and is
23 receiving workers' compensation payments for other than
24 medical benefits on account of his service connected
25 disability in accordance with the Workers' Compensation Act
26 or The Pennsylvania Occupational Disease Act. If the member
27 has received a lump sum workers' compensation payment in lieu
28 of future weekly compensation payments, the length in weeks
29 and calculation of the service connected disability
30 supplement shall be determined by dividing the lump sum

1 payment by the average weekly wage as determined by the
2 Workers' Compensation Board.

3 (2) For a member who does not have Class A-5 or Class A-
4 6 service, the amount to be used to determine eligibility for
5 the supplement under paragraph (1) shall be 70% of the
6 member's final average salary. For a member who has Class A-5
7 or Class A-6 service, the amount to be used to determine
8 eligibility for the supplement under paragraph (1) shall be
9 calculated according to the following formula:

$$10 \quad A = .7[(Y^W \text{ MULTIPLIED BY } FAS^W) + (Y^P \text{ MULTIPLIED BY } FAS^P)]$$

11
$$\qquad \qquad \qquad \underline{Y^T} \qquad \qquad \qquad \underline{Y^T}$$

12 (3) The following apply to the formula in paragraph (2):

13 (i) A equals the amount used to determine the
14 supplement;

15 (ii) Y^T equals total years of credited service;

16 (iii) Y^W equals years of credited service that are
17 not Class A-5 or Class A-6 service;

18 (iv) FAS^W equals final average salary calculated for
19 credited service other than Class A-5 or Class A-6
20 service;

21 (v) Y^P equals years of service credited as Class A-5
22 or Class A-6 service; and

23 (vi) FAS^P equals final average salary calculated for
24 service credited as Class A-5 or Class A-6 service.

25 * * *

26 (h) Coordination of benefits.--The determination and payment
27 of a disability annuity under this section is in addition to any
28 payments a member may be entitled to receive, has received or is
29 receiving as a result of being a participant in the plan.

30 § 5705. Member's options.

1 (a) General rule.--Any special vestee [who has attained
2 superannuation age, any vestee who does not have Class A-3 or
3 Class A-4 service credit having five or more eligibility points
4 for service other than Class T-E or Class T-F service in the
5 Public School Employees' Retirement System, or vestee who has
6 Class A-3 or Class A-4 service credit having ten or more
7 eligibility points, any member with Class G, Class H, Class I,
8 Class J, Class K, Class L, Class M or Class N service having
9 five or more eligibility points or any other eligible member
10 upon termination of State service who has not withdrawn his
11 total accumulated deductions as provided in section 5701
12 (relating to return of total accumulated deductions)], vestee or
13 any other member upon termination of State service who is
14 eligible to receive an annuity as provided in section 5308(a) or
15 (b) (relating to eligibility for annuities) may apply for and
16 elect to receive either a maximum single life annuity, as
17 calculated in accordance with the provisions of section 5702
18 (relating to maximum single life annuity), or a reduced annuity
19 certified by the actuary to be actuarially equivalent to the
20 maximum single life annuity payable after reduction under
21 subsection (a.1) and in accordance with one of the following
22 options; except that no member shall elect an annuity payable to
23 one or more survivor annuitants other than his spouse or
24 alternate payee of such a magnitude that the present value of
25 the annuity payable to him for life plus any lump sum payment
26 under this subsection and subsection (a.1) he may have elected
27 to receive is less than 50% of the present value of his maximum
28 single life annuity and no member may elect a payment option
29 that would provide benefits that do not satisfy the minimum
30 distribution requirements or would violate the incidental death

1 benefit rules of IRC § 401(a) (9):

2 (1) Option 1.--A life annuity to the member with a
3 guaranteed total payment equal to the present value of the
4 maximum single life annuity on the effective date of
5 retirement with the provision that, if, at his death, he has
6 received less than such present value, the unpaid balance
7 shall be payable to his beneficiary.

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

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

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

20 (i) any annuity shall be payable without reduction
21 during the lifetime of the member;

22 (ii) the sum of all annuities payable to the
23 designated survivor annuitants shall not be greater than
24 one and one-half times the annuity payable to the member;
25 and

26 (iii) a portion of the benefit may be payable as a
27 lump sum, except that such lump sum payment shall not
28 exceed an amount equal to the total accumulated
29 deductions standing to the credit of the member that are
30 not the result of contributions and statutory interest

1 made or credited as a result of Class A-3 [or], Class A-
2 4, Class A-5 or Class A-6 service. The balance of the
3 present value of the maximum single life annuity adjusted
4 in accordance with section 5702(b) shall be paid in the
5 form of an annuity with a guaranteed total payment, a
6 single life annuity, or a joint and survivor annuity or
7 any combination thereof but subject to the restrictions
8 of subparagraphs (i) and (ii) under this option.

9 (a.1) Additional lump sum withdrawal.--The following shall
10 apply:

11 (1) If a member has an effective date of retirement
12 after December 31, 2017, and has elected to have the full
13 amount allowed under subsection (a)(4)(iii) paid in lump sum,
14 or is not eligible to have any money paid under subsection
15 (a)(4)(iii), then the member may elect to receive an
16 additional amount payable in a lump sum at the same time as
17 the payment elected under subsection (a)(4)(iii), if any.

18 (2) The additional amount payable in a lump sum may not
19 exceed an amount equal to total accumulated deductions
20 standing to the credit of the member on the effective date of
21 retirement related to service credited as Class A-3, Class A-
22 4, Class A-5 or Class A-6.

23 (3) If a member elects to be paid an additional lump sum
24 amount under this subsection, then the maximum single life
25 annuity calculated under section 5702 and payable under
26 subsection (a) shall be reduced by the additional amount
27 withdrawn divided by the cost of a dollar annuity on the
28 effective date of retirement computed on the basis of the
29 annual interest rate adopted for that fiscal year by the
30 board for the calculation of the employer normal contribution

1 rate under section 5508(b) (relating to actuarial cost
2 method) and the mortality tables adopted by the board for the
3 determination of actuarially equivalent benefits under this
4 part. The reduction in the maximum single life annuity under
5 this paragraph shall apply before the election and
6 calculation of any reduced annuities payable under subsection
7 (a).

8 * * *

9 Section 319. Sections 5705.1 and 5706(a), (a.2), (a.5), (b)
10 and (c.1) of Title 71 are amended to read:

11 § 5705.1. Payment of accumulated deductions resulting from
12 [Class A-3 and Class A-4] more than one class of
13 service.

14 Any superannuation or withdrawal annuitant who:

15 (1) has Class A-3 [or], Class A-4, Class A-5 or Class A-
16 6 service credit;

17 (2) has service credited in one or more classes of
18 service; and

19 (3) because he has five or more, but fewer than ten,
20 eligibility points is not eligible to receive an annuity on
21 his Class A-3 [or], Class A-4, Class A-5 or Class A-6 service
22 shall receive in a lump sum at the time of his retirement, in
23 addition to any other annuity or lump sum payment which he may
24 elect, his accumulated deductions resulting from his Class A-3
25 [or], Class A-4, Class A-5 or Class A-6 service credit. Payment
26 of these accumulated deductions resulting from Class A-3 [or],
27 Class A-4, Class A-5 or Class A-6 service credit shall not be
28 eligible for installment payments pursuant to section 5905.1
29 (relating to installment payments of accumulated deductions) but
30 shall be considered a lump sum payment for purposes of section

1 5905.1(d).

2 § 5706. Termination of annuities.

3 (a) General rule.--

4 (1) If the annuitant returns to State service or enters
5 or has entered school service and elects multiple service
6 membership, any annuity payable to him under this part shall
7 cease effective upon the date of his return to State service
8 or entering school service without regard to whether he is a
9 mandatory, optional or prohibited member of the system or
10 participant in the plan or, if a multiple service member,
11 whether he is a mandatory, optional or prohibited member or
12 participant of the Public School Employees' Retirement System
13 or School Employees' Defined Contribution Plan; and, in the
14 case of an annuity other than a disability annuity the
15 present value of such annuity, adjusted for full coverage in
16 the case of a joint coverage member who makes the appropriate
17 back contributions for full coverage, shall be frozen as of
18 the date such annuity ceases. An annuitant who is credited
19 with an additional 10% of Class A and Class C service as
20 provided in section 5302(c) (relating to credited State
21 service) and who returns to State service shall forfeit such
22 credited service and shall have his frozen present value
23 adjusted as if his 10% retirement incentive had not been
24 applied to his account. In the event that the cost-of-living
25 increase enacted December 18, 1979 occurred during the period
26 of such State or school employment, the frozen present value
27 shall be increased, on or after the member attains
28 superannuation age, by the percent applicable had he not
29 returned to service.

30 (2) This subsection shall not apply in the case of any

1 annuitant who:

2 (i) may render services to the Commonwealth in the
3 capacity of an independent contractor; or

4 (ii) is over normal retirement age or who has been
5 an annuitant for more than one year and who may render
6 service to the Commonwealth:

7 (A) as a member of an independent board or
8 commission or as a member of a departmental
9 administrative or advisory board or commission when
10 such members of independent or departmental boards or
11 commissions are compensated on a per diem basis for
12 not more than 150 days per calendar year; or

13 (B) as a member of an independent board or
14 commission requiring appointment by the Governor,
15 with advice and consent of the Senate, where the
16 annual salary payable to the member does not exceed
17 \$35,000 and where the member has been an annuitant
18 for at least six months immediately preceding the
19 appointment.

20 * * *

21 (a.2) Return of benefits.--In the event an annuitant whose
22 annuity from the system ceases pursuant to this section receives
23 any annuity payment, including a lump sum payment pursuant to
24 section 5705 (relating to member's options) on or after the date
25 of his return to State service or entering school service, the
26 annuitant shall return to the board the amount so received from
27 the system plus statutory interest. The amount payable shall be
28 certified in each case by the board in accordance with methods
29 approved by the actuary and shall be paid in a lump sum within
30 30 days or in the case of an active member or school employee

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

15 * * *

16 (a.5) No contributions or credited service.--The service of
17 an annuitant whose annuity does not cease upon his return to
18 State or school service shall not be subject to member
19 contributions or eligible for qualification as creditable State
20 service[.] and shall not be eligible for participation in the
21 plan, mandatory pickup participant contributions, voluntary
22 contributions or employer defined contributions.

23 (b) Subsequent discontinuance of service.--Upon subsequent
24 discontinuance of service, such [member] terminating State
25 employee other than a former annuitant who had the effect of his
26 frozen present value eliminated in accordance with subsection
27 (c) or a former disability annuitant shall be entitled to an
28 annuity which is actuarially equivalent to [the sum of] the
29 present value as determined under subsection (a) [and] to which
30 shall be added, if the service after reemployment was as a

1 member of the system, the present value of a maximum single life
2 annuity based on years of service credited subsequent to reentry
3 in the system and his final average salary computed by reference
4 to his compensation as a member of the system or as a member of
5 the Public School Employees' Retirement System during his entire
6 period of State and school service.

7 (c) Elimination of the effect of frozen present value.--

8 (1) An annuitant who returns to State service as an
9 active member of the system and earns three eligibility
10 points as a member of the system by performing credited State
11 service following the most recent period of receipt of an
12 annuity under this part, or an annuitant who enters school
13 service other than as a Class DC participant and:

14 (i) is a multiple service member; or

15 (ii) who elects multiple service membership, and
16 earns three eligibility points by performing credited State
17 service as a member of the system or credited school service
18 following the most recent period of receipt of an annuity
19 under this part, and who had the present value of his annuity
20 frozen in accordance with subsection (a), shall qualify to
21 have the effect of the frozen present value resulting from
22 all previous periods of retirement eliminated, provided that
23 all lump sum payments under Option 4 or under section
24 5705(a.1) and annuity payments payable during previous
25 periods of retirement plus interest as set forth in paragraph
26 (3) shall be returned to the fund in the form of an actuarial
27 adjustment to his subsequent benefits or in such form as the
28 board may otherwise direct.

29 * * *

30 Section 320. Sections 5707(a), (b) and (f) and 5709 heading,

1 (a) and (b) of Title 71 are amended and the sections are amended
2 by adding subsections to read:

3 § 5707. Death benefits.

4 (a) Members eligible for annuities.--Any active member,
5 inactive member [on leave without pay], vestee or current or
6 former State employee performing USERRA leave who dies and was
7 eligible for an annuity in accordance with section 5308(a) or
8 (b) (relating to eligibility for annuities) or special vestee
9 who has attained superannuation age and dies before applying for
10 a superannuation annuity shall be considered as having applied
11 for an annuity to become effective the day before his death and
12 in the event he has not elected an option or such election has
13 not been approved prior to his death, it shall be assumed that
14 he elected Option 1. For purposes of this subsection, a member
15 with Class A-5 service or Class A-6 service who has ten or more
16 eligibility points shall be considered eligible for an annuity
17 based on Class A-5 or Class A-6 service even if the member had
18 not attained age 62.

19 (b) Members ineligible for annuities.--In the event of the
20 death of a special vestee, an active member, an inactive member
21 [on leave without pay] or a current or former State employee
22 performing USERRA leave who is not entitled to a death benefit
23 as provided in subsection (a), his designated beneficiary shall
24 be paid the full amount of his total accumulated deductions.

25 (b.1) Members eligible for annuities in some classes of
26 service and ineligible in other classes of service.--In the
27 event of the death of a member who is eligible for an annuity
28 based on service credited in some classes of service and
29 ineligible for an annuity for service credited in other classes
30 of service, a benefit shall be paid under subsection (a) based

1 on the service for which an annuity is deemed payable in
2 addition to payment under subsection (b) of the accumulated
3 deductions attributable to service for which the member was not
4 eligible for an annuity.

5 * * *

6 (f) Members subject to limitations under section 5702(c).--
7 Subject to the limitations contained in section 401(a)(9) of the
8 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
9 401(a)(9)), the present value of any annuity in excess of that
10 payable under section 5702 (relating to maximum single life
11 annuity) that is not subject to the limitations under section
12 415(b) of the Internal Revenue Code of 1986 shall be paid in a
13 lump sum to the beneficiary designated by the member after the
14 death of the member. A beneficiary receiving a benefit under
15 this subsection shall not be able to elect a payment method
16 otherwise allowed under section 5709(b)(2) and (3) (relating to
17 payment of benefits from the system).

18 * * *

19 § 5709. Payment of benefits from the system.

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

23 (b) Death benefits.--If the amount of a death benefit
24 payable from the fund to a beneficiary of a member under section
25 5707 (relating to death benefits) or under the provisions of
26 Option 1 of section 5705(a)(1) (relating to member's options) is
27 \$10,000 or more, such beneficiary may elect to receive payment
28 according to one of the following options:

29 (1) a lump sum payment;

30 (2) an annuity actuarially equivalent to the amount

1 payable; or

2 (3) a lump sum payment and an annuity such that the
3 annuity is actuarially equivalent to the amount payable less
4 the lump sum payment specified by the beneficiary.

5 * * *

6 (e) Members with Class A-5 or Class A-6 service and service
7 in one or more other classes of service.--An annuitant whose
8 receipt of the portion of his annuity attributable to Class A-5
9 service or Class A-6 service has been delayed to the attainment
10 of age 62 shall have his annuity increased upon attainment of
11 the applicable superannuation age under the terms and conditions
12 of the annuity payment option selected at the time of retirement
13 or if applicable under section 5907(j) (relating to rights and
14 duties of State employees, members and participants). In the
15 event such a member selected a joint and survivor annuity and
16 died prior to attaining age 62, the annuity of his survivor
17 annuitant, if surviving, will be increased at the time the
18 member would have attained age 62.

19 Section 321. Title 71 is amended by adding a chapter to
20 read:

21 CHAPTER 58

22 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

23 Sec.

24 5801. Establishment.

25 5802. Plan document.

26 5803. Individual investment accounts.

27 5804. Participant contributions.

28 5805. Mandatory pickup participant contributions.

29 5806. Employer defined contributions.

30 5807. Eligibility for benefits.

1 5808. Death benefits.

2 5809. Vesting.

3 5810. Termination of distributions.

4 5811. (Reserved).

5 5812. Powers and duties of board.

6 5813. Responsibility for investment loss.

7 5814. Investments based on participant's investment allocation
8 choices.

9 5815. Expenses.

10 5816. Tax qualification.

11 § 5801. Establishment.

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

21 (b) State Employees' Defined Contribution Trust.--The State
22 Employees' Defined Contribution Trust is established as part of
23 the plan. The trust shall be comprised of the individual
24 investment accounts and all assets and money in those accounts,
25 and any assets and money held by the board as part of the plan
26 that are not allocated to individual investment accounts. The
27 members of the board shall be the trustees of the trust, which
28 shall be administered exclusively for the benefit of those State
29 employees who participate in the plan and their beneficiaries
30 within the meaning of and in conformity with IRC § 401(a). The

1 board shall determine the terms and provisions of the trust not
2 inconsistent with this part, the IRC or other applicable law and
3 shall provide for the investment and administration of the
4 trust.

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

17 (d) Name for transacting business.--All of the business of
18 the plan shall be transacted, the trust invested, all
19 requisitions for money drawn and payments made and all of its
20 cash and securities and other property shall be held by the name
21 of the "State Employees' Defined Contribution Plan."
22 Notwithstanding any other law to the contrary, the board may
23 establish a nominee registration procedure for the purpose of
24 registering securities to facilitate the purchase, sale or other
25 disposition of securities under the provisions of 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. Any amendments to the plan and

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

10 § 5803. Individual investment accounts.

11 The board shall establish in the trust an individual
12 investment account for each participant in the plan. All
13 contributions by a participant or an employer for or on behalf
14 of a participant shall be credited to the participant's
15 individual investment account, together with all interest and
16 investment earnings and losses. Investment and administrative
17 fees, costs and expenses shall be charged to the participants'
18 individual investment accounts except as otherwise provided
19 under this part or as the General Assembly otherwise provides by
20 appropriations from the General Fund. Employer defined
21 contributions shall be recorded and accounted for separately
22 from participant contributions, but all interest, investment
23 earnings and losses, and investment and administrative fees,
24 costs and expenses shall be allocated proportionately.

25 § 5804. Participant contributions.

26 (a) Mandatory contributions.--A participant shall make
27 mandatory pickup participant contributions through payroll
28 deductions to the participant's individual investment account
29 equal to 3.5% of compensation for current State service credited
30 as a Class A-5 member or as a Class A-6 member and 7.5% of

1 compensation for current service performed solely as a
2 participant. The employer shall cause those contributions for
3 current service to be made and deducted from each payroll or on
4 such schedule as established by the board.

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

13 (c) Prohibited contributions.--No contributions may be
14 allowed that would cause a violation of the limitations related
15 to contributions applicable to governmental plans contained in
16 IRC § 415 or in other provisions of law. In the event that any
17 disallowed contributions are made, any participant contributions
18 in excess of the limitations and investment earnings on those
19 contributions, but minus investment fees and administrative
20 charges, shall be refunded to the participant by the board.
21 § 5805. Mandatory pickup participant contributions.

22 (a) Treatment for purposes of IRC § 414(h).--The
23 contributions to the trust required to be made under section
24 5804(a) (relating to participant contributions) with respect to
25 State service rendered by an active participant shall be picked
26 up by the Commonwealth or other employer and shall be treated as
27 the employer's contribution for purposes of IRC § 414(h). After
28 the effective date of this section, an employer employing a
29 participant in the plan shall pick up the required mandatory
30 participant contributions by a reduction in the compensation of

1 the participant.

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

8 § 5806. Employer defined contributions.

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

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

28 (c) Limitations on contributions.--No contributions may be
29 allowed that would cause a violation of the limitations related
30 to contributions applicable to governmental plans contained in

1 IRC § 415 or in other provisions of law. In the event that any
2 disallowed contributions are made, any employer defined
3 contributions in excess of the limitations and investment
4 earnings on the contributions, but minus investment fees and
5 administrative charges, shall be refunded to the employer by the
6 board.

7 § 5807. Eligibility for benefits.

8 (a) Termination of service.--A participant who terminates
9 State service shall be eligible to withdraw the vested
10 accumulated total defined contributions standing to the
11 participant's credit in the participant's individual investment
12 account or a lesser amount as the participant may request.
13 Payment shall be made in a lump sum unless the board has
14 established other forms of distribution in the plan document. A
15 participant who withdraws his vested accumulated total defined
16 contributions shall no longer be a participant in the plan,
17 notwithstanding that the former State employee may continue to
18 be a member of the system or may have contracted to receive an
19 annuity or other form of payment from a provider retained by the
20 board for such purposes.

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

27 (c) (Reserved).

28 (d) Prohibited distributions.--A State employee must be
29 terminated from all positions that result in either membership
30 in the system or participation in the plan to be eligible to

1 receive a distribution. No distribution shall be allowed that
2 would be an in-service distribution prohibited by the IRC.

3 (e) Loans.--Loans or other distributions, including hardship
4 or unforeseeable emergency distributions, from the plan to State
5 employees who have not terminated State service are not
6 permitted, except as required by law.

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

13 § 5808. Death benefits.

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

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

30 (c) Contracts.--The board may contract with financial

1 institutions, insurance companies or other types of third-party
2 providers to allow a participant, beneficiary or successor payee
3 who receives a lump sum distribution to receive payments and
4 death benefits in a form and manner as provided by the contract.
5 § 5809. Vesting.

6 (a) Participant and voluntary contributions.--Subject to the
7 forfeiture and attachment provisions of section 5953 (relating
8 to taxation, attachment and assignment of funds) or otherwise as
9 provided by law, a participant shall be vested immediately with
10 respect to all mandatory pickup participant contributions and
11 voluntary contributions paid by or on behalf of the participant
12 to the trust in addition to interest and investment gains or
13 losses on the participant contributions but minus investment
14 fees and administrative charges.

15 (b) Employer defined contributions.--

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

24 (i) Until such time as a participant has earned
25 three eligibility points as a member of the system or
26 participant in the plan, 0%;

27 (ii) At and after the attainment of three
28 eligibility points as a member of the system or
29 participant in the plan, 100%.

30 (2) For purposes of this subsection, all eligibility

1 points credited to a member of the system in any class of
2 service shall be used for determining vested status in the
3 plan even if the employee was not a participant in the plan
4 at the time the eligibility points were earned.

5 (3) Nonvested employer defined contributions and the
6 interest and investment gains and losses on the nonvested
7 employer defined contributions that are forfeited when a
8 participant terminates State service before accruing three
9 eligibility points as provided under section 5307(c)(3)
10 (relating to eligibility points) are credited to the
11 participant's most recent employer's future obligation
12 assessed under section 5509 (relating to appropriations and
13 assessments by the Commonwealth).

14 (c) USERRA leave and eligibility points.--A participant in
15 the plan who is reemployed from USERRA leave or who dies while
16 performing USERRA leave shall receive eligibility points under
17 this section for the State service that would have been
18 performed had the member not performed USERRA leave.

19 § 5810. Termination of distributions.

20 (a) Return to State service.--

21 (1) A participant receiving distributions or an inactive
22 participant who returns to State service shall cease
23 receiving distributions and shall not be eligible to receive
24 distributions until the participant subsequently terminates
25 State service, without regard to whether the participant is a
26 mandatory, optional or prohibited member of the system or
27 participant in the plan.

28 (2) This subsection shall not apply to distributions
29 that the participant has received or used to purchase an
30 annuity from a provider contracted by the board.

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

2 (1) If a former State employee is reemployed from USERRA
3 leave and received any distributions from the plan during the
4 USERRA leave, the employee shall return to the board the
5 amount so received plus interest as provided in the plan
6 document.

7 (2) 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 participant may be amortized with
11 interest as provided in the plan document through salary
12 deductions to the trust in amounts agreed upon by the active
13 participant and the board, but for not longer than a period
14 that starts with the date of reemployment and continues for
15 up to three times the length of the active participant's
16 immediate past period of USERRA leave. The repayment period
17 shall not exceed five years.

18 § 5811. (Reserved).

19 § 5812. Powers and duties of board.

20 The board, in addition to its powers and duties set forth in
21 Chapter 59 (relating to administration, funds, accounts, general
22 provisions), shall have the following powers and duties to
23 establish the plan and trust and administer the provisions of
24 this chapter and part:

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

27 (2) The board shall pay all administrative fees, costs
28 and expenses of managing, investing and administering the
29 plan, the trust and the individual investment accounts from
30 the balance of such individual investment accounts except as

1 otherwise provided under this part or as the General Assembly
2 otherwise provides by appropriations from the General Fund.

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

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

9 (5) The board may establish a process for election to
10 participate in the plan by those State employees eligible to
11 do so for whom participation is not mandatory.

12 (6) The board may perform an annual or more frequent
13 review of any qualified fund manager for the purpose of
14 assuring that the fund manager continues to meet all
15 standards and criteria established.

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

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

23 (9) The board shall administer or ensure the
24 administration of the plan in compliance with the
25 qualifications and other rules of the IRC.

26 (10) The board may establish procedures to provide for
27 the lawful payment of benefits, including, but not limited
28 to, alternate payees as set forth in sections 5953 (relating
29 to taxation, attachment and assignment of funds) through
30 5953.6 (relating to irrevocable successor payee).

1 (11) The board shall determine, after reviewing
2 applicable law, what constitutes a termination of State
3 service.

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

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

11 (i) Procedures for eligible participants to change
12 voluntary contribution amounts or their investment
13 choices on a periodic basis or make other elections
14 regarding their participation in the plan.

15 (ii) Procedures for deducting mandatory pickup
16 participant contributions and voluntary contributions
17 from a participant's compensation.

18 (iii) Procedures for rollovers and trustee-to-
19 trustee transfers allowed under the IRC and permitted as
20 part of the plan.

21 (iv) Standards and criteria for providing not less
22 than ten options which are offered by three or more
23 providers of investment options to eligible individuals
24 regarding investments of amounts deferred under the plan.
25 The standards and criteria must provide for a variety of
26 investment options and shall be reviewed in accordance
27 with criteria established by the board.

28 (v) Standards and criteria for disclosing to the
29 participants the anticipated and actual income
30 attributable to amounts invested, property rights and all

1 fees, costs and expenses to be made against amounts
2 deferred to cover the fees, costs and expenses of
3 administering and managing the plan or trust.

4 (vi) Procedures, standards and criteria for the
5 making of distributions from the plan upon termination
6 from employment or death or in other circumstances
7 consistent with the purpose of the plan.

8 (14) The board may waive any reporting or information
9 requirement contained in this part if the board determines
10 that the information is not needed for the administration of
11 the plan.

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

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

20 (17) The board shall ensure that participants are
21 provided with educational materials about investment options
22 and choices.

23 (18) The board may establish procedures in the plan
24 document for automatic increases in a participant's voluntary
25 contributions, whether or not the participant is then making
26 voluntary contributions, and procedures for a participant to
27 elect not to have increased voluntary contributions.

28 (19) The provisions and restrictions of the act of July
29 2, 2010 (P.L.266, No.44), known as the Protecting
30 Pennsylvania's Investments Act, shall not apply to the

1 participants' individual investment accounts or the moneys
2 and investments therein, but the board is authorized to offer
3 to the plan participants investment vehicles that would be
4 permitted under the Protecting Pennsylvania's Investments
5 Act.

6 § 5813. Responsibility for investment loss.

7 The board, the Commonwealth, an employer or other political
8 subdivision shall not be responsible for any investment or other
9 loss incurred under the plan or for the failure of any
10 investment to earn any specific or expected return or to earn as
11 much as any other investment opportunity or to cost less than
12 any other investment opportunity, whether or not the other
13 opportunity was offered to participants in the plan.

14 § 5814. Investments based on participant's investment
15 allocation choices.

16 (a) Investment by participant.--All contributions, interest
17 and investment earnings shall be invested based on a
18 participant's investment allocation choices, provided that the
19 board may provide for a default investment option. All
20 investment allocation choices shall be credited proportionally
21 between participant contributions and employer defined
22 contributions. Each participant shall be credited individually
23 with the amount of contributions, interest and investment
24 earnings.

25 (b) Investment of contributions made by entities other than
26 the Commonwealth.--Investment of contributions by any
27 corporation, institution, insurance company, custodial bank or
28 other entity that the board has approved shall not be
29 unreasonably delayed, and in no case may the investment of
30 contributions be delayed more than 30 days from the date of

1 payroll deduction or the date voluntary contributions are made
2 to the date that funds are invested. Any interest earned on the
3 funds pending investment shall be used to pay administrative
4 costs and fees that would otherwise be required to be borne by
5 participants who are then participating in the plan or paid by
6 appropriations from the General Fund.

7 § 5815. Expenses.

8 All fees, costs and expenses of establishing and
9 administering the plan and the trust and investing the assets of
10 the trust shall be borne by the participants and paid from
11 assessments against the balances of the individual investment
12 accounts as established by the board, except that for fiscal
13 years 2016-2017, 2017-2018 and 2018-2019 and for any additional
14 fiscal years as the General Assembly may provide, the fees,
15 costs and expenses of establishing and administering the plan
16 and the trust shall be paid by the Commonwealth through annual
17 appropriations, made on the basis of estimates from the board.

18 § 5816. Tax qualification.

19 (a) Required distributions.--All payments under this chapter
20 shall start and be made in compliance with the required
21 beginning date, minimum distribution requirements and incidental
22 death benefit rules of IRC § 401(a).

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

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

30 (ii) An increase in a limitation under IRC § 415

1 shall apply to all participants on and after the
2 effective date of this section.

3 (iii) For the purposes of this paragraph, the term
4 "governmental plan" shall have the same meaning as the
5 term has in IRC § 414(d).

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

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

19 Section 322. Sections 5901(a), (c), (d) and (e), 5902(a)(2),
20 (a.1), (b), (c), (e), (h), (i), (j), (k), (l), (m) and (n) and
21 5903 heading of Title 71 are amended and the sections are
22 amended by adding subsections to read:

23 § 5901. The State Employees' Retirement Board.

24 (a) Status and membership.--The board shall be an
25 independent administrative board and consist of 11 members: the
26 State Treasurer, ex officio, the Secretary of Banking and
27 Securities, ex officio, two Senators, two members of the House
28 of Representatives and [six] five members appointed by the
29 Governor, one of whom shall be an annuitant of the system or a
30 participant in the plan who has terminated State service and is

1 receiving or is eligible to receive distributions, for terms of
2 four years, subject to confirmation by the Senate. At least five
3 board members shall be active members of the system or active
4 participants in the plan, and at least two shall have ten or
5 more years of credited State service[.] or shall have been
6 active participants in the plan for ten calendar years or have a
7 combination of years of credited State service in the system and
8 calendar years as active participants in the plan equal to ten
9 or more years. The chairman of the board shall be designated by
10 the Governor from among the members of the board. Each member of
11 the board who is a member of the General Assembly may appoint a
12 duly authorized designee to act in his stead. In the event that
13 a board member, who is designated as an active participant or as
14 a participant in the plan who is receiving or is eligible to
15 receive distributions, receives a total distribution of his
16 interest in the plan, that board member may continue to serve on
17 the board for the remainder of his term.

18 * * *

19 (c) Oath of office.--Each member of the board shall take an
20 oath of office that he will, so far as it devolves upon him,
21 diligently and honestly, administer the affairs of said board,
22 the system and the plan and that he will not knowingly violate
23 or willfully permit to be violated any of the provisions of law
24 applicable to this part. Such oath shall be subscribed by the
25 member taking it and certified by the officer before whom it is
26 taken and shall be immediately filed in the Office of the
27 Secretary of the Commonwealth.

28 (d) Compensation and expenses.--The members of the board who
29 are members of the system or participants in the plan shall
30 serve without compensation but shall not suffer loss of salary

1 or wages through serving on the board. The members of the board
2 who are not members of the system or participants in the plan
3 shall receive \$100 per day when attending meetings and all board
4 members shall be reimbursed for any necessary expenses. However,
5 when the duties of the board as mandated are not executed, no
6 compensation or reimbursement for expenses of board members
7 shall be paid or payable during the period in which such duties
8 are not executed.

9 (e) Corporate power and legal advisor.--For the purposes of
10 this part, the board shall possess the power and privileges of a
11 corporation. [The Attorney General of the Commonwealth shall be
12 the legal advisor of the board.] The board shall be an
13 independent agency under the act of October 15, 1980 (P.L.950,
14 No.164), known as the Commonwealth Attorneys Act. Legal counsel
15 to the board shall serve independently from the Governor's
16 Office of General Counsel, the General Assembly and the Attorney
17 General.

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

22 § 5902. Administrative duties of the board.

23 (a) Employees.--

24 * * *

25 (2) Notwithstanding any other provisions of law, the
26 compensation of investment professionals and legal counsel
27 shall be established by the board. The compensation of all
28 other officers and employees of the board who are not covered
29 by a collective bargaining agreement shall be established by
30 the board consistent with the standards of compensation

1 established by the Executive Board of the Commonwealth.

2 (a.1) Secretary.--The secretary shall act as chief
3 administrative officer for the board with respect to both the
4 system and the plan. In addition to other powers and duties
5 conferred upon and delegated to the secretary by the board, the
6 secretary shall:

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

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

14 (3) Review and analyze proposed legislation and
15 legislative developments affecting the system or the plan and
16 present findings to the board, legislative committees, and
17 other interested groups or individuals.

18 (4) Direct the maintenance of files and records and
19 preparation of periodic reports required for actuarial
20 evaluation studies.

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

27 (6) (i) Supervise a staff of administrative, technical,
28 and clerical employees engaged in record-keeping and
29 clerical processing activities for both the system and
30 the plan in maintaining files of members and

1 participants, accounting for contributions, processing
2 payments to annuitants and terminated participants,
3 preparing required reports, and retirement counseling.

4 (ii) The board may utilize the staff of employees
5 provided for under this paragraph for both the system and
6 the plan but shall allocate the fees, costs and expenses
7 incurred under this paragraph between the system and the
8 plan as appropriate.

9 (b) Professional personnel.--

10 (1) The board shall contract for the services of a chief
11 medical examiner, an actuary, investment advisors and
12 counselors, and such other professional personnel as it deems
13 advisable. The board may[, with the approval of the Attorney
14 General,] contract for legal services.

15 (2) The board may utilize the same individuals and firms
16 contracted under this subsection for both the system and the
17 plan but shall allocate the fees, costs and expenses incurred
18 under this subsection between the system and the plan as
19 appropriate.

20 (c) Expenses.--

21 (1) The board shall, through the Governor, submit to the
22 General Assembly annually a budget covering the
23 administrative expenses of [this part.] the system and a
24 separate budget covering the administrative expenses of the
25 plan. Budgets under this paragraph shall include those
26 expenses necessary to establish the plan and trust.

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

30 (3) For fiscal years ending on or before June 30, 2019,

1 and for any additional fiscal years as the General Assembly
2 may provide, such expenses of the plan as approved by the
3 General Assembly in an appropriation bill shall be paid from
4 the General Fund. For fiscal years beginning on or after July
5 1, 2019, such expenses of the plan as approved by the General
6 Assembly shall be paid from interest under section 5814(b)
7 (relating to investments based on participants' investment
8 allocation choices) or assessments on the balances of the
9 participants' individual investment accounts or as otherwise
10 provided in this part except as the General Assembly
11 otherwise provides by appropriations from the General Fund.

12 (4) Concurrently with its administrative budget, the
13 board shall also submit to the General Assembly annually a
14 list of proposed expenditures which the board intends to pay
15 through the use of directed commissions, together with a list
16 of the actual expenditures from the past year actually paid
17 by the board through the use of directed commissions. All
18 such directed commission expenditures shall be made by the
19 board for the exclusive benefit of the system and its
20 members.

21 * * *

22 (e) Records.--

23 (1) The board shall keep a record of all its proceedings
24 which shall be open to [inspection] access by the public,
25 except as otherwise provided in this part or by other law.

26 (2) Any record, material or data received, prepared,
27 used or retained by the board or its employees, investment
28 professionals or agents relating to an investment shall not
29 constitute a public record subject to public [inspection]
30 access under the act of [June 21, 1957 (P.L.390, No.212),

1 referred to as the Right-to-Know Law] February 14, 2008
2 (P.L.6, No.3), known as the Right-to-Know Law, if, in the
3 reasonable judgment of the board, the [inspection] access
4 would:

5 (i) in the case of an alternative investment or
6 alternative investment vehicle, involve the release of
7 sensitive investment or financial information relating to
8 the alternative investment or alternative investment
9 vehicle which the fund or trust was able to obtain only
10 upon agreeing to maintain its confidentiality;

11 (ii) cause substantial competitive harm to the
12 person from whom sensitive investment or financial
13 information relating to the investment was received; or

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

19 (3) The following apply:

20 (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 voluntary contributions,
8 including rollover contributions or trustee-to-trustee
9 transfers, of any participant.

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

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

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

18 (v) The form of distribution of a participant's
19 account.

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

26 (7) The following apply:

27 (i) Nothing in this part shall be construed to mean
28 that the release or publicizing of a record, material or
29 data which would not constitute a public record under
30 this subsection shall be a violation of the board's

1 fiduciary duties.

2 (ii) This subsection shall apply to a record,
3 material or data under this subsection, notwithstanding
4 any of the following:

5 (A) Whether the record, material or data was
6 created, generated or stored before the effective
7 date of this paragraph.

8 (B) Whether the record, material or data was
9 previously released or made public.

10 (C) Whether a request for the record, material
11 or data was made or is pending final response under
12 the Right-to-Know Law.

13 * * *

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

30 (i) Data.--The board shall keep in convenient form such data

1 as are stipulated by the actuary in order that an annual
2 actuarial valuation of the various accounts of the fund can be
3 completed within six months of the close of each calendar year.

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

30 (k) Certification of employer contributions to fund.--The

1 board shall, each year in addition to the itemized budget
2 required under section 5509 (relating to appropriations and
3 assessments by the Commonwealth), certify, as a percentage of
4 the members' payroll, the shared-risk contribution rate, the
5 shared-gain adjustment to the regular member contribution rate,
6 the employers' contributions as determined pursuant to section
7 5508 (relating to actuarial cost method) necessary for the
8 funding of prospective annuities for active members and the
9 annuities of annuitants and certify the rates and amounts of the
10 employers' normal contributions as determined pursuant to
11 section 5508(b), accrued liability contributions as determined
12 pursuant to section 5508(c), supplemental annuities contribution
13 rate as determined pursuant to section 5508(e), the experience
14 adjustment factor as determined pursuant to section 5508(f), the
15 collared contribution rate pursuant to section 5508(h) and the
16 final contribution rate pursuant to section 5508(i), which shall
17 be paid to the fund and credited to the appropriate accounts.
18 The board may allocate the final contribution rate and certify
19 various employer contribution rates and amounts based upon the
20 different benefit eligibility, class of service multiplier,
21 superannuation age, final average salary calculation,
22 compensation limits and other benefit differences resulting from
23 State service credited for individual members even though such
24 allocated employer contribution rate on behalf of any given
25 member may be more or less than 5% of the member's compensation
26 for the period from July 1, 2010, to June 30, 2011, or may
27 differ from the prior year's contribution for that member by
28 more or less than the percentages used to calculate the collared
29 contribution rate for that year and may be below any minimum
30 contribution rate established for the collared contribution rate

1 or final contribution rate. These certifications shall be
2 regarded as final and not subject to modification by the
3 Secretary of the Budget.

4 (l) Member contributions.--The board shall cause all pickup
5 contributions made on behalf of a member to be credited to the
6 account of the member and credit to his account any other
7 payment made by such member, including, but not limited to,
8 amounts collected by the Public School Employees' Retirement
9 System for the reinstatement of previous State service or
10 creditable nonstate service and amounts paid to return benefits
11 paid after the date of return to State service or entering
12 school service representing lump sum payments made pursuant to
13 section 5705(a)(4)(iii) or (a.1) (relating to member's options)
14 and member's annuity payments, but not including other benefits
15 returned pursuant to section 5706(a.2) or (a.3) (relating to
16 termination of annuities), and shall pay all such amounts into
17 the fund.

18 (m) Annual financial statement.--The board shall prepare and
19 have published, on or before July 1 of each year, [a financial
20 statement] financial statements as of the calendar year ending
21 December 31 of the previous year showing the condition of the
22 fund, the trust and the various accounts, including, but not
23 limited to, the board's accrual and expenditure of directed
24 commissions, and setting forth such other facts,
25 recommendations, and data as may be of use in the advancement of
26 knowledge concerning annuities and other benefits provided by
27 this part. The board shall submit said financial [statement]
28 statements to the Governor and shall file copies with the head
29 of each department for the use of the State employees and the
30 public.

1 (n) Independent [audit] audits.--The board shall provide for
2 [an annual audit] annual audits of the system and the plan by
3 [an] independent certified public [accountant, which audit]
4 accountants. The audits shall include the board's accrual and
5 expenditure of directed commissions. The board may use the same
6 independent certified public accountant for the audits of both
7 the system and the plan.

8 * * *

9 (p) Participant and employer contributions to trust.--The
10 board shall, each year in addition to any fees and itemized
11 budget required under section 5509, certify, as a percentage of
12 each participant's compensation, the employer defined
13 contributions, which shall be paid to the trust and credited to
14 each participant's individual investment account. Certifications
15 under this subsection shall be regarded as final and not subject
16 to modification by the Secretary of the Budget. The board shall
17 cause all mandatory pickup participant contributions made on
18 behalf of a participant and all voluntary contributions made by
19 a participant to be credited to the participant's individual
20 investment account.

21 § 5903. Duties of the board to advise and report to heads of
22 departments [and], members and participants.

23 * * *

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

1 shall request the participant to make any necessary correction
2 or revision regarding the designated beneficiary.

3 * * *

4 Section 323. Section 5904(c) of Title 71 is amended to read:

5 § 5904. Duties of the board to report to the Public School

6 Employees' Retirement Board.

7 * * *

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

15 (1) certify to the Public School Employees' Retirement
16 Board;

17 (i) the salary history as a member of the State
18 Employees' Retirement System and the final average salary
19 as calculated on the basis of the compensation received
20 as a [State and school employee] member of the system and
21 as a member of the Public School Employees' Retirement
22 System; and

23 (ii) the annuity or benefit to which the member or
24 his beneficiary is entitled as modified according to the
25 option selected; and

26 (2) transfer to the Public School Employees' Retirement
27 Fund the total accumulated deductions standing to such
28 member's credit and the actuarial reserve required on account
29 of years of credited service in the State system, final
30 average salary determined on the basis of his compensation as

1 a member in both systems and the average noncovered salary to
2 be charged to the State accumulation account, the State
3 Police benefit account or the enforcement officers' benefit
4 account, as each case may require.

5 * * *

6 Section 324. Section 5905 heading, (c.1) and (g) of Title 71
7 are amended and the section is amended by adding subsections to
8 read:

9 § 5905. Duties of the board regarding applications and
10 elections of members and participants.

11 * * *

12 (c.1) Termination of service by a member.--In the case of
13 any member terminating State service who is entitled to an
14 annuity and who is not then a disability annuitant, the board
15 shall advise such member in writing of any benefits from the
16 system to which he may be entitled under the provisions of this
17 part and shall have the member prepare, on or before the date of
18 termination of State service, one of the following three forms,
19 a copy of which shall be given to the member and the original of
20 which shall be filed with the board:

21 (1) an application for the return of total accumulated
22 deductions;

23 (2) if eligible, an election to vest his retirement
24 rights and, if he is a joint coverage member and so desires,
25 elect to become a full coverage member and agree to pay
26 within 30 days of the date of termination of service the lump
27 sum required; or

28 (3) if eligible, an application for an immediate annuity
29 and, if he desires:

30 (i) an election to convert his medical, major

1 medical and hospitalization insurance coverage to the
2 plan for State annuitants; and

3 (ii) if he is a joint coverage member, an election
4 to become a full coverage member and an agreement to pay
5 within 30 days of date of termination of service the lump
6 sum required.

7 (c.2) Termination of service by participant.--In the case of
8 a participant terminating State service, the board shall advise
9 the participant in writing of the vested accumulated total
10 defined contributions credited to the participant's individual
11 investment account as of the date stated in the writing, any
12 notices regarding rollover or other matters required by IRC or
13 other law, the obligation of the participant to commence
14 distributions from the plan by the participant's required
15 beginning date and the ability to receive all or part of the
16 vested balance in the participant's individual investment
17 account in a lump sum or in such other form as the board may
18 authorize or as required by law.

19 * * *

20 (e.2) Notification to inactive participants approaching
21 required beginning date.--The board shall notify in writing each
22 inactive participant who has terminated State service and has
23 not commenced distribution by 90 days before the participant's
24 required beginning date that the inactive participant has an
25 obligation to commence distributions by the required beginning
26 date in a form and manner required by IRC § 401(a)(9) and other
27 applicable provisions of the IRC.

28 * * *

29 (f.1) Initial payment to participants.--The board shall make
30 the initial payment to a participant who has applied for a

1 distribution within 60 days of the receipt of all information
2 necessary to process the application for a distribution.

3 (g) Death benefits.--Upon receipt of notification from the
4 head of a department of the death of an active member, a member
5 performing USERRA leave [or], a member on leave without pay, an
6 active participant, an inactive participant on leave without pay
7 or a former participant performing USERRA leave, the board shall
8 advise the designated beneficiary of the benefits to which he is
9 entitled, and shall make the first payment to the beneficiary
10 within 60 days of receipt of certification of death and other
11 necessary data. If no beneficiary designation is in effect at
12 the date of the member's death or no notice has been filed with
13 the board to pay the amount of the benefits to the member's
14 estate, the board is authorized to pay the benefits to the
15 executor, administrator, surviving spouse or next of kin of the
16 deceased member, and payment pursuant [hereto] to this
17 subsection shall fully discharge the fund from any further
18 liability to make payment of such benefits to any other person.
19 If no beneficiary designation is in effect at the date of a
20 participant's death or no notice has been filed with the board
21 to pay the amount of the benefits to the participant's estate,
22 the board may pay the benefits as established in the plan
23 document, and payment pursuant to this subsection shall fully
24 discharge the trust from any further liability to make payment
25 of such benefits to any other person.

26 * * *

27 Section 325. Section 5905.1(a), (b) and (d) of Title 71 are
28 amended to read:

29 § 5905.1. Installment payments of accumulated deductions.

30 (a) General rule.--Notwithstanding any other provision of

1 this part, whenever a member elects to withdraw his total
2 accumulated deductions pursuant to section 5311(a) (relating to
3 eligibility for refunds) or 5701 (relating to return of total
4 accumulated deductions) or elects to receive a portion of his
5 benefit payable as a lump sum pursuant to section 5705(a)(4)
6 (iii) or (a.1) (relating to member's options), the member may
7 elect to receive the amount in not more than four installments.

8 (b) Payment of first installment.--The payment of the first
9 installment shall be made in the amount and within seven days of
10 the date specified by the member, except as follows:

11 (1) Upon receipt of a member's application to withdraw
12 his total accumulated deductions as provided in section
13 5311(a) or 5701 and upon receipt of all required data from
14 the head of the department and, if the member has Class G,
15 Class H, Class I, Class J, Class K, Class L, Class M or Class
16 N service, any data required from the county retirement
17 system or pension plan to which the member was a contributor
18 before being transferred to State employment, the board shall
19 not be required to pay the first installment prior to 45 days
20 after the filing of the application and the receipt of the
21 data or the date of termination of service, whichever is
22 later.

23 (2) In the case of an election as provided in section
24 5705(a)(4)(iii) or (a.1) by a member terminating service
25 within 60 days prior to the end of a calendar year and upon
26 receipt of all required data from the head of the department
27 and, if the member has Class G, Class H, Class I, Class J,
28 Class K, Class L, Class M or Class N service, any data
29 required from the county retirement system or pension plan to
30 which the member was a contributor before being transferred

1 to State employment, the board shall not be required to pay
2 the first installment prior to 21 days after the later of the
3 filing of the application and the receipt of the data or the
4 date of termination of service, but, unless otherwise
5 directed by the member, the payment shall be made no later
6 than 45 days after the filing of the application and the
7 receipt of the data or the date of termination of service,
8 whichever is later.

9 (3) In the case of an election as provided in section
10 5705(a)(4)(iii) or (a.1) by a member who is not terminating
11 service within 60 days prior to the end of a calendar year
12 and upon receipt of all required data from the head of the
13 department and, if the member has Class G, Class H, Class I,
14 Class J, Class K, Class L, Class M or Class N service, any
15 data required from the county retirement system or pension
16 plan to which the member was a contributor before being
17 transferred to State employment, the board shall not be
18 required to pay the first installment prior to 45 days after
19 the filing of the application and the receipt of the data or
20 the date of termination of service, whichever is later.

21 * * *

22 (d) Statutory interest.--Any lump sum, including a lump sum
23 payable pursuant to section 5705.1 (relating to payment of
24 accumulated deductions resulting from [Class A-3 and Class A-4]
25 more than one class of service), or installment payable shall
26 include statutory interest credited to the date of payment,
27 except in the case of a member, other than a vestee or special
28 vestee, who has not filed his application prior to 90 days
29 following his termination of service.

30 Section 326. Section 5906(a), (b), (d), (e), (g), (h) (i)

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

3 § 5906. Duties of heads of departments.

4 (a) Status of members and participants.--The head of
5 department shall, at the end of each pay period, notify the
6 board in a manner prescribed by the board of salary changes
7 effective during that period for any members and participants of
8 the department, the date of all removals from the payroll, and
9 the type of leave of any members and participants of the
10 department who have been removed from the payroll for any time
11 during that period, and:

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

15 (2) if the removal is due to a transfer to another
16 department, he shall furnish such department and the board
17 with a complete State service record, including past State
18 service in other departments or agencies, or creditable
19 nonstate service; or

20 (3) if the removal is due to termination of State
21 service, he shall furnish the board with a complete State
22 service record, including service in other departments or
23 agencies, or creditable nonstate service and;

24 (i) in the case of death of the member or
25 participant, the head of the department shall so notify
26 the board;

27 (ii) in the case of a service connected disability
28 of a member, the head of department shall, to the best of
29 his ability, investigate the circumstances surrounding
30 the disablement of the member and submit in writing to

1 the board information which shall include but not
2 necessarily be limited to the following: date, place and
3 time of disablement to the extent ascertainable; nature
4 of duties being performed at such time; and whether or
5 not the duties being performed were authorized and
6 included among the member's regular duties. In addition,
7 the head of department shall furnish in writing to the
8 board all such other information as may be related to the
9 member's disablement;

10 (iii) in the case of a member terminating from The
11 Pennsylvania State University who is a member of the
12 system with five or more but less than ten eligibility
13 points and who has terminated State service on June 30,
14 1997, because of the transfer of his job position or
15 duties to a controlled organization of the Penn State
16 Geisinger Health System or because of the elimination of
17 his job position or duties due to the transfer of other
18 job positions or duties to a controlled organization of
19 the Penn State Geisinger Health System, the head of the
20 department shall so certify to the board.

21 (b) Records and information regarding members and
22 participants.--At any time at the request of the board and at
23 termination of service of a member or participant, the head of
24 department shall furnish service and compensation records and
25 such other information as the board may require and shall
26 maintain and preserve such records as the board may direct for
27 the expeditious discharge of its duties.

28 * * *

29 (c.1) Participant and employer defined contributions.--The
30 head of department shall:

1 (1) Cause to be made:
2 (i) the mandatory pickup participant contributions
3 on behalf of a participant;
4 (ii) the deduction of any voluntary contributions
5 authorized by a participant; and
6 (iii) the employer defined contributions on behalf
7 of a participant.

8 (2) Notify the board at times and in a manner prescribed
9 by the board of the compensation of any participant to whom
10 the limitation under IRC § 401(a)(17) either applies or is
11 expected to apply and cause the participant's contributions
12 to be deducted from payroll to cease at the limitation under
13 IRC § 401(a)(17) on the payroll date if and when such limit
14 shall be reached.

15 (3) Certify to the State Treasurer the amounts picked up
16 and deducted and the employer defined contributions being
17 made and send the total amount picked up, deducted and
18 contributed together with a duplicate of the voucher to the
19 secretary of the board every pay period or on such schedule
20 as established by the board.

21 (d) New employees subject to mandatory membership or
22 participation.--Upon the assumption of duties of each new State
23 employee whose membership in the system or plan is mandatory,
24 the head of department shall cause an application for membership
25 or participation and a nomination of beneficiary to be made by
26 such employee and filed with the board and shall make pickup
27 contributions or mandatory pickup participant contributions from
28 the effective date of State employment.

29 (e) New employees subject to optional membership or
30 participation.--The head of department shall, upon the

1 employment or entering into office of any State employee whose
2 membership in the system or participation in the plan is not
3 mandatory, inform such employee of his opportunity to become a
4 member of the system or a participant in the plan. If such
5 employee so elects, the head of department shall cause an
6 application for membership or participation and a nomination of
7 beneficiary to be made by him and filed with the board and shall
8 cause proper contributions to be made from the effective date of
9 membership or participation.

10 * * *

11 (g) Former school employee contributors.--The head of
12 department shall, upon the employment of a former contributor to
13 the Public School Employees' Retirement System who is not an
14 annuitant of the Public School Employees' Retirement System,
15 advise such employee [of his] if he has a right to elect within
16 365 days of entry into the system to become a multiple service
17 member, and in the case of any such employee who so elects and
18 has withdrawn his accumulated deductions, require him to
19 reinstate his credit in the Public School Employees' Retirement
20 System. The head of the department shall advise the board of
21 such election.

22 (h) Former school employee annuitants.--The head of
23 department shall, upon the employment of an annuitant of the
24 Public School Employees' Retirement System who applies for
25 membership in the system, advise such employee [that] if he may
26 elect multiple service membership within 365 days of entry into
27 the system and if he so elects his public school employee's
28 annuity will be discontinued effective upon the date of his
29 return to State service and, upon termination of State service
30 and application for an annuity, the annuity will be adjusted in

1 accordance with section 5706 (relating to termination of
2 annuities). The head of department shall advise the board of
3 such election.

4 (i) Annual statement to members.--Annually, upon receipt
5 from the board, the head of department shall furnish to each
6 member the statement specified in section 5903(b) (relating to
7 duties of the board to advise and report to heads of departments
8 [and], members and participants).

9 * * *

10 (l) State employees performing USERRA or military-related
11 leave of absence.--The head of department shall report to the
12 board any State employee who ceases to be an active member or
13 active participant to perform USERRA service, or who is granted
14 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
15 of absence for certain government employees) or a military leave
16 of absence under 51 Pa.C.S. § 7302 (relating to granting
17 military leaves of absence), the date on which the USERRA
18 service, leave of absence or military leave of absence began,
19 the date on which the State employee is reemployed from USERRA
20 leave or returns after the leave of absence or military leave of
21 absence, if the event occurs, and any other information the
22 board may require or direct.

23 * * *

24 (n) Employees receiving payments for overtime service or
25 duties.--The head of the department shall report to the board in
26 a form and manner established by the board any payments made to,
27 and hours worked by, a Class A-5 exempt employee for overtime
28 service or duties and identify which of those payments and hours
29 were for voluntary overtime.

30 Section 327. Section 5907 heading, (a), (b)(1), (d), (e),

1 (f), (g) and (h) of Title 71 are amended and the section is
2 amended by adding subsections to read:

3 § 5907. Rights and duties of State employees [and], members and
4 participants.

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

22 (b) Application for membership.--

23 (1) In the case of a new employee who is not currently a
24 member of the system, and whose membership is mandatory or in
25 the case of a new employee whose membership in the system is
26 not mandatory but is permitted and who desires to become a
27 member of the system, the new employee shall execute an
28 application for membership and a nomination of beneficiary.

29 * * *

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

1 2018, the following types of employees shall execute an
2 application for participation and a nomination of a beneficiary:

3 (1) An employee who is not currently a participant in
4 the plan and whose participation is mandatory.

5 (2) An employee whose participation is not mandatory but
6 is permitted and who desires to become a participant in the
7 plan.

8 * * *

9 (d) Credit for previous service or change in membership
10 status.--Any active member or eligible school employee who
11 desires to receive credit for the portion of his total previous
12 State service or creditable nonstate service to which he is
13 entitled, or a joint coverage member who desires to become a
14 full coverage member, shall so notify the board and upon written
15 agreement by the member and the board as to the manner of
16 payment of the amount due, the member shall receive credit for
17 such service as of the date of such agreement subject to the
18 provisions in this part relating to the limitations under IRC §
19 415.

20 * * *

21 (d.2) Contributions for USERRA leave.--Any active
22 participant or inactive participant on leave without pay or
23 former participant who was reemployed from USERRA leave who
24 desires to make mandatory pickup participant contributions and
25 voluntary contributions for his USERRA leave shall notify the
26 board within the time period required under 38 U.S.C. Ch. 43
27 (relating to employment and reemployment rights of members of
28 the uniformed services) and IRC § 414(u) of his desire to make
29 such contributions. Upon the participant making the permitted
30 mandatory pickup participant contributions within the allowed

1 time period, the head of department shall make the corresponding
2 employer defined contributions at the same time.

3 (d.3) Voluntary contributions by a participant.--Any
4 participant who desires to make voluntary contributions to be
5 credited to his individual investment account shall notify the
6 board and, upon compliance with the requirements, procedures and
7 limitations established by the board in the plan document, may
8 do so subject to the limitations under IRC §§ 401(a) and 415 and
9 other applicable law.

10 (e) Beneficiary for death benefits from system.--Every
11 member shall nominate a beneficiary by written designation filed
12 with the board as provided in section 5906(d) or (e) (relating
13 to duties of heads of departments) to receive the death benefit
14 payable under section 5707 (relating to death benefits) or the
15 benefit payable under the provisions of Option 1 of section
16 5705(a) (1) (relating to member's options). Such nomination may
17 be changed at any time by the member by written designation
18 filed with the board. A member may also nominate a contingent
19 beneficiary or beneficiaries to receive the death benefit
20 provided under section 5707 or the benefit payable under the
21 provisions of Option 1 of section 5705(a) (1).

22 (e.1) Beneficiary for death benefits from the plan.--Every
23 participant shall nominate a beneficiary by written designation
24 filed with the board as provided in section 5906(d) or (e) to
25 receive the death benefit payable under section 5808 (relating
26 to death benefits). A participant may also nominate a contingent
27 beneficiary or beneficiaries to receive the death benefit
28 provided under section 5808. Such nominations may be changed at
29 any time by the participant by written designation filed with
30 the board.

1 (e.2) Beneficiaries for employees who are members and
2 participants.--A State employee who is both a member of the
3 system and a participant in the plan may designate or nominate
4 different persons to be beneficiaries, survivor annuitants and
5 successor payees for his benefits from the system and the plan.

6 (f) Termination of service by members.--Each member who
7 terminates State service and who is not then a disability
8 annuitant shall execute on or before the date of termination of
9 service the appropriate application, duly attested by the member
10 or his legally constituted representative, electing to:

- 11 (1) withdraw his total 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 (g) Vesting of retirement rights.--If a member elects to
25 vest his retirement rights he shall nominate a beneficiary by
26 written designation filed with the board and he may anytime
27 thereafter, but no later than his required beginning date,
28 withdraw the total accumulated deductions standing to his credit
29 or apply for an annuity[.], provided, however, that no annuity
30 resulting from Class A-5 service or Class A-6 service shall be

1 paid before the member attains age 62.

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

9 (h) Vestees and special vestees attaining superannuation
10 age.--Upon attainment of superannuation age a vestee or special
11 vestee shall execute and file an application for an annuity. Any
12 such application filed within 90 days after attaining
13 superannuation age shall be effective as of the date of
14 attainment of superannuation age. Any application filed after
15 such period shall be filed by the member's required beginning
16 date and shall be effective as of the date it is filed with the
17 board, subject to the provisions of section 5905(f) (relating to
18 duties of the board regarding applications and elections of
19 members and participants).

20 * * *

21 Section 328. Sections 5931(b), 5932, 5933(a), 5934, 5935,
22 5936, 5937, 5938, 5939, 5951, 5953, 5953.1, 5953.2, 5953.3 and
23 5953.4(a) of Title 71 are amended to read:

24 § 5931. Management of fund and accounts.

25 * * *

26 (b) Crediting of interest.--The board, annually, shall allow
27 the required interest on the mean amount for the preceding year
28 to the credit of each of the accounts other than the individual
29 investment accounts. The amount so allowed shall be credited
30 thereto by the board and transferred from the interest reserve

1 account.

2 * * *

3 § 5932. State Employees' Retirement Fund.

4 (a) General rule.--The fund shall consist of all balances in
5 the several separate accounts set apart to be used under the
6 direction of the board for the benefit of members of the system;
7 and the Treasury Department shall credit to the fund all moneys
8 received from the Department of Revenue arising from the
9 contributions relating to or on behalf of members of the system
10 required under the provisions of Chapter 55 (relating to
11 contributions), and any income earned by the investments or
12 moneys of said fund. There shall be established and maintained
13 by the board the several ledger accounts specified in sections
14 5933 (relating to members' savings account), 5934 (relating to
15 State accumulation account), 5935 (relating to annuity reserve
16 account), 5936 (relating to State Police benefit account), 5937
17 (relating to enforcement officers' benefit account), 5938
18 (relating to supplemental annuity account) and 5939 (relating to
19 interest reserve account).

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

28 § 5933. Members' savings account.

29 (a) Credits to account.--The members' savings account shall
30 be the ledger account to which shall be credited the amounts of

1 the pickup contributions made by the Commonwealth or other
2 employer and contributions or lump sum payments made by active
3 members in accordance with the provisions of sections 5501
4 (relating to regular member contributions for current service),
5 5501.1 (relating to shared-risk member contributions [for Class
6 A-3 and Class A-4 service] and shared-gain adjustments to
7 regular member contributions), 5502 (relating to social security
8 integration member contributions), 5503 (relating to joint
9 coverage member contributions), 5504 (relating to member
10 contributions for the purchase of credit for previous State
11 service or to become a full coverage member), 5505.1 (relating
12 to additional member contributions) and 5505 (relating to
13 contributions for the purchase of credit for creditable nonstate
14 service) and transferred from the members' savings account of
15 the Public School Employees' Retirement System in accordance
16 with the provisions of section 5303.2 (relating to election to
17 convert school service to State service).

18 * * *

19 § 5934. State accumulation account.

20 The State accumulation account shall be the ledger account to
21 which shall be credited all contributions of the Commonwealth or
22 other employers whose employees are members of the system and
23 made in accordance with the provisions of section 5507(a) or (d)
24 (relating to contributions to the system by the Commonwealth and
25 other employers) except that the amounts received under the
26 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
27 amounts received under the provisions of the Liquor Code, act of
28 April 12, 1951 (P.L.90, No.21), shall be credited to the State
29 Police benefit account or the enforcement officers' benefit
30 account as the case may be. All amounts transferred to the fund

1 by county retirement systems or pension plans in accordance with
2 the provisions of section 5507(c) also shall be credited to the
3 State accumulation account. All amounts transferred to the fund
4 by the Public School Employees' Retirement System in accordance
5 with section 5303.2(e) (relating to election to convert school
6 service to State service), except amounts credited to the
7 members' savings account, and all amounts paid by the Department
8 of Corrections in accordance with section 5303.2(f) also shall
9 be credited to the State accumulation account. The State
10 accumulation account shall be credited with valuation interest.
11 The reserves necessary for the payment of annuities and death
12 benefits resulting from membership in the system as approved by
13 the board and as provided in Chapter 57 (relating to benefits)
14 shall be transferred from the State accumulation account to the
15 annuity reserve account provided for in section 5935 (relating
16 to annuity reserve account), except that the reserves necessary
17 on account of a member who is an officer of the Pennsylvania
18 State Police or an enforcement officer shall be transferred from
19 the State accumulation account to the State Police benefit
20 account provided for in section 5936 (relating to State Police
21 benefit account) or to the enforcement officers' benefit account
22 as provided for in section 5937 (relating to enforcement
23 officers' benefit account) as the case may be. The reserves
24 necessary for the payment of supplemental annuities in excess of
25 those reserves credited to the supplemental annuity account on
26 June 30, 2010, shall be transferred from the State accumulation
27 account to the supplemental annuity account. In the event that
28 supplemental annuities are increased by legislation enacted
29 after December 31, 2009, the necessary reserves shall be
30 transferred from the State accumulation account to the

1 supplemental annuity account.

2 § 5935. Annuity reserve account.

3 (a) Credits and charges to account.--The annuity reserve
4 account shall be the ledger account to which shall be credited
5 the reserves held for payment of annuities and death benefits on
6 account of all annuitants except in the case of members who are
7 officers of the Pennsylvania State Police or enforcement
8 officers. The annuity reserve account shall be credited with
9 valuation interest. After the transfers provided in sections
10 5933 (relating to members' savings account), 5934 (relating to
11 State accumulation account) and 5938 (relating to supplemental
12 annuity account), all annuity and death benefit payments
13 resulting from membership in the system except those payable to
14 any member who retires as an officer of the Pennsylvania State
15 Police or an enforcement officer shall be charged to the annuity
16 reserve account and paid from the fund.

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

28 § 5936. State Police benefit account.

29 (a) Credits and charges to account.--The State Police
30 benefit account shall be the ledger account to which shall be

1 credited all contributions received under the provisions of the
2 act of May 12, 1943 (P.L.259, No.120), referred to as the
3 Foreign Casualty Insurance Premium Tax Allocation Law, and any
4 additional Commonwealth or other employer contributions provided
5 for in section 5507 (relating to contributions to the system by
6 the Commonwealth and other employers) which are creditable to
7 the State Police benefit account. The State Police benefit
8 account shall be credited with the required interest. In
9 addition, upon the filing of an application for an annuity by a
10 member who is an officer of the Pennsylvania State Police, the
11 total accumulated deductions standing to the credit of the
12 member in the members' savings account and the necessary
13 reserves from the State accumulation account shall be
14 transferred to the State Police benefit account. Thereafter, the
15 total annuity of such annuitant shall be charged to the State
16 Police benefit account and paid from the fund.

17 (b) Transfers from account.--Should the said annuitant be
18 subsequently restored to active service as a member of the
19 system or as a participant in the plan, the present value of the
20 member's annuity at the time of reentry into State service shall
21 be transferred from the State Police benefit account and placed
22 to his individual credit in the members' savings account. In
23 addition, the actuarial reserve for his annuity calculated as if
24 he had been a member of Class A if he has Class A or Class C
25 service credited; as if he had been a member of Class A-3 if the
26 annuitant has Class A-3 State service credited; [or] as if he
27 had been a member of Class A-4 if the annuitant has Class A-4
28 service credited; as if he had been a member of Class A-5 if the
29 annuitant has Class A-5 service credited; or as if he had been a
30 member of Class A-6 if the annuitant has Class A-6 service

1 credited, less the amount transferred to the members' savings
2 account shall be transferred from the State Police benefit
3 account to the State accumulation account. Upon subsequent
4 retirement other than as an officer of the Pennsylvania State
5 Police the actuarial reserve remaining in the State Police
6 benefit account shall be transferred to the appropriate reserve
7 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 standing to the
23 credit of the member in the members' savings account and the
24 necessary reserves from the State accumulation account shall be
25 transferred to the enforcement officers' benefit account.
26 Thereafter, the total annuity of such annuitant shall be charged
27 to the enforcement officers' benefit account and paid from the
28 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 Class A-5 or Class A-6 service credited; as if he had been a
9 member of Class AA if the annuitant does have Class AA service
10 credited; as if he had been a member of Class A-3 if the
11 annuitant has Class A-3 State service credited; [or] as if he
12 had been a member of Class A-4 if the annuitant has Class A-4
13 service credited; as if he had been a member of Class A-5 if the
14 annuitant has Class A-5 service credited; or as if he had been a
15 member of Class A-6 if the annuitant has Class A-6 service
16 credited, less the amount transferred to the members' savings
17 account shall be transferred from the enforcement officers'
18 benefit account to the State accumulation account. Upon
19 subsequent retirement other than as an enforcement officer the
20 actuarial reserve remaining in the enforcement officers' benefit
21 account shall be transferred to the appropriate reserve account.
22 § 5938. Supplemental annuity account.

23 The supplemental annuity account shall be the ledger account
24 to which shall be credited all contributions from the
25 Commonwealth and other employers in accordance with section
26 5507(b) (relating to contributions to the system by the
27 Commonwealth and other employers) for the payment of the
28 supplemental annuities provided in sections 5708 (relating to
29 supplemental annuities), 5708.1 (relating to additional
30 supplemental annuities), 5708.2 (relating to further additional

1 supplemental annuities), 5708.3 (relating to supplemental
2 annuities commencing 1994), 5708.4 (relating to special
3 supplemental postretirement adjustment), 5708.5 (relating to
4 supplemental annuities commencing 1998), 5708.6 (relating to
5 supplemental annuities commencing 2002), 5708.7 (relating to
6 supplemental annuities commencing 2003) and 5708.8 (relating to
7 special supplemental postretirement adjustment of 2002) made
8 before July 1, 2010, the amount transferred from the State
9 accumulation account to provide all additional reserves
10 necessary as of June 30, 2010, to pay such supplemental
11 annuities and adjustments, and the amounts transferred from the
12 State accumulation account to provide all additional reserves
13 necessary as a result of supplemental annuities enacted after
14 December 31, 2009. The supplemental annuity account shall be
15 credited with valuation interest. The reserves necessary for the
16 payment of such supplemental annuities shall be transferred from
17 the supplemental annuity account to the annuity reserve account
18 as provided in section 5935 (relating to annuity reserve
19 account).

20 § 5939. Interest reserve account.

21 The interest reserve account shall be the ledger account to
22 which shall be credited all income earned by the fund and to
23 which shall be charged all administrative and investment
24 expenses incurred by the fund. At the end of each year the
25 required interest shall be transferred from the interest reserve
26 account to the credit of each of the accounts of the fund in
27 accordance with the provisions of this subchapter. In addition,
28 at the end of each accounting period, the interest reserve
29 account shall be credited or charged with all recognized changes
30 in the market valuation of the investments of the fund. The

1 administrative and investment expenses of the board relating to
2 the administration of the system and investments of the fund
3 shall be paid from the fund out of earnings. Any surplus or
4 deficit in the interest reserve account at the end of each year
5 shall be transferred to the State accumulation account.

6 § 5951. State guarantee regarding the system.

7 The required interest charges payable, the maintenance of
8 reserves in the fund, and the payment of all annuities and other
9 benefits granted by the board from the system under the
10 provisions of this part relating to the establishment and
11 administration of the system are hereby made obligations of the
12 Commonwealth. All income, interest, and dividends derived from
13 deposits and investments of the system authorized by this part
14 shall be used for the payment of the said obligations of the
15 Commonwealth and shall not be used for any obligation of the
16 plan or trust.

17 § 5953. Taxation, attachment and assignment of funds.

18 (a) General rule.--

19 (1) Except as provided in paragraphs (2), (3) and (4),
20 the right of a person to any benefit or right accrued or
21 accruing under the provisions of this part and the moneys in
22 the fund and the trust are hereby exempt from any State or
23 municipal tax, levy and sale, garnishment, attachment,
24 spouse's election, the provisions of Article XIII.1 of the
25 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
26 Code, or any other process whatsoever, and no participant or
27 beneficiary, successor payee or alternate payee of a
28 participant shall have the ability to commute, sell, assign,
29 alienate, anticipate, mortgage, pledge, hypothecate,
30 commutate or otherwise transfer or convey any benefit or

1 interest in an individual investment account or rights to
2 receive or direct distributions under this part or under
3 agreements entered into under this part except as provided in
4 this part, and in the case of either a member or a
5 participant except for a set-off by the Commonwealth in the
6 case provided in this paragraph, and shall be unassignable
7 except to the Commonwealth in the case of a member or
8 participant who is terminating State service and has been
9 determined to be obligated to the Commonwealth for the
10 repayment of money owed on account of his employment.

11 (2) (i) Rights under this part shall be subject to
12 forfeiture as provided by the act of July 8, 1978
13 (P.L.752, No.140), known as the Public Employee Pension
14 Forfeiture Act, and by or pursuant to section 16(b) of
15 Article V of the Constitution of Pennsylvania.
16 Forfeitures under this subsection or under any other
17 provision of law may not be applied to increase the
18 benefits that any member would otherwise receive under
19 this part.

20 (ii) In accordance with section 16(b) of Article V
21 of the Constitution of Pennsylvania and notwithstanding
22 this paragraph, the act of July 8, 1978 (P.L.752,
23 No.140), known as the Public Employee Pension Forfeiture
24 Act, or 42 Pa.C.S. § 3352 (relating to pension rights),
25 the accumulated mandatory participant contributions and
26 accumulated voluntary contributions standing to the
27 credit of a participant shall not be forfeited but shall
28 be available for payment of fines and restitution as
29 provided by law. In accordance with section 16(b) of
30 Article V of the Constitution of Pennsylvania, amounts in

1 the trust that have been ordered to be distributed to an
2 alternate payee as the result of an equitable
3 distribution of marital property as part of an approved
4 domestic relations order entered before the date of the
5 order or action in a court or other tribunal resulting in
6 a forfeiture of a participant's interest in the trust
7 shall not be subject to the provisions of the Public
8 Employee Pension Forfeiture Act or 42 Pa.C.S. § 3352. Any
9 accumulated employer defined contributions forfeited as a
10 result of this paragraph or other law shall be retained
11 by the board and notwithstanding sections 5812(2)
12 (relating to powers and duties of board), 5815 (relating
13 to expenses) and 5902(c) (relating to administrative
14 duties of the board) used for the payment of expenses of
15 the plan.

16 (3) Rights under this part shall be subject to
17 attachment in favor of an alternate payee as set forth in an
18 approved domestic relations order.

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

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

15 (b) Authorized payments from fund and trust.--

16 (1) The board shall be authorized to pay from the fund
17 and the trust in the case of a member or participant who is
18 terminating service, the amount determined after
19 certification by the head of the department that the member
20 or participant is so obligated, and after review and approval
21 by the department or agency's legal representative or upon
22 receipt of an assignment from the member or participant in
23 the amount so certified[.], except that no payment shall be
24 made from the individual investment account of a participant
25 until the participant otherwise applies for and receives a
26 distribution and shall not exceed the amount of the
27 distribution.

28 (2) In the case of a participant whose former spouse is
29 an alternate payee of an equitable distribution of marital
30 assets under an approved domestic relations order, a lump sum

1 of the alternate payee's interest in the participant's vested
2 accumulated total defined contributions. This paragraph shall
3 apply without regard to whether the participant has not
4 terminated, is terminating or has terminated State service.

5 § 5953.1. Approval of domestic relations orders.

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

11 (1) Requires the system to provide any type or form of
12 benefit or any option applicable to members already provided
13 under this part.

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

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

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

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

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

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

5 (7) Requires the member to execute an authorization
6 allowing each alternate payee to monitor the member's
7 compliance with the terms of the domestic relations order
8 through access to information concerning the member
9 maintained by the system. An authorization granted under this
10 section shall be construed as an authorization for the
11 alternate payee to receive information concerning the
12 administration, calculation and payment of the alternate
13 payee's share of the benefits payable under this part and not
14 as an authorization to exercise the rights afforded to
15 members or obtain information which is not related to the
16 administration, calculation and payment of alternate payee's
17 share of the benefits payable under this part.

18 (a.1) Certification regarding participants.--A domestic
19 relations order pertaining to a participant shall be certified
20 as an approved domestic relations order by the secretary of the
21 board, or his designated representative, only if the order meets
22 all of the following:

23 (1) Does not require the plan to provide a type or form
24 of benefit or an option applicable to members of the system
25 or participants in the plan.

26 (2) Does not require the segregation of the alternate
27 payee's share of the participant's individual investment
28 account into a subaccount or newly established individual
29 account titled in the name of the alternate payee.

30 (3) Does not require the plan to recover or distribute

1 any funds that were distributed to the participant or at the
2 participant's direction prior to the approval of the domestic
3 relations order by the secretary of the board or his
4 designated representative.

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

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

17 (6) Specifies the amount or percentage of the
18 participant's individual investment account to be paid to the
19 alternate payee and the date upon which the valuation is
20 based.

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

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

29 (9) Requires the participant to execute an authorization
30 allowing each alternate payee to monitor the participant's

1 compliance with the terms of the domestic relations order
2 through access to information concerning the participant
3 maintained by the plan. An authorization granted under this
4 section shall be construed as an authorization for the
5 alternate payee to receive information concerning the
6 participant that relates to the administration, calculation
7 and payment of the alternate payee's share of the
8 participant's account and not as an authorization to exercise
9 the rights afforded to participants or obtain information
10 that is not related to the administration, calculation and
11 payment of alternate payee's share of the participant's
12 individual investment account.

13 (10) Requires the immediate distribution of the
14 alternate payee's share of the participant's individual
15 investment account, which may be made by direct payment,
16 eligible rollover or trustee-to-trustee transfer to another
17 eligible plan or qualified account owned by the alternate
18 payee.

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

29 (b) Determination by secretary.--Within a reasonable period
30 after receipt of a domestic relations order, the secretary of

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

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

1 (d) Obligation discharged.--Only the requirements of this
2 part and any regulations promulgated hereunder shall be used to
3 govern the approval or disapproval of a domestic relations
4 order. Therefore, if the secretary of the board, or his
5 designated representative, acts in accordance with the
6 provisions of this part and any promulgated regulations in
7 approving or disapproving a domestic relations order, then the
8 obligations of the system or the plan with respect to such
9 approval or disapproval shall be discharged.

10 § 5953.2. Irrevocable beneficiary.

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

25 § 5953.3. Irrevocable survivor annuitant.

26 Notwithstanding any other provisions of this part, a domestic
27 relations order pertaining to a member may provide for an
28 irrevocable survivor annuitant. A domestic relations order
29 requiring the designation of an irrevocable survivor annuitant
30 shall be deemed to be one that requires a member to designate an

1 alternate payee as a survivor annuitant and that prohibits the
2 removal or change of that survivor annuitant without approval of
3 a court of competent jurisdiction, except by operation of law.
4 Such a domestic relations order may be certified as an approved
5 domestic relations order by the secretary of the board, or his
6 designated representative, in which case the irrevocable
7 survivor annuitant so ordered by the court cannot be changed by
8 the member without approval by the court. A person ineligible to
9 be designated as a survivor annuitant may not be designated as
10 an irrevocable survivor annuitant.

11 § 5953.4. Amendment of approved domestic relations orders.

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

18 * * *

19 Section 329. Title 71 is amended by adding a section to
20 read:

21 § 5953.6. Irrevocable successor payee.

22 (a) Condition.--Notwithstanding any other provision of this
23 part, a domestic relations order pertaining to a participant may
24 provide for an irrevocable successor payee if the participant is
25 receiving a payment under a payment option provided by the board
26 that allows for a successor payee.

27 (b) Determination.--A domestic relations order requiring the
28 designation of an irrevocable successor payee is an order which:

29 (1) requires a participant who is receiving payments
30 from an annuity or other distribution option to designate an

1 alternate payee as a successor payee; and

2 (2) except by operation of law, prohibits the removal or
3 change of the successor payee without approval of a court of
4 competent jurisdiction.

5 (c) Certification.--A domestic relations order under
6 subsection (b) may be certified as an approved domestic
7 relations order by the secretary of the board or his designated
8 representative. If a domestic relations order is certified under
9 this subsection, the irrevocable successor payee ordered by the
10 court shall not be changed by the participant without approval
11 by the court.

12 (d) Ineligibility.--A person ineligible to be designated as
13 a successor payee shall not be designated as an irrevocable
14 successor payee. A court shall not name an irrevocable successor
15 payee if the alternate payee is eligible to receive a lump sum
16 distribution of the alternate payee's portion of the marital
17 portion of the pension benefit.

18 Section 330. Sections 5954, 5955, 5955.2(d) and 5957 of
19 Title 71 are amended to read:

20 § 5954. Fraud and adjustment of errors.

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

26 (b) Adjustment of errors.--Should any change or mistake in
27 records result in any member, participant, beneficiary [or],
28 survivor annuitant or successor payee receiving from the system
29 or plan more or less than he would have been entitled to receive
30 had the records been correct, then regardless of the intentional

1 or unintentional nature of the error and upon the discovery of
2 such error, the board shall correct the error and if the error
3 affected contributions to or payments from the system, then so
4 far as practicable shall adjust the payments which may be made
5 for and to such person in such a manner that the actuarial
6 equivalent of the benefit to which he was correctly entitled
7 shall be paid. If the error affected contributions to or
8 payments from the plan, the board shall take action as provided
9 for in the plan document.

10 § 5955. Construction of part.

11 (a) Exclusive source of rights and benefits.--Regardless of
12 any other provision of law, pension and benefit rights of State
13 employees shall be determined solely by this part or any
14 amendment thereto[,] or the plan document established by the
15 board; and no collective bargaining agreement nor any
16 arbitration award between the Commonwealth and [its] other
17 employers and the Commonwealth's and other employer's employees
18 or their collective bargaining representatives shall be
19 construed to change any of the provisions herein, to require the
20 board to administer pension or retirement benefits not set forth
21 in this part or not established by the board in the plan
22 document, to require the board to modify, amend or change any of
23 the terms and provisions of the plan document, or to otherwise
24 require action by any other government body pertaining to
25 pension or retirement benefits or rights of State employees.
26 Notwithstanding the foregoing, any pension or retirement
27 benefits or rights previously so established by or as a result
28 of an arbitration award shall remain in effect after the
29 expiration of the current collective bargaining agreement
30 between the State employees so affected and the Commonwealth

1 until the expiration of each of the collective bargaining
2 agreements in effect on January 1, 2011, at which time the
3 classes of membership and resulting member contribution rates
4 and contributions for creditable nonstate service, eligibility
5 for vesting, withdrawal and superannuation annuities, optional
6 modification of annuities and other terms and conditions related
7 to class of membership shall be as determined by this part for
8 employees covered by those and successor collective bargaining
9 agreements. For purposes of administering this part, for those
10 State employees who are members of each such collective
11 bargaining unit, the date January 1, 2011, contained in this
12 part, except in this section, shall be replaced with the date of
13 the day immediately following the expiration of each such
14 collective bargaining agreement. The provisions of this part
15 insofar as they are the same as those of existing law are
16 intended as a continuation of such laws and not as new
17 enactments. The provisions of this part shall not affect any act
18 done, liability incurred, right accrued or vested, or any suit
19 or prosecution pending or to be instituted to enforce any right
20 or penalty or to punish any offense under the authority of any
21 repealed laws.

22 (b) (Reserved).

23 (c) Officer or member of the Pennsylvania State Police.--

24 (1) Notwithstanding a provision of subsection (a) or
25 section 12.1 of the act of November 23, 2010 (P.L.1269,
26 No.120), regarding the continued effectiveness of pension or
27 retirement benefits or rights previously established by or as
28 a result of a binding arbitration award issued before July 1,
29 1989, under the act of June 24, 1968 (P.L.237, No.111),
30 referred to as the Policemen and Firemen Collective

1 Bargaining Act, and implemented by the board, the pension or
2 retirement benefits or rights of a State employee who is a
3 current or former State police officer or who becomes a State
4 police officer after the effective date of this subsection
5 shall be as provided in this part as if the binding
6 arbitration award was not issued, except as provided under
7 this subsection.

8 (2) A State employee who is a current or former State
9 police officer or who becomes a State police officer after
10 the effective date of this subsection who:

11 (i) terminates State service before January 1, 2018;

12 or

13 (ii) terminates State service on or after January 1,
14 2018, and does not have service credited in Class A-5 or
15 Class A-6 shall be eligible to receive the maximum single
16 life annuity, before optional modification under section
17 5705 (relating to member's options), that the State
18 employee would have been eligible to receive if paragraph
19 (1) had not been enacted.

20 (3) A State employee who is a current or former State
21 police officer or who becomes a State police officer after
22 the effective date of this subsection who has service
23 credited in Class A-5 or Class A-6, has 20 or more qualifying
24 eligibility points and who terminates State service on or
25 after January 1, 2018, shall be eligible to receive a maximum
26 single life annuity before optional modification under
27 section 5705 equal to the sum of:

28 (i) the maximum single life annuity that the State
29 employee would have been eligible to receive without
30 regard to any eligibility points, service credit,

1 compensation or contributions attributable to Class A-5
2 or Class A-6 service if paragraph (1) had not been
3 enacted except that service credit and eligibility points
4 for service other than as a member of Class A-5 or Class
5 A-6 shall be adjusted for any concurrent service as a
6 member of Class A-5 or Class A-6; and

7 (ii) if eligible, the maximum single life annuity
8 that the State employee is eligible to receive under this
9 part attributable to Class A-5 or Class A-6 service and,
10 if a multiple service member, service credited in the
11 Public School Employees' Retirement System.

12 (4) A State employee who is a current or former State
13 police officer or who becomes a State police officer after
14 the effective date of this subsection who has service
15 credited in Class A-5 or Class A-6, does not have 20 or more
16 qualifying eligibility points and who terminates State
17 service on or after January 1, 2018, shall be eligible to
18 receive a maximum single life annuity before optional
19 modification under section 5705 equal to the maximum single
20 life annuity that the State employee is eligible to receive
21 under this part attributable to all credited service,
22 compensation and eligibility points.

23 (5) Except as otherwise provided in this part, service
24 as a State police officer credited in the system shall not
25 operate to prevent any State employee from being a
26 participant in the plan for any State service that is not
27 service as a Class A-5 exempt employee that would otherwise
28 result in participation in the plan. Any benefit resulting
29 from participation in the plan shall be in addition to any
30 benefit a State police officer may be eligible to receive as

1 a member of the system.

2 (6) As used in this subsection, the following words and
3 phrases shall have the meanings given to them in this
4 paragraph unless the context clearly indicates otherwise:

5 "Binding arbitration award." A binding arbitration award
6 issued before July 1, 1989, under the act of June 24, 1968
7 (P.L.237, No.111), referred to as the Policemen and Firemen
8 Collective Bargaining Act, and implemented by the board.

9 "Qualifying eligibility points." Eligibility points as a
10 result of State service, nonstate service or being reemployed
11 from USERRA leave credited in classes of service other than
12 Class A-5.

13 (7) For the determination of the entire annuity under
14 this subsection, any salary or compensation for service as a
15 Class A-5 exempt employee by a State employee who first
16 became a member of the system on or after January 1, 2018,
17 shall not include remuneration received in any pay period for
18 voluntary overtime service or duty that exceeds 10% of the
19 State employee's base salary or wages in that pay period.

20 (d) Adverse inference.--Nothing in this part shall be
21 construed to mean that the limitations on benefits or other
22 requirements under IRC § 401(a) or other applicable provisions
23 of the IRC which are applicable to participants in the plan do
24 not apply to the participants or to members of the system and
25 the benefits payable under this part.

26 § 5955.2. Construction of part with respect to the Internal
27 Revenue Code.

28 * * *

29 (d) References to Internal Revenue Code of 1986 or the
30 Uniformed Services Employment and Reemployment Rights Act.--

1 References in this part to provisions of the Internal Revenue
2 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or the
3 Uniformed Services Employment and Reemployment Rights Act of
4 1994 (Public Law 103-353, 108 Stat. 3149), including for this
5 purpose administrative regulations promulgated under [that act]
6 the acts, are intended to include such laws and regulations as
7 are in effect on the effective date of this section and as they
8 may be amended or supplemented or supplanted by successor
9 provisions after the effective date of this section.

10 * * *

11 § 5957. Independent Fiscal Office study.

12 The Independent Fiscal Office shall study and analyze the
13 implementation of shared-risk contributions under section 5501.1
14 (relating to shared-risk member contributions [for Class A-3 and
15 Class A-4 service] and shared-gain adjustments to regular member
16 contributions) and its impact on the system. The study shall be
17 completed by December 31, 2015, and shall be transmitted to the
18 Appropriations Committee and the Finance Committee of the
19 Senate, the Appropriations Committee and the Finance Committee
20 of the House of Representatives and to the Governor.

21 Section 331. Title 71 is amended by adding a section to
22 read:

23 § 5958. Public Pension Management and Asset Investment Review
24 Commission.

25 (a) Establishment.--A Public Pension Management and Asset
26 Investment Review Commission shall be established, which shall
27 be composed of five appointees, one appointed by each of the
28 following:

29 (1) The Governor.

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

- 1 (3) The Minority Leader of the Senate.
- 2 (4) The Speaker of the House of Representatives.
- 3 (5) The Minority Leader of the House of Representatives.

4 The appointees shall be investment professionals and retirement
5 advisors and shall be appointed within 90 days of the effective
6 date of this section.

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

9 (1) Study the performance of current investment
10 strategies and procedures of the system, comparing realized
11 rates of return to established benchmarks and considering
12 associated fees paid for active and passive management.

13 (2) Study the costs and benefits of both active and
14 passive investment strategies in relation to future
15 investment activities of the State Employees' Retirement
16 System.

17 (3) Study alternative future investment strategies with
18 available assets of the State Employees' Retirement System
19 that will maximize future rates of return net of fees.

20 (3.1) The commission shall evaluate and make
21 recommendations on:

22 (i) Improving investment fee transparency on
23 alternative investments as specified in the Standardized
24 Reporting Guidelines of the Institutional Limited
25 Partners Association.

26 (ii) Implementing the recommendations of the Society
27 of Actuaries Blue Ribbon Panel on stress testing, to test
28 the ability of the plan to withstand a period of
29 investment returns above or below the level of assumed
30 return.

1 (4) Publish extensive and detailed findings online,
2 including findings about:
3 (i) assets;
4 (ii) returns;
5 (iii) financial managers;
6 (iv) consultants;
7 (v) requests for proposals; and
8 (vi) investment performance measured against
9 benchmarks.

10 (5) Report its findings and recommendations to the
11 Governor and the General Assembly within six months of its
12 first organizational meeting.

13 (c) Quorum.--A majority of appointed members shall
14 constitute a quorum for the purpose of conducting business. The
15 members shall select one of their number to be chairperson and
16 another to be the vice chairperson.

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

20 (1) The act of July 19, 1957 (P.L.1017, No.451), known
21 as the State Adverse Interest Act.

22 (2) The act of February 14, 2008 (P.L.6, No.3), known as
23 the Right-to-Know Law.

24 (3) 65 Pa.C.S. Ch. 7 (relating to open meetings).

25 (4) 65 Pa.C.S. Ch. 11 (relating to ethics standards and
26 financial disclosure).

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

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

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

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

12 (i) Administrative costs and payment.--None of the
13 administrative costs and expenses of the Public Pension
14 Management and Asset Investment Review Commission, including,
15 but not limited to, member and employee salary, wages, benefits
16 and other forms of compensation or remuneration, shall be paid
17 or appropriated from the fund or the trust.

18 ARTICLE IV

19 Section 401. The following shall apply:

20 (1) The following provisions shall not create in a
21 member of the Public School Employees' Retirement System, a
22 participant in the School Employees' Defined Contribution
23 Plan or another person claiming an interest in the account of
24 a member or participant an express or implied contractual
25 right in the provisions nor in a construction of 24 Pa.C.S.
26 Pt. IV, 51 Pa.C.S. or rules or regulations adopted under 24
27 Pa.C.S. Pt. IV or 51 Pa.C.S.:

28 (i) A provision of this act which amends 51 Pa.C.S.
29 or 24 Pa.C.S. Pt. IV in relation to requirements for any
30 of the following:

1 (A) (Reserved).

2 (B) Qualification of the School Employees'
3 Defined Contribution Plan as a qualified pension plan
4 under the Internal Revenue Code of 1986 (Public Law
5 99-514, 26 U.S.C. §§ 401(a) and 415(b)), or
6 compliance with the Uniformed Services Employment and
7 Reemployment Rights Act of 1994 (Public Law 103-353,
8 108 Stat. 3149).

9 (C) Contributions to, participation in or
10 benefits from the School Employees' Defined
11 Contribution Plan or School Employees' Defined
12 Contribution Trust.

13 (D) Domestic relations orders regarding
14 alternate payees of participants in the School
15 Employees' Defined Contribution Plan.

16 (ii) A construction of 24 Pa.C.S. Pt. IV or 51
17 Pa.C.S. or rules or regulations adopted under 24 Pa.C.S.
18 Pt. IV or 51 Pa.C.S. or a term or provision of the School
19 Employees' Defined Contribution Plan or School Employees'
20 Defined Contribution Trust, established by statute or in
21 the plan document or trust declaration.

22 (2) The provisions of 24 Pa.C.S. Pt. IV shall remain
23 subject to the Internal Revenue Code of 1986 and the
24 Uniformed Services Employment and Reemployment Rights Act of
25 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
26 under those statutes, and the General Assembly reserves to
27 itself the further exercise of its legislative power to amend
28 or supplement the provisions as may be required in order to
29 maintain the qualification of the system as a qualified
30 pension plan under section 401(a) and other applicable

1 provisions of the Internal Revenue Code of 1986 and the
2 Uniformed Services Employment and Reemployment Rights Act of
3 1994 (Public Law 103-353, 108 Stat. 3149).

4 (3) The following provisions shall not create in a
5 member of the State Employees' Retirement System, a
6 participant in the State Employees' Defined Contribution Plan
7 or another person claiming an interest in the account of a
8 member or participant an expressed or implied contractual
9 right in the provisions nor in a construction of 51 Pa.C.S. §
10 7306, 71 Pa.C.S. Pt. XXV, or rules or regulations adopted
11 under 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV:

12 (i) A provision of this act which amends 51 Pa.C.S.
13 § 7306 or 71 Pa.C.S. Pt. XXV, in relation to requirements
14 for any of the following:

15 (A) Qualification of the State Employees'
16 Defined Contribution Plan as a qualified pension plan
17 under the Internal Revenue Code of 1986 (Public Law
18 99-514, 26 U.S.C. § 401(a)).

19 (B) Compliance with the Uniformed Services
20 Employment and Reemployment Rights Act of 1994
21 (Public Law 103-353).

22 (C) Domestic relations orders regarding
23 alternate payees of participants in the State
24 Employees' Defined Contribution Plan.

25 (ii) A construction of 51 Pa.C.S. or 71 Pa.C.S. Pt.
26 XXV, or rules or regulation promulgated under 51 Pa.C.S.
27 or 71 Pa.C.S. Pt. XXV, or a term or provision of the
28 State Employees' Defined Contribution Plan or State
29 Employees' Defined Contribution Trust established by
30 statute or in the plan document or trust declaration or

1 by contract with providers of investment and
2 administrative services to the State Employees' Defined
3 Contribution Plan or State Employees' Defined
4 Contribution Trust.

5 (4) The provisions of 71 Pa.C.S. Pt. XXV shall remain
6 subject to the Internal Revenue Code of 1986 and the
7 Uniformed Services Employment and Reemployment Rights Act of
8 1994 (Public Law 103-353, 108 Stat. 3149), and regulations
9 promulgated under those statutes.

10 (5) The General Assembly reserves to itself the further
11 exercise of its legislative power to amend or supplement the
12 provisions of 71 Pa.C.S. Pt. XXV in order to maintain the
13 qualification of the State Employees' Retirement System and
14 the State Employees' Defined Contribution Plan as qualified
15 pension plans under section 401(a) and other applicable
16 provisions of the Internal Revenue Code of 1986 and the
17 Uniformed Services Employment and Reemployment Rights Act of
18 1994 (Public Law 103-353, 108 Stat. 3149).

19 Section 402. The following shall apply:

20 (1) Nothing in this act shall be construed to mean that
21 a calculation or actuarial method used by the Public School
22 Employees' Retirement Board, its actuaries or the Public
23 School Employees' Retirement System was not in accordance
24 with the provisions of 24 Pa.C.S. Pt. IV or other applicable
25 law prior to the effective date of this paragraph.

26 (2) Nothing in this act shall be construed to mean that
27 a calculation or actuarial method used by the State
28 Employees' Retirement Board, its actuaries or the State
29 Employees' Retirement System was not in accordance with the
30 provisions of 71 Pa.C.S. Pt. XXV or other applicable law

1 prior to the effective date of this section.

2 Section 403. The following shall apply:

3 (1) Payments required to fund a change in accrued
4 liability resulting from this act shall be subject to limits
5 imposed under 24 Pa.C.S. § 8328(g) on employer contributions
6 to the Public School Employees' Retirement System.

7 (2) For purposes of 24 Pa.C.S. §§ 8326, 8327, and 8328,
8 changes under this section shall not be considered to be
9 costs added by legislation.

10 Section 404. The following shall apply:

11 (1) Notwithstanding any other provision of law:

12 (i) A change in accrued liability of the State
13 Employees' Retirement System created under this act shall
14 be funded in equal dollar installments over a period of
15 30 years beginning July 1, 2018.

16 (ii) A change in accrued liability of the State
17 Employees' Retirement System created under this act by
18 the amendment of 71 Pa.C.S. § 5508(b) shall be funded in
19 equal dollar installments over a period of 30 years
20 beginning July 1, 2022.

21 (2) Payments required to fund a change in accrued
22 liability resulting from this act shall be subject to limits
23 imposed under 71 Pa.C.S. § 5508(h) on employer contributions
24 to the State Employees' Retirement System.

25 (3) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and 5508,
26 changes under this act shall not be considered to be costs
27 added by legislation.

28 Section 405. The following shall apply:

29 (1) This act shall be construed and administered in such
30 a manner that the Public School Employees' Retirement System

1 and the School Employees' Defined Contribution Plan shall
2 satisfy the requirements necessary to qualify as a qualified
3 pension plan under section 401(a) of the Internal Revenue
4 Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
5 applicable provisions of the Internal Revenue Code of 1986
6 and the Uniformed Services Employment and Reemployment Rights
7 Act of 1994 (Public Law 103-353, 108 Stat. 3149). The rules,
8 regulations and procedures adopted and promulgated by the
9 Public School Employees' Retirement Board and the terms and
10 conditions of the plan document and trust declaration adopted
11 by the Public School Employees' Retirement Board may include
12 provisions necessary to accomplish the purpose of this
13 section.

14 (2) Nothing in this act shall be construed or deemed to
15 imply that any member shall be required to make contributions
16 to the Public School Employees' Retirement System in excess
17 of the limits established by section 415(n) (3) (A) (iii) of the
18 Internal Revenue Code of 1986 (26 U.S.C. § 415(n) (3) (A)
19 (iii)). A contribution made by a member that is determined to
20 be in excess of the limits shall be refunded to the member in
21 a lump sum subject to withholding for all applicable taxes
22 and penalties as soon as administratively possible after the
23 determination is made. A refund under this subparagraph shall
24 not 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 (3) Nothing in this act shall be construed to mean that
28 an interpretation or application of 24 Pa.C.S. Pt. IV or
29 benefits available to members of the Public School Employees'
30 Retirement System was not in accordance with 24 Pa.C.S. Pt.

1 IV or other applicable law, including the Internal Revenue
2 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
3 the Uniformed Services Employment and Reemployment Rights Act
4 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
5 effective date of this section.

6 Section 406. The following shall apply to construction
7 related to Federal law as to the State Employees' Retirement
8 System:

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

23 (2) Nothing in this act shall be construed or deemed to
24 imply that any member of Class A-5 or Class A-6 shall be
25 required to make contributions to the State Employees'
26 Retirement System in excess of the limits established by
27 section 415(n)(3)(A)(iii) of the Internal Revenue Code of
28 1986 (26 U.S.C. § 415(n)(3)(A)(iii)). A contribution made by
29 a member of Class A-5 or Class A-6 that is determined to be
30 in excess of the limits shall be refunded to the member in a

1 lump sum subject to withholding for all applicable taxes and
2 penalties as soon as administratively possible after the
3 determination is made. A refund under this subparagraph shall
4 not affect the benefit payable to the member and shall not be
5 treated as or deemed to be a withdrawal of the member's
6 accumulated deductions.

7 (3) Nothing in this act shall be construed to mean that
8 an interpretation or application of 71 Pa.C.S. Pt. XXV or
9 benefits available to members of the State Employees'
10 Retirement System was not in accordance with 71 Pa.C.S. Pt.
11 XXV or other applicable law, including the Internal Revenue
12 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.) and
13 the Uniformed Services Employment and Reemployment Rights Act
14 of 1994 (Public Law 103-353, 108 Stat. 3149) before the
15 effective date of this section.

16 Section 407. The following shall apply:

17 (1) Notwithstanding any other provision of law,
18 fiduciary requirement, actuarial standard of practice or
19 other requirement, the members of the Public School
20 Employees' Retirement Board, the actuary and employees and
21 officials of the Public School Employees' Retirement System
22 may not be held liable or in breach or violation of a law or
23 standard as individuals, in their 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 24 Pa.C.S. Pt. IV.

29 (2) Notwithstanding any other provision of law,
30 fiduciary requirement, actuarial standard of practice or

1 other requirement, the members of the State Employees'
2 Retirement Board, the actuary and other employees and
3 officials of the State Employees' Retirement System may not
4 be held liable or in breach or violation of a law or standard
5 as individuals, in an official capacity or as a governmental
6 or corporate entity, for an action or calculation related to
7 calculating and certifying a final contribution rate as
8 provided under this act that is different from the
9 actuarially required contribution rate as appropriately
10 calculated under 71 Pa.C.S. Pt. XXV.

11 Section 408. Nothing in this act shall be deemed to permit
12 the restoration of service credit or retirement benefits that:

13 (1) were or are subject to section 16 of Article V of
14 the Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

15 (2) were or are the subject of an order of forfeiture
16 under the act of July 8, 1978 (P.L.752, No.140), known as the
17 Public Employee Pension Forfeiture Act.

18 Section 409. Notwithstanding the amendment of 24 Pa.C.S. §
19 8501(e) and 71 Pa.C.S. § 5901(e), the Governor's Office of
20 General Counsel shall continue to provide legal counsel and
21 legal services to the board until such time as the board
22 appoints a chief counsel and such other counsel as it deems
23 necessary to provide it with legal services.

24 Section 410. No school employee otherwise a member of,
25 eligible to be a member of, or having school or nonschool
26 service credited in a class of service other than Class T-G may
27 cancel, decline or waive membership in such other class of
28 service in order to obtain Class T-G service credit, become a
29 member of Class T-G or elect Class T-G membership.

30 Section 411. No State employee otherwise a member of,

1 eligible to be a member of or having State or nonstate service
2 credited in a class of service other than Class A-5 or Class A-6
3 may cancel, decline or waive membership in such other class of
4 service in order to obtain Class A-5 or Class A-6 service
5 credit, become a member of Class A-5 or Class A-6 or elect Class
6 A-5 or Class A-6 membership.

7 Section 412. Notwithstanding any regulation promulgated by
8 the Public School Employees' Retirement Board, application or
9 interpretation of 24 Pa.C.S. Pt. IV, or administrative practice
10 to the contrary, a member's eligibility deriving from Class T-G
11 service credit for a superannuation annuity or other rights and
12 benefits based upon attaining superannuation age shall be
13 determined by including only those eligibility points actually
14 accrued.

15 Section 413. The following shall apply:

16 (1) Except as provided under paragraph (2), if a
17 provision of this act or its application to any person or
18 circumstance is held invalid, the invalidity shall not affect
19 other provisions or applications of this act that can be
20 given effect without the invalid provision or application.

21 (2) The following shall apply:

22 (i) If the application of the shared-risk provisions
23 of 71 Pa.C.S. Pt. XXV is declared inapplicable to any
24 person by a court or administrative tribunal of competent
25 jurisdiction, the provisions of Pt. XXV relating to
26 shared-gain adjustments to regular member contributions
27 shall be inapplicable to that person.

28 (ii) The following shall apply:

29 (A) If the application of any provision of this
30 act relating to membership in Class A-5 or Class A-6

1 or participation in the State Employees' Defined
2 Contribution Plan is declared invalid to any person
3 for any period of State service, the invalidity shall
4 not affect the application of this act to any other
5 person. The provisions of this act relating to both
6 membership in Class A-5 and participation in the
7 State Employees' Defined Contribution Plan shall be
8 invalid as to the person for the period of State
9 service for which part of the State service was
10 invalid and that person shall be considered a Class
11 A-5 exempt employee for the service at issue. If a
12 State employee's participation in the State
13 Employees' Defined Contribution Plan is declared
14 invalid for any period of State service, the affected
15 State employee shall return to the State Employees'
16 Defined Contribution Trust any distributions related
17 to the period of State service at issue, shall be
18 granted the status and service credit in the State
19 Employees' Retirement System as if he was a Class A-5
20 exempt employee and shall be required to make all
21 contributions to the State Employees' Retirement Fund
22 as if he was a Class A-5 exempt employee for the
23 period of State service at issue.

24 (B) The affected State employee's accumulated
25 mandatory participant contributions and accumulated
26 voluntary contributions shall be transferred to the
27 affected employee's member savings account to the
28 extent necessary to fund that account with the member
29 contributions and interest that would have been
30 standing to the member's account had the State

1 employee been a Class A-5 exempt employee for the
2 period of service at issue. Any remaining balance
3 shall be refunded to the State employee, who also
4 shall be responsible for paying to the fund in a
5 manner and time determined by the State Employees'
6 Retirement Board any additional funds required if the
7 accumulated mandatory participant contributions and
8 accumulated voluntary contributions were not
9 sufficient.

10 (C) The accumulated employer defined
11 contributions shall be transferred to the State
12 Accumulation Account and no further amount shall be
13 due from the employer or refund paid.

14 Section 414. Notwithstanding the provisions of 71 Pa.C.S. §
15 5903(b), the statement for each member prepared by the State
16 Employees' Retirement Board for the periods ending December 31,
17 2018, and any other statements or estimates of benefits prepared
18 by the board pursuant to the State Employees' Retirement Code
19 from the effective date of this section to December 31, 2018,
20 need not reflect the provisions of this act and in the case of
21 the statements for each member for the periods ending on or
22 before December 31, 2018, need not include a projection of the
23 benefit to which the member is entitled upon attainment of
24 superannuation age.

25 Section 415. Notwithstanding the provisions of 71 Pa.C.S.
26 Pt. XXV, the obligation of the State Employees' Retirement Board
27 to make payments within specified time periods of the receipt of
28 applications for benefits or other information shall not apply
29 from the effective date of this section to December 31, 2018.

30 Section 416. This act shall take effect as follows:

1 (1) The appointment of the Secretary of Banking and
2 Securities to the membership of the Public School Employees'
3 Retirement Board in the amendment of 24 Pa.C.S. § 8501(a)
4 shall take effect when the first of the two positions
5 currently appointed by the Governor becomes vacant or an
6 incumbent member's term expires. Notification of the
7 expiration or vacancy shall be submitted by the Public School
8 Employees' Retirement Board to the Legislative Reference
9 Bureau for publication in the Pennsylvania Bulletin.

10 (2) The appointment of the Secretary of Banking and
11 Securities to the membership of the State Employees'
12 Retirement Board and reduction of the number of members
13 appointed by the Governor from six to five in 71 Pa.C.S. §
14 5901(a) shall take effect when the first of the six positions
15 currently appointed by the Governor that is not held by an
16 annuitant becomes vacant or an incumbent member's term
17 expires. Notification of the expiration or vacancy shall be
18 submitted by the State Employees' Retirement System to the
19 Legislative Reference Bureau for publication in the
20 Pennsylvania Bulletin.

21 (3) The following provisions shall take effect
22 immediately:

23 (i) This section.

24 (ii) The remainder of this act.