

AMENDMENTS TO SENATE BILL NO. 1071

Sponsor: REPRESENTATIVE TOBASH

Printer's No. 1481

1 Amend Bill, page 1, lines 21 through 31; page 2, lines 1
2 through 16; by striking out all of said lines on said pages and
3 inserting
4 Amending Titles 24 (Education), 51 (Military Affairs) and 71
5 (State Government) of the Pennsylvania Consolidated Statutes,
6 extensively revising pension provisions: for the Public
7 School Employees' Retirement System, in the areas of
8 preliminary provisions, of membership, contributions and
9 benefits, of School Employees' Defined Contribution Plan, of
10 administration and miscellaneous provisions and of health
11 insurance for retired school employees; for military
12 pensions, in the area of military leave of absence; for the
13 State Employees' Retirement System, in the areas of
14 preliminary provisions, of membership, credited service,
15 classes of service and eligibility for benefits, of
16 contributions, of benefits, of State Employees' Defined
17 Contribution Plan, of administration, funds, accounts,
18 general provisions; providing, as to the revisions, for
19 reservation of legislative authority, for construction, for
20 accrued liability, for construction related to Federal law,
21 for immunity from personal liability, for restoration of
22 service credit or a retirement benefit, for recertification
23 of contribution rates, for transfer of assets and for
24 severability; and making editorial changes.

25 Amend Bill, page 400, lines 18 through 30; pages 401 through
26 729, lines 1 through 30; page 730, lines 1 through 18, by
27 striking out all of said lines on said pages and inserting

ARTICLE I

28
29 Section 101. The definitions of "active member," "alternate
30 payee," "basic contribution rate," "beneficiary," "class of
31 service multiplier," "compensation," "creditable nonschool
32 service," "credited service," "date of termination of service,"
33 "distribution," "domestic relations order," "final average
34 salary," "inactive member," "intervening military service,"

1 "irrevocable beneficiary," "leave for service with a collective
2 bargaining organization," "member's annuity," "multiple
3 service," "reemployed from USERRA leave," "required beginning
4 date," "salary deductions," "shared risk contribution rate,"
5 "standard single life annuity," "superannuation or normal
6 retirement age," "valuation interest" and "vestee" in section
7 8102 of Title 24 of the Pennsylvania Consolidated Statutes,
8 amended or added December 28, 2015 (P.L.529, No.93), are amended
9 and the section is amended by adding definitions to read:

10 § 8102. Definitions.

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

14 * * *

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

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

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

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

36 * * *

37 "Active member." A school employee for whom pickup
38 contributions are being made to the fund or for whom such
39 contributions otherwise required for current school service are
40 not being made solely by reason of any provision of this part
41 relating to the limitations under section 401(a)(17) or 415 of
42 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
43 § 401(a)(17) or 415)[.], or limitations on contributions to the
44 system applicable to Class T-G members when the Class T-G member
45 is making mandatory pickup participant contributions to the
46 trust.

47 "Active participant." A school employee for whom mandatory
48 pickup participant contributions are being made to the trust or
49 for whom such contributions otherwise required for school
50 service required to be credited in the plan are not being made
51 solely by reason of any provision of this part relating to the

1 limitations under section 401(a)(17) or 415 of the Internal
2 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
3 or 415).

4 * * *

5 "Alternate payee." Any spouse, former spouse, child or
6 dependent of a member or participant who is recognized by a
7 domestic relations order as having a right to receive all or a
8 portion of the moneys payable to that member or participant
9 under this part.

10 * * *

11 "Basic contribution rate." For Class T-A, T-B and T-C
12 service, the rate of 6 1/4%. For Class T-D service, the rate of
13 7 1/2%. For all active members on the effective date of this
14 provision who are currently paying 5 1/4% and elect Class T-D
15 service, the rate of 6 1/2%. For Class T-E service, the rate of
16 7 1/2%. For Class T-F service, the rate of 10.30%. For Class T-G
17 service for members with less than 25 eligibility points accrued
18 as a Class T-G member, the rate of 6%, up to the defined benefit
19 compensation limit. For Class T-G service for members with more
20 than 25 eligibility points accrued as a Class T-G member, the
21 rate of zero.

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

30 * * *

31 "Class of service multiplier."

Class of service	Multiplier
T-A	.714
T-B	.625
T-C	1.000
T-D	1.000
T-E	1.000
T-F	1.000
<u>T-G</u>	<u>1.000</u>

41 * * *

42 "Compensation." Pickup contributions and mandatory pickup
43 participant contributions plus any remuneration received as a
44 school employee excluding reimbursements for expenses incidental
45 to employment and excluding any bonus, severance payments, any
46 other remuneration or other emolument received by a school
47 employee during his school service which is not based on the
48 standard salary schedule under which he is rendering service,
49 payments for unused sick leave or vacation leave, bonuses or
50 other compensation for attending school seminars and
51 conventions, payments under health and welfare plans based on

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

27 * * *

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

31 "Credited service." School or creditable nonschool service
32 for which the required contributions have been made to the fund,
33 or for which the contributions otherwise required for such
34 service were not made solely by reason of any provision of this
35 part relating to the limitations under section 401(a)(17) or 415
36 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
37 U.S.C. § 401(a)(17) or 415), or limitations on contributions to
38 the system applicable to Class T-G members when the Class T-G
39 member is making mandatory pickup participant contributions to
40 the trust or for which salary deductions or lump sum payments to
41 the system have been agreed upon in writing.

42 "Date of termination of service." The latest of the
43 following dates:

44 (1) the last [date] day of service for which pickup
45 contributions are made for an active member or[,] for which
46 the contributions otherwise required for such service were
47 not made solely by reason of any provision of this part
48 relating to the limitations under section 401(a)(17) or 415
49 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
50 U.S.C. § 401(a)(17) or 415), or limitations on contributions
51 applicable to a Class T-G member;

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

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

8 "Defined benefit compensation limit." For fiscal year 2018-
9 2019, the amount of \$50,000. For each subsequent fiscal year,
10 this amount shall be increased by 3% per year, compounded
11 annually, rounded to the nearest \$100.

12 * * *

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

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

30 * * *

31 "Employer defined contributions." Contributions made to an
32 active participant's account by an employer to the trust to be
33 credited in the active participant's individual investment
34 account as follows:

35 (1) For participants who have less than 25 eligibility
36 points credited as a member of Class T-G, or if a multiple
37 service member in Class A-5 of the State Employees'
38 Retirement System, contributions shall equal to 0.5% of
39 compensation up to the defined benefit compensation limit and
40 4% of compensation above such limit.

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

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

47 (1) For purposes of calculating all annuities and
48 benefits from the system attributable to a class of service
49 other than Class T-G, the highest average compensation
50 received as an active member during any three nonoverlapping
51 periods of 12 consecutive months months, excluding

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

22 (2) For purposes of calculating all annuities and
23 benefits from the system attributable to service as a member
24 of Class T-G, the highest average compensation received as an
25 active member of Class T-G during any five fiscal years, as
26 limited each fiscal year by the defined benefit compensation
27 limit, with the limited compensation for part-time service
28 being annualized on the basis of the fractional portion of
29 the school year for which credit is received; except, if the
30 employee was not a member of Class T-G for five such periods,
31 the total compensation received as an active member of Class
32 T-G annualized in the case of part-time service divided by
33 the number of such periods of membership in Class T-G; in the
34 case of a member with multiple service credit, the final
35 average salary, for purposes of calculating all annuities and
36 benefits from the system attributable to Class T-G service,
37 shall be determined by reference to compensation received by
38 him as a school employee for service credited as Class T-G or
39 as a State employee for service credited as Class A-5, or
40 both; and, in the case of a noneligible member, subject to
41 the application of the provisions of section 8325.1.

42 (3) For all members, final average salary shall be
43 determined by including in compensation, payments deemed to
44 have been made to a member reemployed from USERRA leave to
45 the extent member contributions have been made as provided in
46 section 8302(d)(2) (relating to credited school service) and
47 payments made to a member on leave of absence under 51
48 Pa.C.S. § 4102 (relating to leaves of absence for certain
49 government employees) as provided in section 8302(d)(6).

50 * * *

51 "Holding vehicle trust." The School Employees' Defined

1 Contribution Holding Vehicle Trust.

2 "Inactive member." A member for whom no pickup contributions
3 are being made to the fund, except in the case of an active
4 member for whom such contributions otherwise required for
5 current school service are not being made solely by reason of
6 any provision of this part relating to the limitations under
7 section 401(a) (17) or 415 of the Internal Revenue Code of 1986
8 (Public Law 99-514, 26 U.S.C. § 401(a) (17) or 415) or because
9 the member is on USERRA leave, or limitations on contributions
10 to the system applicable to a Class T-G member who is making
11 mandatory pickup participant contributions to the trust, but who
12 has accumulated deductions standing to his credit in the fund
13 and for whom contributions have been made within the last two
14 school years or a multiple service member who is active in the
15 State Employees' Retirement System.

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

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

32 "Intervening military service." Active military service of a
33 member who was a school employee and an active member of the
34 system immediately preceding his induction into the armed
35 services or forces of the United States in order to meet a draft
36 obligation excluding any voluntary extension of such
37 obligational service and who becomes a school employee and an
38 active member of the system within 90 days of the expiration of
39 such service.

40 * * *

41 "Irrevocable beneficiary." The person or persons permanently
42 designated by a member or participant in writing to the board
43 pursuant to an approved domestic relations order to receive all
44 or a portion of the accumulated deductions, vested accumulated
45 total defined contributions or lump sum benefit payable upon the
46 death of such member or participant.

47 "Irrevocable successor payee." The person permanently
48 designated in writing by a participant receiving distributions
49 to the board pursuant to an approved domestic relations order to
50 receive one or more distributions from the plan upon the death
51 of such participant.

1 * * *

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

19 "Mandatory pickup participant contributions." Either of the
20 following:

21 (1) For participants who have accrued less than 25
22 eligibility points credited as a member of Class T-G or, if a
23 multiple service member, of Class A-5 in the State Employees'
24 Retirement System, contributions shall equal 1.5% of
25 compensation required to be credited in the plan up to the
26 defined benefit compensation limit and 7.5% of compensation
27 above such limit.

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

33 * * *

34 "Member's annuity." The single life annuity which is
35 actuarially equivalent on the effective date of retirement and
36 taking into account any delay in the receipt of the portion of
37 the annuity based on Class T-G service, if the effective date of
38 retirement is under superannuation age applicable to Class T-G
39 service, to the sum of the accumulated deductions and the
40 shared-risk member contributions and statutory interest credited
41 on the deductions and contributions standing to the member's
42 credit in the members' savings account.

43 * * *

44 "Multiple service." Credited service of a member who has
45 elected to combine his credited service in both the Public
46 School Employees' Retirement System and the State Employees'
47 Retirement System. A Class T-G member is eligible to elect
48 multiple service membership only for service credited as Class
49 A-5 service in the State Employees' Retirement System.

50 * * *

51 "Participant." An active participant, inactive participant

1 or participant receiving distributions.

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

7 * * *

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

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

15 * * *

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

24 * * *

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

30 * * *

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

36 * * *

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

41 "Standard single life annuity." For Class T-A, T-B and T-C
42 credited service of a member, an annuity equal to 2% of the
43 final average salary, multiplied by the total number of years
44 and fractional part of a year of credited service of a member.
45 For Class T-D credited service of a member, an annuity equal to
46 2.5% of the final average salary, multiplied by the total number
47 of years and fractional part of a year of credited service. For
48 Class T-E credited service of a member, an annuity equal to 2%
49 of the final average salary, multiplied by the total number of
50 years and fractional part of a year of credited service of a
51 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 2% of the final average salary, multiplied
5 by the total number of years and fractional part of a year of
6 credited service of a member, except that such total number of
7 years shall not exceed 25.

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

12 * * *

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

17 * * *

18 "Superannuation or normal retirement age."

19 Class of service

Age

20 T-A

62 or any age upon accrual of
35 eligibility points

21 T-B

62

22 T-C and T-D

62 or age 60 provided the
member has at least 30
eligibility points or any
age upon accrual of 35
eligibility points,
excluding any eligibility
points accrued as a
member of Class T-G, and
if a multiple service
member, Class A-5

23 T-E [and], T-F and T-G

65 with accrual of at least
three eligibility points
or a combination of age
and eligibility points
totaling 92, provided the
member has accrued at
least 35 eligibility
points, excluding any
eligibility points
accrued as a member of
Class T-G, and if a
multiple service member,
Class

24 * * *

25 "Trust." The School Employees' Defined Contribution Trust
26 established under Chapter 84 (relating to School Employees'
27 Defined Contribution Plan).

28 * * *

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

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

3 "Vestee." A member with five or more eligibility points in a
4 class of service other than Class T-E, Class T-F, Class T-G or
5 Class A-5 in the State Employees' Retirement System who has
6 terminated school service, has left his accumulated deductions
7 in the fund and is deferring filing of an application for
8 receipt of an annuity. For Class T-E [and], Class T-F and Class
9 T-G members, a member with ten or more eligibility points who
10 has terminated school service, has left his accumulated
11 deductions in the fund and is deferring filing of an application
12 for receipt of an annuity.

13 "Voluntary contributions." Contributions made by a
14 participant to the trust and credited to his individual
15 investment account in excess of his mandatory pickup participant
16 contributions by an eligible rollover or direct trustee-to-
17 trustee transfer.

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

20 § 8103. Construction of part.

21 * * *

22 (f) Exclusive source of rights and benefits.--Regardless of
23 any other provision of law, pension and benefit rights of school
24 employees shall be determined solely by this part, or the plan
25 document established by the board, and no collective bargaining
26 agreement nor any arbitration award between the employer and its
27 employees or their collective bargaining representatives shall
28 be construed to change any of the provisions in this part, to
29 require the board to administer pension or retirement benefits
30 not set forth in this part or not established by the board in
31 the plan document, to require the board to modify, amend or
32 change any of the terms and provisions of the plan document or
33 otherwise require action by any other government body pertaining
34 to pension or retirement benefits or rights of school employees.

35 (g) References to certain Federal statutes.--References in
36 this part to the IRC or the Uniformed Services Employment and
37 Reemployment Rights Act of 1994 (Public Law 103-353, 108 Stat.
38 3149), including administrative regulations promulgated under
39 the IRC or the Uniformed Services Employment and Reemployment
40 Rights Act of 1994, are intended to include laws and regulations
41 in effect on or after the effective date of this subsection.

42 (h) Construction.--

43 (1) This part may not be construed to mean that the
44 limitations on benefits or other requirements under IRC §
45 401(a) or other applicable provisions of the IRC that are
46 applicable to participants in the plan do not apply to the
47 participants or to the members of the system and the benefits
48 payable under this part.

49 (2) This part may not be construed to mean that an
50 interpretation or application of a provision of this part or
51 benefits available to members of the Public School Employees'

1 Retirement System was not in accordance with the provisions
2 of Part IV or other applicable law, including the IRC and the
3 Uniformed Services Employment and Reemployment Rights Act of
4 1994 before the effective date of this subsection.

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

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

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

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

18 (ii) Whether the school employee was an annuitant,
19 inactive member or vestee or withdrew accumulated
20 deductions during the period of termination.

21 (2) A terminated school employee who returns to school
22 service on or after July 1, 2018, is subject to the
23 provisions of this part regarding participation in the plan
24 or membership in the system that are in effect on the
25 effective date of reemployment, including, but not limited
26 to, benefit formulas and accrual rates, eligibility for
27 annuities and distributions, contribution rates, definitions,
28 purchase of creditable school and nonschool service
29 provisions, purchase of creditable State and nonstate service
30 provisions, and actuarial and funding assumptions.

31 Section 102.1. Section 8103.1 of Title 24, added December
32 28, 2015 (P.L.529, No.93), is amended to read:

33 § 8103.1. Notice to members.

34 Notice by publication, including, but not limited to,
35 newsletters, newspapers, forms, first class mail, letters,
36 manuals and electronic notice, including, but not limited to, e-
37 mail or publicly accessible Internet websites, distributed or
38 made available to members in a manner reasonably calculated to
39 give actual notice of the provisions of this part that require
40 notice to members and participants shall be deemed sufficient
41 notice for all purposes.

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

44 § 8103.2. Reference to Public School Employees' Retirement
45 System.

46 (a) General rule.--Unless the context clearly indicates
47 otherwise, a reference to the Public School Employees'
48 Retirement System in a statutory provision, other than this part
49 and 71 Pa.C.S. Pt. XXV (relating to retirement for State
50 employees and officers), shall include a reference to the plan,
51 and a reference to the Public School Employees' Retirement Fund

1 shall include a reference to the trust.

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

7 Section 104. Section 8301 of Title 24 is amended to read:
8 § 8301. Mandatory and optional membership in the system and
9 participation in the plan.

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

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

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

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

31 (4) Any part-time school employee who has an individual
32 retirement account pursuant to the Federal act of September
33 2, 1974 (Public Law 93-406, 88 Stat. 829), known as the
34 Employee Retirement Income Security Act of 1974.

35 (b) Prohibited membership in system.--The school employees
36 categorized in subsection (a)(1) and (2) shall not have the
37 right to elect membership in the system.

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

44 (d) Mandatory participation in plan.--The school employees
45 who are mandatory members of Class T-G shall be mandatory
46 participants in the plan as of the effective date of membership
47 in the system.

48 (e) Optional participation in plan.--The school employees
49 who are optional members of the system as members of Class T-G
50 shall be optional participants in the plan. The school employees
51 who elect membership in the system as members of Class T-G also

1 elect participation in the plan as of the effective date of
2 membership in the system.

3 Section 105. Section 8302(a), (b)(1) and (2), (c) and (d) of
4 Title 24, amended December 28, 2015 (P.L.529, No.93), is amended
5 and the section is amended by adding a subsection to read:
6 § 8302. Credited school service.

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

40 (b) Approved leaves of absence.--An active member shall
41 receive credit, and an active participant shall receive
42 eligibility points, for an approved leave of absence provided
43 that:

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

50 (2) the proper contributions are made by the member and
51 the employer and, for Class T-G members, by the active

1 participant and the employer.

2 * * *

3 (c) Cancellation of credited service.--

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

7 (i) a member with Class T-G service credit and one
8 or more other classes of service credit shall not have
9 his service credit in the classes of service other than
10 Class T-G canceled when the member receives a lump sum
11 payment of accumulated deductions relating to the Class
12 T-G service; and

13 (ii) a member with Class T-G service credit and one
14 or more other classes of service credit shall not have
15 his service credit as a member of Class T-G canceled when
16 the member receives a lump sum payment of accumulated
17 deductions resulting from the other classes of service.

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

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

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

35 (1.1) School employees may not receive service credit or
36 exercise the options under 51 Pa.C.S. § 7306(a), (b) and (c)
37 (relating to retirement rights) for military leaves that
38 begin on or after the effective date of this subsection,
39 except otherwise provided under this subsection.

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

42 (i) A school employee who is reemployed from USERRA
43 leave as an active member of the system shall be treated
44 as not having incurred a break in school service by
45 reason of the USERRA leave and shall be granted
46 eligibility points as if the school employee had not been
47 on the USERRA leave. If a school employee who is
48 reemployed from USERRA leave as an active member of the
49 system subsequently makes regular member contributions,
50 shared-risk member contributions and any other member
51 contributions in the amounts and in the time periods

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

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

36 (iii) A school employee who is reemployed from
37 USERRA leave as an active member of the system and who
38 does not make the required member contributions or makes
39 only part of the required member contributions within the
40 allowed payment period shall not be:

41 (A) Granted credited service for the period of
42 USERRA leave for which the required member
43 contributions were not timely made.

44 (B) Eligible to subsequently make contributions.

45 (C) Granted either school service credit or
46 nonschool service credit for the period of USERRA
47 leave for which the required member contributions
48 were not timely made.

49 (3) A school employee who is a member of the system and
50 performs USERRA leave from which the employee could have been
51 reemployed from USERRA leave had the school employee returned

1 to school service in the time frames required by 38 U.S.C.
2 Ch. 43 for reemployment rights, but did not do so, shall be
3 able to receive creditable nonschool service as
4 nonintervening military service for the period of USERRA
5 leave if the employee later returns to school service and is
6 otherwise eligible to purchase the service as nonintervening
7 military service.

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

19 (5) If a member dies while performing USERRA leave, the
20 beneficiaries or survivor annuitants of the deceased member
21 shall be entitled to any additional benefits, including
22 eligibility points, other than benefit accruals relating to
23 the period of qualified military service, provided under this
24 part as if the member resumed and then terminated employment
25 on account of death.

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

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

40 (1) A participant who is reemployed from USERRA leave
41 shall be treated as not having incurred a break in school
42 service by reason of the USERRA leave and shall be granted
43 eligibility points as if the participant had not been on
44 USERRA leave. If a participant who is reemployed from USERRA
45 leave subsequently makes mandatory pickup participant
46 contributions in the amounts and in the time periods required
47 by 38 U.S.C. Ch. 43 and IRC § 414(u) as if the participant
48 had continued in his school employment and performed school
49 service and been compensated during the period of USERRA
50 leave, the participant's employer shall make the
51 corresponding employer defined contributions. The employee

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

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

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

26 (4) An active participant or inactive participant who,
27 on or after the effective date of this subsection, is granted
28 a leave of absence under 51 Pa.C.S. § 4102 or a military
29 leave under 51 Pa.C.S. Ch. 73 that is not USERRA leave shall
30 not be eligible to make mandatory pickup participant
31 contributions or voluntary contributions during or for the
32 leave of absence or military leave and shall not have
33 employer defined contributions made during such leave,
34 without regard to whether or not the participant received
35 salary, wages, stipends, differential wage payments or other
36 payments from his employer during the leave, notwithstanding
37 any provision to the contrary in 51 Pa.C.S. § 4102 or Ch. 73.

38 (5) If a participant dies while performing USERRA leave,
39 then the beneficiaries or successor payees, as the case may
40 be, of the deceased participant are entitled to any
41 additional benefits, other than benefit accruals relating to
42 the period of qualified military service, provided under this
43 part had the participant resumed and then terminated
44 employment on account of death.

45 Section. 105.1. Section 8303(c) of Title 24 is amended and
46 the section is amended by adding a subsection to read:
47 § 8303. Eligibility points for retention and reinstatement of
48 service credits.

49 * * *

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

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

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

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

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

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

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

29 * * *

30 Section 106. Section 8304(a) of Title 24 is amended to read:
31 § 8304. Creditable nonschool service.

32 (a) Eligibility.--An active member in a class other than
33 Class T-G, or a multiple service member who is an active member
34 of the State Employees' Retirement System in a class other than
35 Class A-5, shall be eligible to receive Class T-C, Class T-E or
36 Class T-F service credit for creditable nonschool service and
37 Class T-D, Class T-E or Class T-F service for intervening
38 military service, provided the member becomes a Class T-D member
39 pursuant to section 8305.1 (relating to election to become a
40 Class T-D member) or Class T-F member pursuant to section 8305.2
41 (relating to election to become a Class T-F member) or 8305
42 (relating to classes of service), as set forth in subsection (b)
43 provided that he is not entitled to receive, eligible to receive
44 now or in the future, or is receiving retirement benefits for
45 such service under a retirement system administered and wholly
46 or partially paid for by any other governmental agency or by any
47 private employer, or a retirement program approved by the
48 employer in accordance with section 8301(a)(1) (relating to
49 mandatory and optional membership), and further provided that
50 such service is certified by the previous employer and the
51 manner of payment of the amount due is agreed upon by the

1 member, the employer, and the board. An active member who is a
2 member of Class T-G or a multiple service member who is a State
3 employee and an active member of the State Employees' Retirement
4 System as a member of Class A-5 shall be eligible for Class T-G
5 service credit for creditable nonschool service as set forth in
6 subsection (b)(2) for which the member makes the required
7 contributions to the fund.

8 * * *

9 Section 107. Section 8305(a), (b), (c)(1) and (4), (d) and
10 (e) of Title 24 are amended and the section is amended by adding
11 a subsection to read:

12 § 8305. Classes of service.

13 (a) Class T-C membership.--A school employee who is a member
14 of Class T-C on the effective date of this part or who becomes a
15 member of the system subsequent to the effective date of this
16 part shall be classified as a Class T-C member, provided the
17 school employee does not become a member of Class T-D pursuant
18 to subsection (c) and does not become a member of Class T-G
19 pursuant to subsection (f).

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

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

30 (1) A person who becomes a school employee and an active
31 member, or a person who becomes a multiple service member who
32 is a State employee and a member of the State Employees'
33 Retirement System, on or after the effective date of this
34 subsection shall be classified as a Class T-D member upon
35 payment of regular member contributions. Any prior school
36 service credited as Class T-C service shall be credited as
37 Class T-D service, subject to the limitations contained in
38 paragraph (4) and section 8303(c.1) (relating to eligibility
39 points for retention and reinstatement of service credits).

40 * * *

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

46 (ii) A person who is not a school employee or a
47 State employee on June 30, 2001, and July 1, 2001, and
48 who has previous school service shall not receive Class
49 T-D service credit for school service performed before
50 July 1, 2001, until the person becomes an active member
51 or an active member of the State Employees' Retirement

1 System and a multiple service member and earns three
2 eligibility points by performing credited school service
3 in a class other than Class T-G or State service in a
4 class other than Class A-5 after June 30, 2001. This
5 subparagraph does not apply to a disability annuitant who
6 returns to school service after June 30, 2001, upon
7 termination of the disability annuity.

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

17 (e) Class T-F membership.--Notwithstanding any other
18 provision, a person who first becomes a school employee and an
19 active member, or a person who first becomes a multiple service
20 member who is a State employee and a member of the State
21 Employees' Retirement System, on or after the effective date of
22 this subsection and who is eligible to become a Class T-E member
23 shall have the right to elect into Class T-F membership,
24 provided the person elects to become a Class T-F member pursuant
25 to section 8305.2 (relating to election to become a Class T-F
26 member), upon written election filed with the board and payment
27 of regular member contributions and the shared-risk
28 contributions, provided the member does not terminate service
29 and then return to service on or after July 1, 2018.

30 (f) Class T-G membership.--A person who first becomes a
31 school employee and an active member, or a person who first
32 becomes a multiple service member who is a State employee and a
33 member of the State Employees' Retirement System, on or after
34 July 1, 2018, shall be classified as a Class T-G member upon
35 payment of regular member contributions and the shared risk
36 contributions.

37 Section 108. Sections 8305.1(c) and 8305.2(c) of Title 24
38 are amended to read:

39 § 8305.1. Election to become a Class T-D member.

40 * * *

41 (c) Effect of election.--An election to become a Class T-D
42 member shall remain in effect until the termination of
43 employment. Those members who, on the effective date of this
44 section, contribute at the rate of 5 1/4% shall be deemed to
45 have accepted the basic contribution rate of 6 1/2% for all
46 Class T-D service performed on or after January 1, 2002. Those
47 members who, on the effective date of this section, contribute
48 at the rate of 6 1/4% shall be deemed to have accepted the basic
49 contribution rate of 7 1/2% for all Class T-D service performed
50 on or after January 1, 2002. Upon termination and a subsequent
51 reemployment that occurs before July 1, 2018, the class of

service of the school employee shall be credited in the class of service otherwise provided for in this part. If the reemployment occurs on or after July 1, 2018, the school employee's eligibility for membership and class of service in the system or participation in the plan shall be as provided in this part.

* * *

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

* * *

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

* * *

Section 108.1. Title 24 is amended by adding a section to read:

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

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

(b) Time for making election.--A member must elect to become a Class T-G member by filing a written election with the board within 45 days of notification by the board of the member's eligibility to elect Class T-G membership and participation. A school employee who is eligible to become a Class T-G member who begins USERRA leave during the election period without having elected Class T-G membership may make the election within 45 days after being reemployed from USERRA leave.

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

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

Section 108.2. Sections 8306 and 8307(b) and (c) of Title 24 are amended to read:

§ 8306. Eligibility points.

(a) General rule.--An active member of the system shall accrue one eligibility point for each year of credited service as a member of the [school or State retirement] system or if a multiple service member, as a member of the State Employees' Retirement system. A member shall accrue an additional two-thirds of an eligibility point for each year of Class D-3 credited service under the State Employees' Retirement System.

1 In the case of a fractional part of a year of credited service,
2 a member shall accrue the corresponding fractional portion of an
3 eligibility point.

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

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

14 (1) In determining whether a member, other than a
15 disability annuitant who returns to school service after June
16 30, 2001, upon termination of the disability annuity, who is
17 not a school employee or a State employee on June 30, 2001,
18 and July 1, 2001, and who has previous school service, has
19 the five eligibility points required by the definition of
20 "vestee" in sections 8102 (relating to definitions), 8307
21 (relating to eligibility for annuities), 8308 (relating to
22 eligibility for vesting) and 8345 (relating to member's
23 options), only eligibility points earned by performing
24 credited school service, USERRA leave credited as an active
25 member of the system in a class of service other than Class
26 T-G or credited State service as an active member of the
27 State Employees' Retirement System in a class other than
28 Class A-5 after June 30, 2001, shall be counted until such
29 member earns one such eligibility point by performing
30 credited school service or credited State service after June
31 30, 2001, at which time all eligibility points, other than
32 eligibility points in classes of service other than Class T-G
33 or Class A-5, as determined under subsection (a) shall be
34 counted.

35 (2) A member subject to paragraph (1) shall be
36 considered to have satisfied any requirement for five
37 eligibility points contained in this part if the member has
38 at least ten eligibility points determined under subsection
39 (a).

40 (c) Transitional rule for members with Class T-G service
41 credit.--

42 (1) Any provision of this part pertaining to eligibility
43 points applicable to the eligibility for or calculation of
44 annuities or benefits attributable to classes of service
45 other than Class T-G shall not include any eligibility points
46 attributable to service credited in Class T-G or as a member
47 of Class A-5 in the State Employees' Retirement System.

48 (2) Any provision of this part pertaining to eligibility
49 points applicable to the eligibility for or calculation of
50 annuities or benefits attributable to service in Class T-G
51 shall include only eligibility points attributable to service

1 credited in Class T-G or if a multiple service member as a
2 member of Class A-5 in the State Employees' Retirement
3 System.

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

10 § 8307. Eligibility for annuities.

11 * * *

12 (b) Withdrawal annuity.--

13 (1) A vestee in Class T-C or Class T-D with five or more
14 eligibility points or an active or inactive Class T-C or
15 Class T-D member who terminates school service having five or
16 more eligibility points in classes of service other than
17 Class T-G, or if a multiple service member, Class A-5, shall,
18 upon filing a proper application, be entitled to receive an
19 early annuity based on the service credited as a Class T-C or
20 T-D member.

21 (2) A vestee in Class T-E or Class T-F with ten or more
22 eligibility points or an active or inactive Class T-E or
23 Class T-F member who terminates school service having ten or
24 more eligibility points in classes of service other than
25 Class T-G, or if a multiple service member, Class A-5, shall,
26 upon filing a proper application, be entitled to receive an
27 early annuity based on the service credited as a Class T-E or
28 T-F member.

29 (3) A vestee in Class T-G with ten or more eligibility
30 points or an active or inactive Class T-G member who
31 terminates school service having ten or more eligibility
32 points credited as a Class T-G member, or if a multiple
33 service member, as Class A-5, shall, upon filing a proper
34 application, be entitled to receive an early annuity from the
35 system based on the eligibility points credited as a Class T-
36 G or Class A-5 member.

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

41 (c) Disability annuity.--An active or inactive member who
42 has [credit for at least five years of service] five or more
43 eligibility points other than eligibility points resulting from
44 service as a member of Class T-G, or has five or more
45 eligibility points as a member of Class T-G, shall, upon filing
46 of a proper application, be entitled to a disability annuity
47 based on service and compensation in classes other than Class T-
48 G if he is eligible for a disability annuity on service and
49 compensation other than Class T-G, and a disability annuity
50 based on service and compensation as a member of Class T-G if he
51 is eligible for a disability annuity on service and compensation

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

6 Section 108.3. Section 8308 of Title 24, amended December
7 28, 2015 (P.L.529, No.93), is amended to read:

8 § 8308. Eligibility for vesting.

9 Eligibility for vesting shall be as follows:

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

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

24 Section 108.4. (Reserved).

25 Section 108.5. Sections 8310, 8321(a) and 8322.1(a) of Title
26 24, amended December 28, 2015 (P.L.529, No.93), are amended to
27 read:

28 § 8310. Eligibility for refunds.

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

33 § 8321. Regular member contributions for current service.

34 (a) General.--Regular member contributions shall be made to
35 the fund on behalf of each active member for current service
36 except for any period of current service in which the making of
37 such contributions has ceased solely by reason of any provision
38 of this part relating to the limitations under IRC § 401(a)(17)
39 or 415[.] or limitations on contributions to the system
40 applicable to a Class T-G member when the Class T-G member is
41 making mandatory pickup participant contributions to the trust.

42 (b) Class T-E [and], Class T-F and Class T-G shared-risk
43 contributions.--Commencing with the annual actuarial valuation
44 performed under section 8502(j) (relating to administrative
45 duties of board), for the period ending June 30, 2014, and every
46 three years thereafter, the board shall compare the actual
47 investment rate of return, net of fees, to the annual interest
48 rate adopted by the board for the calculation of the normal
49 contribution rate, based on the market value of assets, for the
50 prior ten-year period. If the actual investment rate of return,
51 net of fees, is less than the annual interest rate adopted by

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

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

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

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

39 § 8322.1. Pickup contributions.

40 (a) Treatment for purposes of IRC § 414(h).--All
41 contributions to the fund required to be made under sections
42 8321 (relating to regular member contributions for current
43 service), 8322 (relating to joint coverage member contributions)
44 and 8305 (relating to classes of service), with respect to
45 current school service rendered by an active member on or after
46 January 1, 1983, shall be picked up by the employer and shall be
47 treated as the employer's contribution for purposes of IRC §
48 414(h).

49 * * *

50 Section 108.6. Sections 8323(a), (c) and (d)(1), 8324(a),
51 (b), (c) and (d), 8325.1(a), 8326(a) and (c) and 8327 of Title

24 are amended to read:

§ 8323. Member contributions for creditable school service.

(a) Previous school service, sabbatical leave and full coverage.--The contributions to be paid by an active member or an eligible State employee for credit in the system for reinstatement of [all] the portion of previously credited school service, school service not previously credited, sabbatical leave as if he had been in full-time daily attendance that a member is eligible to have credited, or full-coverage membership shall be sufficient to provide an amount equal to the accumulated deductions which would have been standing to the credit of the member for such service had regular member contributions been made with full coverage at the rate of contribution necessary to be credited as Class T-C service, Class T-D service if the member is a Class T-D member, Class T-E service if the member is a Class T-E member or Class T-F service if the member is a Class T-F member and had such contributions been credited with statutory interest during the period the contributions would have been made and during all periods of subsequent school service as an active member or inactive member and State service as an active member or inactive member on leave without pay up to the date of purchase.

* * *

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

* * *

(d) Certification and payment of contributions.--

(1) In all cases other than for the purchase of credit for sabbatical leave and activated military service leave beginning before the effective date of paragraph (2), the amount payable shall be certified by the board in accordance

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

18 * * *

19 § 8324. Contributions for purchase of credit for creditable
20 nonschool service and noncreditable school service.

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

27 (b) Nonintervening military service.--

28 (1) The amount due for the purchase of credit for
29 military service other than intervening military service by a
30 member not in Class T-G shall be determined by applying the
31 member's basic contribution rate plus the normal contribution
32 rate as provided in section 8328 (relating to actuarial cost
33 method) at the time of entry of the member into school
34 service subsequent to such military service to one-third of
35 his total compensation received during the first three years
36 of such subsequent credited school service, excluding
37 compensation received for Class T-G service, and multiplying
38 the product by the number of years and fractional part of a
39 year of creditable nonintervening military service being
40 purchased together with statutory interest during all periods
41 of subsequent school service as an active member or inactive
42 member and State service as an active member or inactive
43 member on leave without pay to date of purchase.

44 (2) The amount due for the purchase of credit for
45 military service other than intervening military service by a
46 member who is eligible to make the purchase under section
47 8304 (relating to creditable nonschool service) shall be
48 determined by applying the member's basic contribution rate,
49 plus the Commonwealth's normal contribution rate for active
50 members at the time of entry, subsequent to such military
51 service, of the member into Class T-G service to his average

1 annual rate of compensation received for Class T-G service
2 subject to any limit each year by the application of the
3 Class T-G defined benefit compensation limit, over the first
4 three years of such subsequent Class T-G service and
5 multiplying the result by the number of years and fractional
6 part of a year of creditable nonintervening military service
7 being purchased together with statutory interest during all
8 periods of subsequent school service as an active member or
9 inactive member and State service as an active member or
10 inactive member on leave without pay of the State Employees'
11 Retirement System to date of purchase.

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

37 (c) Intervening military service.--Contributions on account
38 of credit for intervening military service shall be determined
39 by the member's basic contribution rate and compensation at the
40 time of entry of the member into active military service,
41 together with statutory interest during all periods of
42 subsequent school service as an active member or inactive member
43 and State service as an active member or inactive member on
44 leave without pay to date of purchase. Upon application for such
45 credit the amount due shall be certified in the case of each
46 member by the board, in accordance with methods approved by the
47 actuary, and contributions may be made by one of the following
48 methods:

49 (1) Regular monthly payments during active military
50 service.

51 (2) A lump sum payment within 90 days of certification

1 of the amount due.

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

15 (d) Other creditable nonschool service and noncreditable
16 school service.--

17 (1) Contributions on account of Class T-C credit for
18 creditable nonschool service other than military service
19 shall be determined by applying the member's basic
20 contribution rate plus the normal contribution rate as
21 provided in section 8328 at the time of the member's entry
22 into school service subsequent to such creditable nonschool
23 service to his total compensation received during the first
24 year of subsequent credited school service and multiplying
25 the product by the number of years and fractional part of a
26 year of creditable nonschool service being purchased together
27 with statutory interest during all periods of subsequent
28 school service as an active member or inactive member or
29 State service service as an active member or inactive member
30 on leave without pay to the date of purchase, except that in
31 the case of purchase of credit for creditable nonschool
32 service as set forth in section 8304(b)(5) (relating to
33 creditable nonschool service) the member shall pay only the
34 employee's share unless otherwise provided by law. Upon
35 certification of the amount due, payment may be made in a
36 lump sum within 90 days or in the case of an active member or
37 an eligible State employee who is an active member of the
38 State Employees' Retirement System it may be amortized with
39 statutory interest through salary deductions to the system in
40 amounts agreed upon by the member and the board. The salary
41 deduction amortization plans agreed to by the members and the
42 board may include a deferral of payment amounts and statutory
43 interest until the termination of school service or State
44 service as the board in its sole discretion decides to allow.
45 The board may limit salary deduction amortization plans to
46 such terms as the board in its sole discretion determines. In
47 the case of an eligible State employee who is an active
48 member of the State Employees' Retirement System, the agreed
49 upon salary deductions shall be remitted to the State
50 Employees' Retirement Board, which shall certify and transfer
51 to the board the amounts paid.

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

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

* * *

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

(a) General rule.--In addition to other applicable limitations set forth in this part, and notwithstanding any provision of this part to the contrary, the annual compensation of each noneligible member and each participant taken into account for benefit purposes under this subchapter shall not

1 exceed the limitation under IRC § 401(a)(17). On and after July
2 1, 1996, any reference in this part to the limitation under IRC
3 § 401(a)(17) shall mean the Omnibus Budget Reconciliation Act of
4 1993 (OBRA '93) (Public Law 103-66, 107 Stat. 312) annual
5 compensation limit set forth in this subsection. The OBRA '93
6 annual compensation limit is \$150,000, as adjusted by the
7 commissioner for increases in the cost of living in accordance
8 with IRC § 401(a)(17)(B). The cost-of-living adjustment in
9 effect for a calendar year applies to any determination period
10 which is a period, not exceeding 12 months, over which
11 compensation is determined, beginning in such calendar year. If
12 a determination period consists of fewer than 12 months, the
13 OBRA '93 compensation limit will be multiplied by a fraction,
14 the numerator of which is the number of months in the
15 determination period and the denominator of which is 12.

16 * * *

17 § 8326. Contributions by the Commonwealth.

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

32 * * *

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

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

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

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

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

50 (i) For members and participants who are employees
51 of employers who are school entities, no Commonwealth

1 contributions shall be made.

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

5 * * *

6 § 8327. Payments by employers.

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

8 (1) For payments prior to June 30, 2018, each employer,
9 including the Commonwealth as employer of employees of the
10 [Department of Education] department, State-owned colleges
11 and universities, Thaddeus Stevens College of Technology,
12 Western Pennsylvania School for the Deaf, Scotland School for
13 Veterans' Children, and [the] The Pennsylvania State
14 University, shall make payments to the fund each quarter in
15 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
19 were members of the system during such period, including
20 members on activated military service leave. In the event a
21 member on activated military service leave does not return to
22 service for the necessary time or receives an undesirable,
23 bad conduct or dishonorable discharge or does not elect to
24 receive credit for activated military service under section
25 8302(b.1)(3) (relating to credited school service), the
26 contributions made by the employer on behalf of such member
27 shall be returned with valuation interest upon application by
28 the employer.

29 (2) For payments after June 30, 2018, each employer,
30 including the Commonwealth as employer of employees of the
31 department, State-owned colleges and universities, Thaddeus
32 Stevens College of Technology, Western Pennsylvania School
33 for the Deaf and The Pennsylvania State University, shall
34 make payments to the fund each month in an amount equal to
35 one-half the sum of the percentages, as determined under
36 section 8328, applied to the total compensation during the
37 pay periods in the preceding month of all its employees who
38 were members of the system during such period, including
39 members on activated or USERRA military service leave, plus
40 the accrued liability contribution rate applied to the total
41 compensation of all active participants in the plan. In the
42 event a member on activated or USERRA military service leave
43 does not return to service for the necessary time or receives
44 an undesirable, bad conduct or dishonorable discharge or does
45 not elect to receive credit for activated or USERRA military
46 service under section 8302(b.1)(3), the contributions made by
47 the employer on behalf of such member shall be returned with
48 valuation interest upon application by the employer.

49 (b) Deduction from appropriations.--

50 (1) To facilitate the payment of amounts due from any
51 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 and pickup
7 contributions which an employer is required to pay to the
8 fund and the trust, as certified by the board, and as remains
9 unpaid on the date such appropriations would otherwise be
10 paid to the employer. Such amount shall be credited to the
11 appropriate accounts in the fund and the trust.

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

33 (c) Payments by employers after June 30, 1995, and before
34 July 1, 2018.--After June 30, 1995, and before July 1, 2018,
35 each employer, including the Commonwealth as employer of
36 employees of the [Department of Education] department, State-
37 owned colleges and universities, Thaddeus Stevens College of
38 Technology, Western Pennsylvania School for the Deaf[, Scotland
39 School for Veterans' Children] and The Pennsylvania State
40 University, shall make payments to the fund and the trust each
41 quarter in an amount computed in the following manner:

42 (1) For an employer that is a school entity, the amount
43 shall be the sum of the percentages as determined under
44 section 8328 applied to the total compensation during the pay
45 periods in the preceding quarter of all employees who were
46 active members of the system or active participants of the
47 plan during such period, including members or active
48 participants on activated military service leave. In the
49 event a member on activated military service leave does not
50 return to service for the necessary time or receives an
51 undesirable, bad conduct or dishonorable discharge or does

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

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

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

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

28 (1) For an employer that is a school entity, the amount
29 shall be the sum of the percentages as determined under
30 section 8328 applied to the total compensation during the pay
31 periods in the preceding month of all employees who were
32 active members of the system during such period, including
33 members on activated or USERRA military service leave, plus
34 the accrued liability contribution rate applied to the total
35 compensation of all active participants in the plan. In the
36 event a member on activated or USERRA military service leave
37 does not return to service for the necessary time or receives
38 an undesirable, bad conduct or dishonorable discharge or does
39 not elect to receive credit for activated or USERRA military
40 service under section 8302(b.1)(3), the contribution made by
41 the employer on behalf of such member shall be returned with
42 valuation interest upon application by the employer.

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

45 (3) For any employer, whether or not a school entity, in
46 computing the amount of payment due each month, there shall
47 be excluded from the total compensation referred to in this
48 subsection and subsection (a), any amount of compensation of
49 a noneligible member or participant on the basis of which
50 member or participant contributions have not been made by
51 reason of the limitation under IRC § 401(a)(17). Any amount

1 of contribution to the fund paid by the employer on behalf of
2 a noneligible member or participant on the basis of
3 compensation which was subject to exclusion from total
4 compensation in accordance with the provisions of this
5 paragraph shall, upon the board's determination or upon
6 application by the employer, be returned to the employer with
7 valuation interest.

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

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

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

30 Section 109. Section 8328(a), (b), (c) (4), (d) (2) and (e) of
31 Title 24 are amended and subsections (c), (d) and (g) are
32 amended by adding paragraphs to read:

33 § 8328. Actuarial cost method.

34 (a) Employer contribution rate.--The amount of the total
35 employer contributions shall be computed by the actuary as a
36 percentage of the total compensation of all active members and
37 active participants, as applicable, during the period for which
38 the amount is determined and shall be so certified by the board.
39 The total employer contribution rate shall be the sum of the
40 final contribution rate as computed in subsection (h) plus the
41 premium assistance contribution rate as computed in subsection
42 (f). The actuarially required contribution rate shall consist of
43 the normal contribution rate as defined in subsection (b), the
44 accrued liability contribution rate as defined in subsection (c)
45 and the supplemental annuity contribution rate as defined in
46 subsection (d). Beginning July 1, 2004, the actuarially required
47 contribution rate shall be modified by the experience adjustment
48 factors as calculated in subsection (e).

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

50 (1) For fiscal years ending before July 1, 2018, the
51 normal contribution rate shall be determined after each

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

14 (2) For fiscal years beginning on or after July 1, 2018,
15 the normal contribution rate shall be determined after each
16 actuarial valuation. Until all accrued liability
17 contributions have been completed, the normal contribution
18 rate shall be determined, on the basis of an annual interest
19 rate and such mortality and other tables as shall be adopted
20 by the board in accordance with generally accepted actuarial
21 principles, as a level percentage of the compensation of all
22 active members in classes of service other than Class T-G,
23 and for Class T-G members, as limited:

24 (i) By the defined benefit compensation limit.

25 (ii) To Class T-G members who have less than 25
26 eligibility points as a member of Class T-G, or if a
27 multiple service member, as a member of Class A-5, which
28 percentage, if contributed on the basis of the member's
29 prospective compensation through the entire period of
30 active school service, as limited by the defined benefit
31 compensation limit, would be sufficient to fund the
32 liability for any prospective benefit payable to him, in
33 excess of that portion funded by his prospective member
34 contributions, excluding the shared-risk contributions.
35 In no case shall the employer normal cost be less than
36 zero.

37 (c) Accrued liability contribution rate.--

38 * * *

39 (4) For the fiscal year beginning July 1, 2011, the
40 accrued liability contribution rate shall be computed as the
41 rate of total compensation of all active members which shall
42 be certified by the actuary as sufficient to fund as a level
43 percentage of compensation over a period of 24 years from
44 July 1, 2011, the present value of the liabilities for all
45 prospective benefits calculated as of June 30, 2010,
46 including the supplemental benefits as provided in sections
47 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
48 8348.7, in excess of the actuarially calculated assets in the
49 fund (calculated recognizing all realized and unrealized
50 investment gains and losses each year in level annual
51 installments over a ten-year period). In the event that the

1 accrued liability is increased by legislation enacted
2 subsequent to June 30, 2010, but before July 1, 2018, such
3 additional liability shall be funded as a level percentage of
4 compensation over a period of ten years from the July 1
5 second succeeding the date such legislation is enacted.

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

16 (d) Supplemental annuity contribution rate.--

17 * * *

18 (2) For fiscal years beginning July 1, 2011, and ending
19 June 30, 2018, contributions from the Commonwealth and other
20 employers whose employees are members of the system required
21 to provide for the payment of supplemental annuities as
22 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4,
23 8348.5, 8348.6 and 8348.7 shall be paid as part of the
24 accrued liability contribution rate as provided for in
25 subsection (c)(4), and there shall not be a separate
26 supplemental annuity contribution rate attributable to those
27 supplemental annuities. In the event that supplemental
28 annuities are increased by legislation enacted subsequent to
29 June 30, 2010, [the] but before July 1, 2016, such additional
30 liability for the increase in benefits shall be funded as a
31 level percentage of compensation over a period of ten years
32 from the July 1 second succeeding the date such legislation
33 is enacted.

34 (3) For fiscal years beginning on or after July 1, 2018,
35 contributions from employers whose employees are members of
36 the system required to provide for the payment of
37 supplemental annuities as provided in sections 8348, 8348.1,
38 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be
39 paid as part of the accrued liability contribution rate as
40 provided for in subsection (c)(4), and there shall not be a
41 separate supplemental annuity contribution rate attributable
42 to those supplemental annuities. In the event that
43 supplemental annuities are increased by legislation enacted
44 subsequent to June 30, 2016, the additional liability for the
45 increase in benefits shall be funded as a level percentage of
46 compensation of all active members and active participants
47 over a period of ten years from the July 1 second succeeding
48 the date such legislation is enacted.

49 (e) Experience adjustment factor.--

50 (1) For each year after the establishment of the accrued
51 liability contribution rate for the fiscal year beginning

1 July 1, 2011, and ending June 30, 2018, any increase or
2 decrease in the unfunded accrued liability, excluding the
3 gains or losses on the assets of the health insurance
4 account, due to actual experience differing from assumed
5 experience, changes in actuarial assumptions, changes in
6 contributions caused by the final contribution rate being
7 different from the actuarially required contribution rate,
8 active members making shared-risk contributions or changes in
9 the terms and conditions of the benefits provided by the
10 system by judicial, administrative or other processes other
11 than legislation, including, but not limited to,
12 reinterpretation of the provisions of this part, shall be
13 amortized as a level percentage of compensation over a period
14 of 24 years beginning with the July 1 second succeeding the
15 actuarial valuation determining said increases or decreases.

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

32 * * *

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

34 * * *

35 (3) For purposes of applying the collared contribution
36 rate, compensation for determining the normal contribution
37 rate shall be defined as the total compensation of all active
38 members and active participants, as applicable.

39 * * *

40 Section 110. Section 8330 of Title 24 is amended to read:
41 § 8330. Appropriations by the Commonwealth.

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

49 (b) Appropriation and payment.--The General Assembly shall
50 make an appropriation sufficient to provide for the separate
51 obligations of the Commonwealth to the fund and the trust. Such

1 amount shall be paid by the State Treasurer through the
2 Department of Revenue into the fund or the trust, as the case
3 may be, within 30 days of receipt of the requisition presented
4 each quarter by the board.

5 Section 110.1. Section 8341 of Title 24, amended December
6 28, 2015 (P.L.529, No.93), is amended to read:

7 § 8341. Return of accumulated deductions.

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

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

15 § 8342. Maximum single life annuity.

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

39 (1) A [standard single life annuity multiplied by the]
40 single life annuity that is the sum of annuities determined
41 separately for each class of service [multiplier] and
42 calculated on the basis of the number of years of credited
43 school service other than concurrent service.

44 (2) A standard single life annuity multiplied by the
45 class of service multiplier and calculated on the basis of
46 the number of years of concurrent service and multiplied by
47 the ratio of total compensation received in the school system
48 during the period of concurrent service to the total
49 compensation received during such period.

50 (3) A supplemental annuity such that the total annuity
51 prior to any optional modification or any reduction due to

1 retirement prior to superannuation age shall be at least \$100
2 for each full year of credited service.

3 * * *

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

9 § 8344. Disability annuities.

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

$$27 \quad Y^*/Y \text{ or } 16.667/Y$$

28 where Y = total number of years of credited service and Y* =
29 total years of credited service if the member were to continue
30 as a school employee until attaining superannuation age, or if
31 the member has attained superannuation age then the number of
32 years of credited service. In no event shall the disability
33 annuity plus any cost-of-living increases be less than \$100 for
34 each full year of credited service. The member shall be entitled
35 to the election of a joint and survivor annuity on that portion
36 of the disability annuity to which he is entitled under section
37 8342 (relating to maximum single life annuity).

38 (b) Reduction on account of earned income.--Payments on
39 account of disability shall be reduced by that amount by which
40 the earned income of the annuitant, as reported in accordance
41 with section 8508(b) (relating to rights and duties of
42 annuitants) for the preceding year together with the disability
43 annuity payments for the year, exceeds the greater of \$5,000 or
44 the last year's salary of the annuitant as a [school employee]
45 member of the system, provided that the annuitant shall not
46 receive less than his member's annuity or the amount to which he
47 may be entitled under section 8342, whichever is greater.

48 * * *

49 (d) Withdrawal of accumulated deductions.--Upon termination
50 of disability annuity payments in excess of an annuity
51 calculated in accordance with section 8342, a disability

annuitant who:

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

(2) is a Class T-E [or], Class T-F or Class T-G member with less than ten eligibility points and who does not return to school service may file an application with the board for an amount equal to the accumulated deductions, shared-risk member contributions and statutory interest standing to his credit at the effective date of disability less the total payments received on account of his member's annuity.

* * *

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

Section 112. Sections 8345(a) and 8346 of Title 24, amended December 28, 2015 (P.L.529, No.93), are amended to read:

§ 8345. Member's options.

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

(1) Option 1.--A life annuity to the member with:

(i) a guaranteed total payment attributable to classes of service other than Class T-G equal to the present value of the maximum single life annuity attributable to classes of service other than Class T-G on the effective date of retirement with the provision that, if, at his death, he has received less than such present value, the unpaid balance shall be payable to his

beneficiary[.]; and

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

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

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

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

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

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

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

* * *

§ 8346. Termination of annuities.

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

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

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

38 (a.2) Return of benefits paid during USERRA leave.--If a
39 former school employee is reemployed from USERRA leave who had
40 received any payments or annuity from the system during the
41 USERRA leave, the employee shall return to the board the amount
42 received plus statutory interest. The amount payable shall be
43 certified by the board in accordance with methods approved by
44 the actuary and:

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

46 (2) in the case of an active member, may be amortized
47 with statutory interest through salary deductions in amounts
48 agreed upon by the member and the board for not longer than a
49 period that starts with the date of reemployment and
50 continuing for up to three times the length of the member's
51 immediate past period of USERRA leave. A repayment period

1 under this paragraph may not exceed five years or a longer
2 time as agreed to between the board and the member.

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

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

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

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

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

51 (b.2) Limitation on return to school service by an annuitant

1 during emergency or in an extracurricular position.--

2 (1) An annuitant may return to school service under
3 subsection (b) or (b.1), provided the annuitant otherwise
4 meets the requirements of subsection (b) or (b.1) and has
5 attained the age set forth in IRC § 401(a)(36) or the
6 applicable "normal retirement age" in 26 C.F.R. § 1.401(a)-
7 1(b)(2) (relating to post-ERISA qualified plans and qualified
8 trusts; in general).

9 (2) An annuitant who has not reached the age as set
10 forth in IRC § 401(a)(36), or the applicable "normal
11 retirement age" under 26 C.F.R. § 1.401(a)-1(b)(2), may
12 return to service under subsection (b) or (b.1) provided the
13 annuitant otherwise meets the requirements of subsection (b)
14 or (b.1) and has had a break in service, as set forth in
15 paragraph (3).

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

20 (i) whether the change in the employment
21 relationship is more than a formal or technical change,
22 requiring the severing of the employment connection with
23 the employer;

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

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

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

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

35 (c) Subsequent discontinuance of service.--Upon subsequent
36 discontinuance of service, such [member] terminating school
37 employee other than a former annuitant who had the effect of his
38 frozen present value eliminated in accordance with subsection
39 (d) or a former disability annuitant shall be entitled to an
40 annuity which is actuarially equivalent to [the sum of] the
41 present value as determined under subsection (a) [and the] to
42 which shall be added, if the service after reemployment was as a
43 member of the system:

44 (1) The present value of a maximum single life annuity
45 based on years of service credited in classes of service
46 other than Class T-G subsequent to reentry in the system and
47 his final average salary computed by reference to his
48 compensation for service credited in classes of service other
49 than Class T-G as a member of the system or as Class A-5 as a
50 member of the State Employees' Retirement System during his
51 entire period of school and State service.

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

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

8 (1) An annuitant who returns to school service as an
9 active member of the system and earns three eligibility
10 points by performing credited school service or reemployment
11 from USERRA leave in a class of service other than Class T-G
12 following the most recent period of receipt of an annuity
13 under this part, or an annuitant who enters State service
14 and:

15 (i) is a multiple service member; or

16 (ii) who elects multiple service membership, and
17 earns three eligibility points by performing credited State
18 service, reemployment from USERRA leave, in a class of
19 service other than Class A-5 or credited school service in a
20 class of service other than Class T-G following the most
21 recent period of receipt of an annuity under this part, and
22 who had the present value of his annuity frozen in accordance
23 with subsection (a), shall qualify to have the effect of the
24 frozen present value resulting from all previous periods of
25 retirement eliminated, provided that all payments under
26 Option 4 and annuity payments payable during previous periods
27 of retirement plus interest as set forth in paragraph (3)
28 shall be returned to the fund in the form of an actuarial
29 adjustment to his subsequent benefits or in such form as the
30 board may otherwise direct.

31 (2) Upon subsequent discontinuance of service and the
32 filing of an application for an annuity, a former annuitant
33 who qualifies to have the effect of a frozen present value
34 eliminated under this subsection shall be entitled to receive
35 the higher of either:

36 (i) an annuity (prior to optional modification)
37 calculated as if the freezing of the former annuitant's
38 account pursuant to subsection (a) had not occurred,
39 adjusted by crediting Class T-C school service as Class
40 T-D service as provided for in section 8305(c) (relating
41 to classes of service) and further adjusted according to
42 paragraph (3), provided that a former annuitant of the
43 system or a former annuitant of the State Employees'
44 Retirement System who retired under a provision of law
45 granting additional service credit if termination of
46 school or State service or retirement occurred during a
47 specific period of time shall not be permitted to retain
48 the additional service credit under the prior law when
49 the annuity is computed for his most recent retirement;
50 or

51 (ii) an annuity (prior to optional modification)

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

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

19 Section 113. Section 8347(a) and (d) of Title 24 are amended
20 and the section is amended by adding subsections to read:
21 § 8347. Death benefits.

22 (a) Members eligible for annuities.--

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

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

36 * * *

37 (b.1) Members eligible for annuities in some classes of
38 service and ineligible in other classes of service.--In the
39 event of the death of a member who is eligible for an annuity
40 based on service credited in some classes of service and not
41 eligible for an annuity for service credited in other classes of
42 service, a benefit shall be paid under subsection (a) based on
43 the service for which an annuity is deemed payable in addition
44 to payment under subsection (b) of the accumulated deductions
45 attributable to service for which the member was not eligible
46 for an annuity.

47 * * *

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

50 (1) Who has elected to receive a maximum disability
51 annuity before he has received in annuity payments an amount

1 equal to the present value, on the effective date of
2 disability, of the benefits attributable to classes of
3 service other than Class T-G to which he would have been
4 entitled under subsection (a) had he died while in school
5 service, the balance of such amount shall be paid to his
6 designated beneficiary, except that, in the event of the
7 death of a disability annuitant who was not entitled to
8 receive benefits attributable to classes of service other
9 than Class T-G under subsection (a), his beneficiary shall be
10 paid the accumulated deductions standing to his credit on the
11 effective date of disability less the total payments received
12 on account of his member's annuity.

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

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

28 (1) Who has elected to receive the maximum single life
29 annuity before he has received in total annuity payments an
30 amount equal to the full amount of the accumulated deductions
31 on other than Class T-G service standing to his credit on the
32 effective date of retirement, the difference between the
33 total payments made to the date of death and the accumulated
34 deductions shall be paid to his designated beneficiary[.] on
35 other than Class T-G service.

36 (2) Who has elected to receive the maximum single life
37 annuity before he has received in annuity payments the full
38 amount of the accumulated deductions attributable to Class T-
39 G service standing to his credit on the effective date of
40 retirement, the balance shall be paid to his designated
41 beneficiary.

42 * * *

43 Section 113.1. Section 8349(a) and (b) of Title 24, amended
44 December 28, 2015 (P.L.529, No.93), are amended to read:

45 § 8349. Payment of benefits.

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

49 (b) Death benefits.--If the amount of a death benefit
50 payable from the fund to a beneficiary of a member under section
51 8347 (relating to death benefits) or under the provisions of

Option 1 of section 8345(a)(1) (relating to member's options) is \$10,000 or more, such beneficiary may elect to receive payment according to one of the following options:

- (1) A lump sum payment.
- (2) An annuity actuarially equivalent to the amount payable.
- (3) A lump sum payment and an annuity such that the annuity is actuarially equivalent to the amount payable less the lump sum payment specified by the beneficiary.

* * *

Section 114. Title 24 is amended by adding a chapter to read:

CHAPTER 84

SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

Sec.

8401. Establishment.

8402. Plan document.

8403. Individual investment accounts.

8404. Participant contributions.

8405. Mandatory pickup participant contributions.

8406. Employer defined contributions.

8406.1. Use of plan savings.

8407. Eligibility for benefits.

8408. Death benefits.

8409. Vesting.

8410. Termination of distributions.

8411. Agreements with financial institutions and other organizations.

8412. Powers and duties of board.

8413. Responsibility for investment loss.

8414. Investments based on participants' investment allocation choices.

8415. Expenses.

8416. Tax qualification.

8417. Establishment of School Employees' Defined Contribution Holding Vehicle Trust.

§ 8401. Establishment.

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

(b) School Employees' Defined Contribution Trust.--The School Employees' Defined Contribution Trust is established as part of the plan in accordance with this part. The trust shall be comprised of the individual investment accounts and all assets and moneys in those accounts. The members of the board

1 shall be the trustees of the trust, which shall be administered
2 exclusively for the benefit of those school employees who
3 participate in the plan and their beneficiaries within the
4 meaning of and in conformity with IRC § 401(a). The board shall
5 determine the terms and provisions of the trust not inconsistent
6 with this part, the IRC and other applicable law and shall
7 provide for the investment and administration of the trust.

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

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

30 § 8402. Plan document.

31 The board shall set forth the terms and provisions of the
32 plan and trust in a document containing the terms and conditions
33 of the plan and in a trust declaration that shall be published
34 in the Pennsylvania Bulletin. The creation of the document
35 containing the terms and conditions of the plan and the trust
36 declaration and the establishment of the terms and provisions of
37 the plan and the trust need not be promulgated by regulation or
38 formal rulemaking and shall not be subject to the act of July
39 31, 1968 (P.L.769, No.240), referred to as the Commonwealth
40 Documents Law. A reference in this part or other law to the plan
41 shall include the plan document unless the context clearly
42 indicates otherwise.

43 § 8403. Individual investment accounts.

44 The board:

45 (1) Shall establish in the trust an individual
46 investment account for each participant in the plan. All
47 contributions by a participant or an employer for or on
48 behalf of a participant shall be credited to the
49 participant's individual investment account, together with
50 all interest and investment earnings and losses. Investment
51 and administrative fees, costs and expenses shall be charged

1 to the participant's individual investment accounts.

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

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

12 § 8404. Participant contributions.

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

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

27 (c) Prohibition on contributions.--No contributions shall be
28 allowed that would cause a violation of the limitations related
29 to contributions applicable to governmental plans contained in
30 IRC § 415 or in other provisions of law. In the event that any
31 disallowed contributions are made, any participant contributions
32 in excess of the limitations and investment earnings on those
33 contributions shall be refunded to the participant by the board.
34 § 8405. Mandatory pickup participant contributions.

35 (a) Treatment for purposes of IRC § 414(h).--The
36 contributions to the trust required to be made under section
37 8404(a) (relating to participant contributions) with respect to
38 required school service rendered by an active participant shall
39 be picked up by the employer and shall be treated as the
40 employer's contribution for purposes of IRC § 414(h). After the
41 effective date of this section, an employer employing a
42 participant in the plan shall pick up the required mandatory
43 participant contributions by a reduction in the compensation of
44 the participant.

45 (b) Treatment for other purposes.--For all other purposes
46 under this part and otherwise, mandatory pickup participant
47 contributions shall be treated as contributions made by a
48 participant in the same manner and to the same extent as if the
49 contributions were made directly by the participant and not
50 picked up.

51 § 8406. Employer defined contributions.

1 (a) Contributions for service.--The employer of a
2 participant shall make employer defined contributions for
3 service of an active participant that shall be credited to the
4 active participant's individual investment account. Employer
5 defined contributions must be recorded and accounted for
6 separately from participant contributions.

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

20 (c) Limitations on contributions.--No contributions shall be
21 allowed that would cause a violation of the limitations related
22 to contributions applicable to governmental plans contained in
23 IRC § 415 or in other provisions of law. In the event that any
24 disallowed contributions are made, any employer defined
25 contributions in excess of the limitations and investment
26 earnings thereon shall be refunded to the employer by the board.
27 § 8406.1. Use of plan savings.

28 (a) Determination.--The system shall determine the
29 difference between:

30 (1) The current aggregate employer contributions and the
31 aggregate employer contributions that would have been
32 required by Act 120 of 2010.

33 (2) The current plan expenditures and the plan
34 expenditures that would have been required by Act 120 of
35 2010.

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

39 (c) Intent.--It is the intent of the General Assembly to
40 make an annual appropriation from the General Fund to the system
41 in the amount determined under subsection (a)(1).

42 (d) Definition.--As used in this section, the term "Act 120
43 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
44 No.120), entitled, "An act amending Titles 24 (Education) and 71
45 (State Government) of the Pennsylvania Consolidated Statutes, in
46 Title 24, further providing for definitions, for mandatory and
47 optional membership, for contributions by the Commonwealth, for
48 payments by employers, for actuarial cost method, for additional
49 supplemental annuities, for further additional supplemental
50 annuities, for supplemental annuities commencing 1994, for
51 supplemental annuities commencing 1998, for supplemental

1 annuities commencing 2002, for supplemental annuities commencing
2 2003, for administrative duties of board, for payments to school
3 entities by Commonwealth, for eligibility points for retention
4 and reinstatement of service credits and for creditable
5 nonschool service; providing for election to become a Class T-F
6 member; further providing for classes of service, for
7 eligibility for annuities, for eligibility for vesting, for
8 regular member contributions, for member contributions for
9 creditable school service, for contributions for purchase of
10 credit for creditable nonschool service, for maximum single life
11 annuity, for disability annuities, for member's options, for
12 duties of board regarding applications and elections of members
13 and for rights and duties of school employees and members;
14 providing for Independent Fiscal Office study; in Title 71,
15 establishing an independent fiscal office and making a related
16 repeal; further providing for definitions, for credited State
17 service, for retention and reinstatement of service credits, for
18 creditable nonstate service and for classes of service;
19 providing for election to become a Class A-4 member; further
20 providing for eligibility for annuities and for eligibility for
21 vesting; providing for shared-risk member contributions for
22 Class A-3 and Class A-4 service; further providing for waiver of
23 regular member contributions and Social Security integration
24 member contributions, for member contributions for purchase of
25 credit for previous State service or to become a full coverage
26 member, for contributions for the purchase of credit for
27 creditable nonstate service, for contributions by the
28 Commonwealth and other employers, for actuarial cost method, for
29 maximum single life annuity, for disability annuities and for
30 member's options; providing for payment of accumulated
31 deductions resulting from Class A-3 service; further providing
32 for additional supplemental annuities, for further additional
33 supplemental annuities, for supplemental annuities commencing
34 1994, for supplemental annuities commencing 1998, for
35 supplemental annuities commencing 2002, for supplemental
36 annuities commencing 2003, for special supplemental
37 postretirement adjustment of 2002, for administrative duties of
38 the board, for duties of board to advise and report to heads of
39 departments and members, for duties of board regarding
40 applications and elections of members, for installment payments
41 of accumulated deductions, for rights and duties of State
42 employees and members, for members' savings account, for State
43 accumulation account, for State Police Benefit Account, for
44 Enforcement Officers' Benefit Account, for supplemental annuity
45 account and for construction of part; and providing for
46 Independent Fiscal Office study, for retirement eligibility of
47 Pennsylvania State Police officers or members, for a prohibition
48 on the issuance of pension obligation bonds, for holding certain
49 public officials harmless, for construction of calculation or
50 actuarial method, for applicability and for certain operational
51 provisions."

1 § 8407. Eligibility for benefits.

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

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

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

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

29 (e) (Reserved).

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

36 § 8408. Death benefits.

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

43 (b) Death of participant receiving distributions.--In the
44 event of the death of a participant receiving distributions, the
45 board shall pay to the participant's beneficiary the vested
46 balance in the participant's individual investment account in a
47 lump sum or in such other manner as the board may establish in
48 the plan document or, if the board has established alternative
49 methods of distribution in the plan document under which the
50 participant was receiving distributions, to the participant's
51 beneficiary or successor payee as provided in the plan document.

1 (c) Contracts.--The board may contract with financial
2 institutions, insurance companies or other types of third-party
3 providers to allow participants who receive a lump sum
4 distribution to receive payments and death benefits in a form
5 and manner as provided by the contract.
6 § 8409. Vesting.

7 (a) Participant and voluntary contributions.--Subject to the
8 forfeiture and attachment provisions of section 8533 (relating
9 to taxation, attachment and assignment of funds) or otherwise as
10 provided by law, a participant shall be vested with respect to
11 all mandatory pickup participant contributions and voluntary
12 contributions paid by or on behalf of the participant to the
13 trust plus interest and investment earnings on the participant
14 contributions but minus investment fees and administrative
15 charges.

16 (b) Employer defined contributions.--

17 (1) Subject to the forfeiture and attachment provisions
18 of section 8533 or otherwise as provided by law, a
19 participant shall be vested with respect to employer defined
20 contributions paid plus interest and investment earnings by
21 or on behalf of the participant to the trust after attaining
22 three eligibility points.

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

27 (c) USERRA leave and eligibility points.--A participant in
28 the plan who is reemployed from USERRA leave or who dies while
29 performing USERRA leave shall receive eligibility points under
30 this section for the school service that would have been
31 performed had the member not performed USERRA leave.

32 § 8410. Termination of distributions.

33 (a) Return to school service.--

34 (1) A participant receiving distributions or an inactive
35 participant who returns to school service shall cease
36 receiving distributions and shall not be eligible to receive
37 distributions until the participant subsequently terminates
38 school service, without regard to whether the participant is
39 a mandatory, optional or prohibited member of the system or
40 participant in the plan.

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

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

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

51 (2) The amount payable shall be certified in each case

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

11 § 8411. Agreements with financial institutions and other
12 organizations.

13 (a) Written agreement.--To establish and administer the
14 plan, the board shall enter into a written agreement with one or
15 more financial institutions or pension management organizations
16 to administer the plan and the investment of funds held pursuant
17 to the plan. The administrator shall be selected in accordance
18 with the following:

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

21 (2) The board shall publish the solicitation in the
22 Pennsylvania Bulletin.

23 (3) Proposals received shall be evaluated based on
24 specific criteria adopted by the board. The criteria shall
25 include experience, customer service history and other
26 criteria.

27 (b) Rebid.--A contract to administer the plan under
28 subsection (a) shall be rebid at least once every ten years.

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

32 (a) General rule.--A financial institution or pension
33 management organization entering into a written agreement
34 pursuant to section 8411 (relating to agreements with financial
35 institutions and other organizations) may offer or provide
36 services to any plan established or maintained by a school
37 district under IRC § 403(b) or 457 if the written agreement for
38 the administration of the School Employees' Defined Contribution
39 Plan is not combined with any other written agreement for the
40 administration of a school district's 403(b) plan or 457 plan.
41 Each school district that provides a 403(b) plan shall make
42 available, in the manner provided by subsection (c), to
43 participants, multiple financial institutions or pension
44 management organizations that have not entered into a written
45 agreement pursuant to section 8411 and which provide services to
46 the school district's 403(b) plan or 457 plan.

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

51 (1) enter into an agreement with the school district or

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

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

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

28 § 8412. Powers and duties of board.

29 The board shall have the following powers and duties to
30 establish the plan and trust and to administer the provisions of
31 this part:

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

34 (2) The board shall pay all administrative fees, costs
35 and expenses of managing, investing and administering the
36 plan, the trust and the individual investment accounts from
37 the balance of the individual investment accounts, except as
38 the General Assembly otherwise provides through
39 appropriations from the General Fund.

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

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

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

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

1 established.

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

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

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

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

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

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

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

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

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

30 (iii) Procedures for rollovers and trustee-to-
31 trustee transfers allowed under the IRC and permitted by
32 the board as part of the plan.

33 (iv) Standards and criteria for providing not less
34 than ten options in accordance with three or more
35 providers of investment options to eligible individuals
36 regarding investment of amounts deferred under the plan.
37 The standards and criteria must provide for a variety of
38 investment options and shall be reviewed in accordance
39 with criteria established by the board. One of the
40 available options must serve as the default option for
41 participants who do not make a timely election and, to
42 the extent commercially available, one option must have
43 an annuity.

44 (v) Standards and criteria for disclosing to the
45 participants the anticipated and actual income
46 attributable to amounts invested, property rights and all
47 fees, costs and expenses to be made against amounts
48 deferred to cover the costs and expenses of administering
49 and managing the plan or trust.

50 (vi) Procedures, standards and criteria for the
51 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 § 8413. Responsibility for investment loss.

19 The Commonwealth, the board, an employer or a school entity
20 or other political subdivision shall not be responsible for any
21 investment loss incurred under the plan or for the failure of
22 any investment to earn any specific or expected return or to
23 earn as much as any other investment opportunity, whether or not
24 such other opportunity was offered to participants in the plan.

25 § 8414. Investments based on participants' investment
26 allocation choices.

27 (a) Investment by participant.--All contributions, interest
28 and investment earnings shall be invested based on a
29 participant's investment allocation choices. All investment
30 allocation choices shall be credited proportionally between
31 contributions from the participant and employer defined
32 contributions. Each participant shall be credited individually
33 with the amount of contributions, interest and investment
34 earnings.

35 (b) Investment of contributions made by entities other than
36 the Commonwealth.--Investment of contributions by any
37 corporation, institution, insurance company or custodial bank or
38 other entity that the board has approved shall not be
39 unreasonably delayed, and in no case shall the investment of
40 contributions be delayed more than 30 days from the date each
41 payroll deduction is made to the date that the funds are
42 invested. Any interest earned on the funds pending investment
43 shall be allocated to the employers and credited to the
44 individual investment accounts of participants who are then
45 participating in the plan, unless the interest is used to defray
46 administrative costs and fees that would otherwise be required
47 to be borne by participants who are then participating in the
48 plan.

49 § 8415. Expenses.

50 All expenses, fees and costs of administering the plan and
51 the trust and investing the assets of the trust shall be borne

1 by the participants and paid from assessments against the
2 balances of the individual investment accounts as established by
3 the board, except that, for fiscal years ending before July 1,
4 2020, the expenses, fees and costs of establishing and
5 administering the plan and trust shall be paid by the
6 Commonwealth through annual appropriations from the General
7 Fund, made on the basis of estimates from the board.

8 § 8416. Tax qualification.

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

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

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

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

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

26 (2) (i) Except as provided under subparagraph (ii), an
27 amendment of this part on or after the effective date of
28 this section that increases contributions or benefits for
29 active participants, inactive participants or
30 participants receiving distributions may not be deemed to
31 provide for a contribution or benefit in excess of a
32 limitation, adjusted on or after the effective date of
33 this section under IRC § 415 unless specifically provided
34 by legislation.

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

39 § 8417. Establishment of School Employees' Defined Contribution
40 Holding Vehicle Trust.

41 (a) School Employees' Defined Contribution Holding Vehicle
42 Trust.--The School Employees' Defined Contribution Holding
43 Vehicle Trust is established as part of the plan. The holding
44 vehicle trust shall be comprised of the individual investment
45 accounts and all assets and moneys in those accounts from July
46 1, 2018, until the earlier of the date the board certifies that
47 the School Employees' Defined Contribution Trust is operational
48 and able to accept participant and employer contributions or
49 December 31, 2018. The members of the board shall be the
50 trustees of the holding vehicle trust, which shall be held in a
51 separate account, established by the Treasury Department and

1 shall not be inconsistent with this part, the IRC or other
2 applicable law. The holding vehicle trust shall be administered
3 exclusively for the benefit of those school employees who
4 participate in the plan and their beneficiaries within the
5 meaning of and in conformity with IRC § 401(a) subject to the
6 requirements of Chapter 85 (relating to administration and
7 miscellaneous provisions).

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

21 (c) Mandatory pickup participant contributions.--All
22 mandatory pickup participant contributions and employer defined
23 contributions that will be required under sections 8404
24 (relating to participant contributions), 8405 (relating to
25 mandatory pickup participant contributions) and 8406 (relating
26 to employer defined contributions) to be made to the School
27 Employees' Defined Contribution Trust upon certification of such
28 trust shall be made to the holding vehicle trust prior to the
29 date the board certifies the School Employees' Defined
30 Contribution Trust. The employer shall cause those contributions
31 for service required to be credited in the plan to be made and
32 deducted from each payroll or on a schedule as established by
33 the board, and participant contributions shall be picked up by
34 the Commonwealth or other employer and shall be treated as the
35 employer's contribution for purposes of IRC § 414(h). After the
36 effective date of this section, an employer employing a
37 participant in the plan shall pick up the required mandatory
38 participant contributions by a reduction in the compensation of
39 the participant. No participant is permitted to make voluntary
40 contributions to the holding vehicle trust.

41 (d) Treatment for other purposes.--For all purposes other
42 than the IRC, the mandatory pickup participant contributions
43 shall be treated as contributions made by a participant in the
44 same manner and to the same extent as if the contributions were
45 made directly by the participant and not picked up.

46 (e) Limitations on contributions.--No contributions may be
47 allowed that would cause a violation of the limitations related
48 to contributions applicable to governmental plans contained in
49 IRC § 415 or in other provisions of law. In the event that any
50 disallowed contributions are made, any employer defined
51 contributions in excess of the limitations and investment

1 earnings on the contributions shall be refunded to the employer
2 by the board.

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

7 (g) Interest.--Upon the disbursement of a return of
8 accumulated deductions to a participant who has terminated
9 school service or of a death benefit to a participant's
10 designated beneficiaries or upon the transfer of all assets in
11 the holding vehicle trust to the School Employees' Defined
12 Contribution Trust or December 31, 2018, whichever occurs first,
13 the Commonwealth shall make an interest payment to the holding
14 vehicle trust. The interest payment shall be equal to 4% annual
15 rate of return on the mandatory pickup participant contributions
16 and employer defined contributions made for the participant,
17 increased or decreased for any investment losses or earnings
18 while in the holding vehicle trust, but in no case shall the
19 interest payment be less than zero.

20 (h) Responsibility for loss of investment opportunity.--The
21 board, the Commonwealth, an employer or other political
22 subdivision shall not be responsible for the failure of any
23 investment in the holding vehicle trust to earn any specific or
24 expected return greater than the 4% interest rate paid under
25 subsection (g) or to earn as much as any other investment
26 opportunity, whether or not the other opportunity was offered to
27 participants in the holding vehicle trust.

28 (i) Termination of holding vehicle trust.--After the
29 disbursement or transfer of all assets in the holding vehicle
30 trust and the certification by the board that no further
31 liabilities from the holding vehicle trust exist, the holding
32 vehicle trust shall be closed.

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

37 Section 115. Section 8501(a), (c), (d) and (e) of Title 24
38 are amended to read:

39 § 8501. Public School Employees' Retirement Board.

40 (a) Status and membership.--The board shall be an
41 independent administrative board and shall consist of 15
42 members: the Secretary of Education, ex officio; the State
43 Treasurer, ex officio; two Senators; two members of the House of
44 Representatives; the executive secretary of the Pennsylvania
45 School Boards Association, ex officio; two to be appointed by
46 the Governor, at least one of whom shall not be a school
47 employee or an officer or employee of the State; three to be
48 elected by the active professional members of the system and
49 active professional participants of the plan from among their
50 number; one to be elected by annuitants or a participant of the
51 plan who has terminated school service and is receiving or is

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

30 * * *

31 (c) Oath of office.--Each member of the board shall take an
32 oath of office that he will, so far as it devolves upon him,
33 diligently and honestly administer the affairs of said board,
34 the system and the plan and that he will not knowingly violate
35 or willfully permit to be violated any of the provisions of law
36 applicable to this part. Such oath shall be subscribed by the
37 member making it and certified by the officer before whom it is
38 taken and shall be immediately filed in the office of the
39 Secretary of the Commonwealth.

40 (d) Compensation and expenses.--The members of the board who
41 are members of the system or participants in the plan shall
42 serve without compensation. Members of the board who are members
43 of the system or participants in the plan and who are employed
44 by a governmental entity shall not suffer loss of salary or
45 wages through serving on the board. The board, on request of the
46 employer of any member of the board who is an active
47 professional or nonprofessional member of the system or active
48 professional or nonprofessional participant in the plan, may
49 reimburse such employer for the salary or wages of the member or
50 participant, or for the cost of employing a substitute for such
51 member or participant, while the member or participant is

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

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

16 Section 116. Section 8502(b), (c), (e), (h), (i), (j), (k),
17 (n) and (o) of Title 24 are amended and the section is amended
18 by adding a subsection to read:

19 § 8502. Administrative duties of board.

20 * * *

21 (b) Professional personnel.--

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

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

31 (c) Expenses.--

32 (1) The board shall, through the Governor, submit to the
33 General Assembly annually a budget covering the
34 administrative expenses of [this part.] the system and a
35 separate budget covering the administrative expenses of the
36 plan. The separate budget shall include those expenses
37 necessary to establish the plan and trust.

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

41 (3) For fiscal years ending on or before June 30, 2020,
42 such expenses of the plan as approved by the General Assembly
43 through an appropriation shall be paid from the General Fund.
44 For fiscal years beginning on or after July 1, 2020, such
45 expenses of the plan as approved by the General Assembly
46 shall be paid from interest, pursuant to section 8414(b)
47 (relating to investments based on participant investment
48 allocation choices) or assessments on the balances of the
49 participants' individual investment accounts.

50 (4) Concurrently with its administrative budget, the
51 board shall also submit to the General Assembly annually a

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

9 * * *

10 (e) Records.--

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

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

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

29 (ii) cause substantial competitive harm to the
30 person from whom sensitive investment or financial
31 information relating to the investment was received; or

32 (iii) have a substantial detrimental impact on the
33 value of an investment to be acquired, held or disposed
34 of by the fund or trust, or would cause a breach of the
35 standard of care or fiduciary duty set forth in this
36 part.

37 (3) (i) The sensitive investment or financial
38 information excluded from [inspection] access under
39 paragraph (2)(i), to the extent not otherwise excluded
40 from [inspection] access, shall constitute a public
41 record subject to public [inspection] access under the
42 Right-to-Know Law once the board is no longer required by
43 its agreement to maintain confidentiality.

44 (ii) The sensitive investment or financial
45 information excluded from [inspection] access under
46 paragraph (2)(ii), to the extent not otherwise excluded
47 from [inspection] access, shall constitute a public
48 record subject to public [inspection] access under the
49 Right-to-Know Law once:

50 (A) the [inspection] access no longer causes
51 substantial competitive harm to the person from whom

1 the information was received; or

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

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

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

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

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

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

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

31 (ii) The identity of the manager of the alternative
32 investment vehicle.

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

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

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

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

50 (vii) The aggregate value of the remaining portfolio
51 assets attributable to the system's or plan's investment

1 in the alternative investment vehicle, provided that the
2 system or plan shall not be required to disclose the
3 value under circumstances in which, because of the
4 limited number of portfolio assets remaining in the
5 alternative investment vehicle, the disclosure could
6 reveal the values of specifically identifiable remaining
7 portfolio assets to the detriment of the alternative
8 investment.

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

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

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

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

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

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

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

31 (7) (i) Nothing in this part shall be construed to
32 designate any record, material or data received,
33 prepared, used or retained by the board or its employees
34 or agents relating to the contributions, investments,
35 account value or benefits payable to or on account of a
36 participant as a public record subject to public access
37 under the Right-to-Know Law.

38 (ii) This paragraph shall apply to a record,
39 material or data under this subsection notwithstanding
40 whether:

41 (A) the record, material or data was created,
42 generated or stored before the effective date of this
43 paragraph;

44 (B) the record, material or data was previously
45 released or made public; or

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

1 * * *

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

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

27 (j) Actuarial investigation and valuation.--The board shall
28 have the actuary make an annual valuation of the various
29 accounts of the fund within six months of the close of each
30 fiscal year. In the fiscal year 1975 and in every fifth year
31 thereafter, the board shall have the actuary conduct an
32 actuarial investigation and evaluation of the system based on
33 data including the mortality, service, and compensation
34 experience provided by the board annually during the preceding
35 five years concerning the members and beneficiaries of the
36 system. The board shall by resolution adopt such tables as are
37 necessary for the actuarial valuation of the fund and
38 calculation of contributions, annuities, and other benefits
39 based on the reports and recommendations of the actuary. Within
40 30 days of their adoption, the secretary of the board shall
41 cause those tables which relate to the calculation of annuities
42 and other benefits to be published in the Pennsylvania Bulletin
43 in accordance with the provisions of 45 Pa.C.S. § 725(a)
44 (relating to additional contents of Pennsylvania Bulletin) and,
45 unless the board specifies therein a later effective date, such
46 tables shall become effective on such publication. The board
47 shall include a report on the significant facts, recommendations
48 and data developed in each five-year actuarial investigation and
49 evaluation of the system in the annual financial statement
50 published pursuant to the requirements of subsection (n) for the
51 fiscal year in which such investigation and evaluation were

1 concluded.

2 (k) Certification of employer contributions to the fund.--
3 The board shall, each year in addition to the itemized budget
4 required under section 8330 (relating to appropriations by the
5 Commonwealth), certify to the employers and the Commonwealth the
6 employer contribution rate expressed as a percentage of members'
7 payroll necessary for the funding of prospective annuities for
8 active members and the annuities of annuitants, and certify the
9 rates and amounts of the normal contributions as determined
10 pursuant to section 8328(b) (relating to actuarial cost method),
11 accrued liability contributions as determined pursuant to
12 section 8328(c), supplemental annuities contribution rate as
13 determined pursuant to section 8328(d), the experience
14 adjustment factor as determined pursuant to section 8328(e),
15 premium assistance contributions as determined pursuant to
16 section 8328(f), the costs added by legislation as determined
17 pursuant to section 8328(i), the actuarial required contribution
18 rate as determined pursuant to section 8328(i), the collared
19 contribution rate as determined pursuant to section 8328(g), the
20 final contribution rate as determined pursuant to section
21 8328(h) and the shared-risk contribution rate as determined
22 under section 8321(b) (relating to regular member contributions
23 for current service), which shall be paid to the fund and
24 credited to the appropriate accounts. These certifications shall
25 be regarded as final and not subject to modification by the
26 Secretary of the Budget.

27 * * *

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

40 (o) Independent [audit] audits.--The board shall provide for
41 [an annual audit] annual audits of the system and the plan by an
42 independent certified public accounting firm, which [audit]
43 audits shall include the board's accrual and expenditure of
44 directed commissions. The board may use the same independent
45 certified public accounting firm for the audits of both the
46 system and the plan.

47 * * *

48 (g) Participant and employer contributions to trust.--The
49 board shall, each year in addition to any fees and itemized
50 budget required under section 8330, certify, as a percentage of
51 each participant's compensation, the employer defined

1 contributions, which shall be paid to the trust and credited to
2 each participant's individual investment account. These
3 certifications shall be regarded as final and not subject to
4 modification by the Secretary of the Budget. The board shall
5 cause all mandatory pickup participant contributions made on
6 behalf of a participant and all voluntary contributions made by
7 a participant to be credited to the participant's individual
8 investment account.

9 Section 117. Section 8502.2(a) of Title 24 is amended to
10 read:

11 § 8502.2. Health insurance.

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

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

21 (2) Determination of the benefits structure.

22 (3) Determination of enrollment procedures.

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

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

28 * * *

29 Section 117.1. Section 8503 heading of Title 24 is amended
30 and the section is amended by adding a subsection to read:

31 § 8503. Duties of board to advise and report to employers [and
32 members], members and participants.

33 * * *

34 (b.1) Participant status statements.--The board shall
35 furnish annually to each participant on or before December 31,
36 and more frequently as the board may agree or as required by
37 law, a statement showing the accumulated total defined
38 contributions credited to the participant's individual
39 investment account, the nature and type of investments and the
40 investment allocation of future contributions as of June 30 of
41 the current year and requesting the participant to make any
42 necessary correction or revision regarding his designated
43 beneficiary.

44 * * *

45 Section 118. Section 8505 heading, (h) and (i) of Title 24,
46 amended December 28, 2015 (P.L.529, No.93), is amended and the
47 section is amended by adding a subsections to read:

48 § 8505. Duties of board regarding applications and elections of
49 members and participants.

50 * * *

51 (e.1) Certification to participants terminating service.--In

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

12 * * *

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

21 * * *

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

27 (h) Death benefits.--Upon receipt of notification of the
28 death of a member or former member on USERRA leave, an active
29 participant, an inactive participant or a former participant on
30 USERRA leave, the board shall notify the designated beneficiary
31 or survivor annuitant of the benefits to which he is entitled
32 and shall make the first payment to the beneficiary under the
33 plan elected by the beneficiary within 60 days of receipt of
34 certification of death and other necessary data. If no
35 beneficiary designation is in effect at the date of the member's
36 or participant's death or no notice has been filed with the
37 board to pay the amount of such benefits to the member's or
38 participant's estate, the board is authorized to pay such
39 benefits to the executor, administrator, surviving spouse or
40 next-of-kin of the deceased member or participant, and payment
41 pursuant hereto shall fully discharge the fund or plan from any
42 further liability to make payment of such benefits to any other
43 person.

44 (i) Medical insurance coverage.--Upon receipt of
45 notification from an insurance carrier offering a health
46 insurance program approved by the board that an annuitant who
47 has attained age 65 has elected medical, major medical, and
48 hospitalization insurance coverage or notification that
49 annuitants with less than 24 1/2 eligibility points (other than
50 disability annuitants), spouses of annuitants and survivor
51 annuitants eligible to elect to enroll in the approved health

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

7 * * *

8 Section 118.1. Sections 8506(a), (d), (e), (g), (h), (i) and
9 (k) and 8507(a), (c), (e) and (f) of Title 24 are amended and
10 the section is amended by adding subsections to read:

11 § 8506. Duties of employers.

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

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

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

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

31 * * *

32 (c.1) Participant and employer defined contributions.--The
33 employer shall cause the mandatory pickup participant
34 contributions on behalf of a participant to be made. The
35 employer shall also cause the employer defined contributions on
36 behalf of a participant to be made. The employer shall notify
37 the board at times and in a manner prescribed by the board of
38 the compensation of any participant to whom the limitation under
39 IRC § 401(a)(17) either applies or is expected to apply and
40 shall cause the participant's contributions to be deducted from
41 payroll to cease at the limitation under IRC § 401(a)(17) on the
42 payroll date if and when such limit shall be reached. The
43 employer shall certify to the board the amounts picked up and
44 deducted and the employer defined contributions being made and
45 shall send the total amount picked up, deducted and contributed
46 together with a duplicate of such voucher to the secretary of
47 the board every pay period or on such schedule as established by
48 the board.

49 (d) New employees subject to mandatory membership or
50 participation.--Upon the assumption of duties of each new school
51 employee whose membership in the system or plan is mandatory,

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

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

24 * * *

25 (g) Former State employee contributors.--The employer shall,
26 upon the employment of a former member of the State Employees'
27 Retirement System who is not an annuitant of the State
28 Employees' Retirement System, advise such employee [of his] if
29 he has a right to elect multiple service membership within 365
30 days of entry into the system or, for a member of Class T-G, if
31 he has a right to elect within 45 days of entry into the system
32 and, in the case any such employee who so elects has withdrawn
33 his accumulated deductions, require him to restore his
34 accumulated deductions as they would have been at the time of
35 his separation had he been a full coverage member, together with
36 statutory interest for all periods of subsequent State and
37 school service to date of repayment. The employer shall advise
38 the board of such election.

39 (h) Former State employee annuitants.--The employer shall,
40 upon the employment of an annuitant of the State Employees'
41 Retirement System who applies for membership in the system,
42 advise such employee [that] if he may elect multiple service
43 membership within 365 days of entry into the system or, for a
44 member of Class T-G, if he has a right to elect within 45 days
45 of entry into the system and that if he so elects his annuity
46 from the State Employees' Retirement System will be discontinued
47 effective upon the date of his return to school service and,
48 upon termination of school service and application for an
49 annuity, the annuity will be adjusted in accordance with section
50 8346 (relating to termination of annuities). The employer shall
51 advise the board of such election.

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

8 (1) An application for the return of accumulated
9 deductions, if eligible.

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

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

20 * * *

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

24 (1) Any school employee who:

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

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

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

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

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

38 (l) Differential wage payments and military leave of absence
39 payments.--Notwithstanding the exclusion of differential wage
40 payments as defined in IRC § 414(u)(12) from compensation under
41 this part, the employer of any school employee on USERRA leave
42 shall report differential wage payments made to the employee to
43 the board, and the employer of any school employee on leave of
44 absence pursuant to 51 Pa.C.S. § 4102 shall report any payment
45 made to the employee, in the form and manner established by the
46 board.

47 § 8507. Rights and duties of school employees [and members],
48 members and participants.

49 (a) Information on new employees.--Upon his assumption of
50 duties, each new school employee shall furnish his employer with
51 a complete record of his previous school or State service, or

1 creditable nonschool service, proof of his date of birth, his
2 home address, his current status in the system and the plan and
3 in the State Employees' Retirement System and the State
4 Employees' Defined Contribution Plan and such other information
5 as the board may require. Willful failure to provide the
6 information required by this subsection to the extent available
7 or the provision of erroneous information upon entrance into the
8 system shall result in the forfeiture of the right of the member
9 to subsequently assert any right to benefits based on erroneous
10 information or on any of the required information which he
11 failed to provide. In any case in which the board finds that a
12 member is receiving an annuity based on false information, the
13 additional amounts received predicated on such false information
14 together with statutory interest doubled and compounded shall be
15 deducted from the present value of any remaining benefits to
16 which the member is legally entitled and such remaining benefits
17 shall be correspondingly decreased.

18 * * *

19 (b.1) Application for participation.--On or after July 1,
20 2018, in the case of a new employee who is not currently a
21 participant in the plan and whose participation is mandatory,
22 the new employee shall execute an application for participation
23 and a nomination of a beneficiary.

24 (c) Multiple service membership.--

25 (1) Any [active member] school employee who is an active
26 member in a class of service other than Class T-G and who was
27 formerly an active member in the State Employees' Retirement
28 System in a class of service other than Class A-5 may elect
29 to become a multiple service member. Such election for a
30 member in other than Class T-G shall occur no later than 365
31 days after becoming an active member in a class of service
32 other than Class T-G in this system.

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

38 (3) A school employee who is eligible to elect to become
39 a multiple service member and who begins USERRA leave during
40 the election period without having elected multiple service
41 membership may make the election within 365 days, or 45 days
42 if a member of Class T-G, after being reemployed from USERRA
43 leave.

44 * * *

45 (d.2) Contributions for USERRA leave.--Any active
46 participant or inactive participant or former participant who
47 was reemployed from USERRA leave and who desires to make
48 mandatory pickup participant contributions for his USERRA leave
49 shall so notify the board within the time period required under
50 38 U.S.C. Ch. 43 (relating to employment and reemployment rights
51 of members of the uniformed services) and IRC § 414(u) of his

1 desire to make such contributions. Upon making the permitted
2 mandatory pickup participant contributions within the allowed
3 time period, the employer shall make the corresponding employer
4 defined contributions at the same time.

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

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

20 (e.1) Beneficiary for death benefits from plan.--Every
21 participant shall nominate a beneficiary by written designation
22 filed with the board as provided in section 8506 (relating to
23 duties of employers) to receive the death benefit payable under
24 section 8347 (relating to death benefits). A participant may
25 also nominate a contingent beneficiary or beneficiaries to
26 receive the death benefit provided under section 8408 (relating
27 to death benefits). Such nomination may be changed at any time
28 by the participant by written designation filed with the board.

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

33 (f) Termination of service by members.--Each member who
34 terminates school service and who is not then a disability
35 annuitant shall execute on or before the date of termination of
36 service a written application, duly attested by the member or
37 his legally constituted representative, electing to do one or
38 more of the following:

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

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

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

48 * * *

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

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

6 * * *

7 Section 119. Sections 8521(b), 8522, 8524, 8525 and 8531 of
8 Title 24 are amended to read:

9 § 8521. Management of fund and accounts.

10 * * *

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

28 * * *

29 § 8522. Public School Employees' Retirement Fund.

30 (a) General rule.--The fund shall consist of all moneys in
31 the several separate funds in the State Treasury set apart to be
32 used under the direction of the board for the benefit of members
33 of the system; and the Treasury Department shall credit to the
34 fund all moneys received from the Department of Revenue arising
35 from the contributions relating to or on behalf of the members
36 of the system required under the provisions of Chapter 83
37 (relating to membership, contributions and benefits) and all
38 earnings from investments or moneys of said fund. There shall be
39 established and maintained by the board the several ledger
40 accounts specified in sections 8523 (relating to members'
41 savings account), 8524 (relating to State accumulation account),
42 8525 (relating to annuity reserve account) and 8526 (relating to
43 health insurance account).

44 (b) Individual investment accounts and trust.--The
45 individual investment accounts that are part of the trust shall
46 not be part of the fund. Mandatory pickup participant
47 contributions, voluntary contributions and employer defined
48 contributions made under this part and any income earned by the
49 investment of such contributions shall not be paid or credited
50 to the fund but instead shall be paid to the trust and credited
51 to the individual investment accounts.

1 § 8524. State accumulation account.

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

23 § 8525. Annuity reserve account.

24 (a) Credits and charges to account.--The annuity reserve
25 account shall be the ledger account to which shall be credited
26 the reserves held for the payment of annuities and death
27 benefits resulting from membership in the system on account of
28 all annuitants and the contributions from the Commonwealth and
29 other employers as determined in accordance with section 8328
30 (relating to actuarial cost method) for the payment of the
31 supplemental annuities provided in sections 8348 (relating to
32 supplemental annuities), 8348.1 (relating to additional
33 supplemental annuities), 8348.2 (relating to further additional
34 supplemental annuities), 8348.3 (relating to supplemental
35 annuities commencing 1994), 8348.4 (relating to special
36 supplemental postretirement adjustment), 8348.5 (relating to
37 supplemental annuities commencing 1998), 8348.6 (relating to
38 supplemental annuities commencing 2002) and 8348.7 (relating to
39 supplemental annuities commencing 2003). The annuity reserve
40 account shall be credited with valuation interest. After the
41 transfers provided in sections 8523 (relating to members'
42 savings account) and 8524 (relating to State accumulation
43 account), all annuity and death benefit payments shall be
44 charged to the annuity reserve account and paid from the fund.

45 (b) Transfers from account.--Should an annuitant be
46 subsequently restored to active service either as a member of
47 the system or participant in the plan, the present value of his
48 member's annuity at the time of reentry into school service
49 shall be transferred from the annuity reserve account and placed
50 to his individual credit in the members' savings account. In
51 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 120. 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 or any other process whatsoever, and the provisions of Article
27 XIII.1 of the the act of April 9, 1929 (P.L.343, No.176), known
28 as The Fiscal Code, and shall be unassignable.

29 (a.1) Individual investment accounts and distributions.--No
30 participant or beneficiary, successor payee or alternate payee
31 of a participant shall have the ability to commute, sell,
32 assign, alienate, anticipate, mortgage, pledge, hypothecate,
33 commutate or otherwise transfer or convey any benefit or
34 interest in an individual investment account or rights to
35 receive or direct distributions under this part or under
36 agreements entered into under this part except as otherwise
37 provided in this part and in the case of either a member or a
38 participant.

39 (b) Forfeiture.--

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

46 (2) Notwithstanding paragraph (1) and the provisions of
47 section 16(b) of Article V of the Constitution of
48 Pennsylvania, the act of July 8, 1978 (P.L.752, No.140),
49 known as the Public Employee Pension Forfeiture Act and 42
50 Pa.C.S. § 3352 (relating to pension rights), the accumulated
51 mandatory participant contributions and accumulated voluntary

1 contributions standing to the credit of a participant shall
2 not be forfeited but shall be available for payment of fines
3 and restitution as provided by law. Amounts in the trust that
4 have been ordered to be distributed to an alternate payee as
5 the result of an equitable distribution of marital property
6 as part of an approved domestic relations order entered
7 before the date of the order or action in a court or other
8 tribunal resulting in a forfeiture of a participant's
9 interest in the trust shall not be subject to the provisions
10 of section 16(b) of the Article V of the Constitution of
11 Pennsylvania, the Public Employee Pension Forfeiture Act or
12 42 Pa.C.S. § 3352. Any accumulated employer defined
13 contributions forfeited as a result of this subsection or
14 other law shall be retained by the board and used for the
15 payment of expenses of the plan.

16 * * *

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

42 Section 121. Sections 8533.1, 8533.2, 8533.3 and 8533.4(a)
43 of Title 24 are amended to read:

44 § 8533.1. Approval of domestic relations orders.

45 (a) Certification regarding members.--A domestic relations
46 order pertaining to a member of the system shall be certified as
47 an approved domestic relations order by the secretary of the
48 board, or his designated representative, only if [such] the
49 order meets all of the following:

50 (1) Requires the system to provide any type or form of
51 benefit or any option applicable to members already provided

1 under this part.

2 (2) Requires the system to provide no more than the
3 total amount of benefits than the member would otherwise
4 receive (determined on the basis of actuarial value) unless
5 increased benefits are paid to the member or alternate payee
6 based upon cost-of-living increases or increases based on
7 other than actuarial value.

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

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

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

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

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

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

33 (1) Does not require the segregation of the alternate
34 payee's share of the participant's individual investment
35 account into a subaccount or newly established individual
36 account titled in the name of the alternate payee.

37 (2) Does not require the plan to recover or distribute
38 any funds which were distributed to the participant or at the
39 participant's direction prior to the approval of the domestic
40 relations order by the secretary of the board or his
41 designated representative.

42 (3) Requires the plan to pay to the alternate payee no
43 more than the lesser of the vested amount of the
44 participant's individual investment account specified by the
45 domestic relations order or the vested amount of the
46 participant's individual investment account as of the date of
47 the transfer of the alternate payee's share to the alternate
48 payee.

49 (4) States that the plan shall not be required to recoup
50 or make good for losses in value to the participant's
51 individual investment account incurred between the date of

1 the valuation of the account used for equitable distribution
2 purposes and the date of distribution to the alternate payee.

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

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

13 (7) Does not grant an alternate payee the rights,
14 privileges or options available to a participant.

15 (8) In the case of a participant who has not yet begun
16 to receive distributions as of the date the domestic
17 relations order is approved by the secretary of the board or
18 his designated representative, requires the immediate
19 distribution of the alternate payee's share of the
20 participant's individual investment account, which may be
21 made by direct payment, eligible rollover or trustee-to-
22 trustee transfer to another eligible plan or qualified
23 account owned by the alternate payee.

24 (9) In the case of a participant who is currently
25 receiving distributions from the plan as of the date the
26 domestic relations order is approved by the secretary of the
27 board or his designated representative, may not order the
28 board to pay the alternate payee more than the balance
29 available in the participant's individual investment account
30 as of the date the order is approved or require that
31 distributions continue to the alternate payee after the death
32 of the participant and final settlement of the participant's
33 individual investment account.

34 (b) Determination by secretary.--Within a reasonable period
35 of time after receipt of a domestic relations order, the
36 secretary of the board, or his designated representative, shall
37 determine whether this order is an approved domestic relations
38 order and notify the member or participant and each alternate
39 payee of this determination. Notwithstanding any other provision
40 of law, the exclusive remedy of any member, participant or
41 alternate payee aggrieved by a decision of the secretary of the
42 board, or his designated representative, shall be the right to
43 an adjudication by the board under 2 Pa.C.S. Ch. 5 (relating to
44 practice and procedure) with appeal therefrom to the
45 Commonwealth Court under 2 Pa.C.S. Ch. 7 (relating to judicial
46 review) and 42 Pa.C.S. § 763(a)(1) (relating to direct appeals
47 from government agencies).

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

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

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

25 § 8533.2. Irrevocable beneficiary.

26 Notwithstanding any other provision of this part, a domestic
27 relations order may provide for an irrevocable beneficiary. A
28 domestic relations order requiring the nomination of an
29 irrevocable beneficiary shall be deemed to be one that requires
30 a member or participant to nominate an alternate payee as a
31 beneficiary and that prohibits the removal or change of that
32 beneficiary without approval of a court of competent
33 jurisdiction, except by operation of law. Such a domestic
34 relations order may be certified as an approved domestic
35 relations order by the secretary of the board, or his designated
36 representative, after the member or participant makes such
37 nomination, in which case the irrevocable beneficiary so ordered
38 by the court cannot be changed by the member or participant
39 without approval by the court.

40 § 8533.3. Irrevocable survivor annuitant.

41 Notwithstanding any other provisions of this part, a domestic
42 relations order may provide for an irrevocable survivor
43 annuitant pertaining to a member. A domestic relations order
44 requiring the designation of an irrevocable survivor annuitant
45 shall be deemed to be one that requires a member to designate an
46 alternate payee as a survivor annuitant and that prohibits the
47 removal or change of that survivor annuitant without approval of
48 a court of competent jurisdiction, except by operation of law.
49 Such a domestic relations order may be certified as an approved
50 domestic relations order by the secretary of the board, or his
51 designated representative, in which case the irrevocable

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

5 § 8533.4. Amendment of approved domestic relations orders.

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

12 * * *

13 Section 122. Title 24 is amended by adding a section to
14 read:

15 § 8533.5. Irrevocable successor payee.

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

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

28 (c) Certification.--A domestic relations order under
29 subsection (b) may be certified as an approved domestic
30 relations order by the secretary of the board, or his designated
31 representative, in which case the irrevocable successor payee
32 ordered by the court cannot be changed by the participant
33 without approval by the court.

34 (d) Ineligibility.--A person ineligible to be designated as
35 a successor payee may not be designated as an irrevocable
36 successor payee. A court may not name an irrevocable successor
37 payee if the alternate payee is eligible to receive a lump sum
38 distribution of the alternate payee's portion of the marital
39 portion of the pension benefit.

40 Section 123. Sections 8534 and 8535 of Title 24 are amended
41 to read:

42 § 8534. Fraud and adjustment of errors.

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

48 (b) Adjustment of errors.--Should any change or mistake in
49 records result in any member, participant, beneficiary, [or],
50 survivor annuitant or successor payee receiving from the system
51 or plan more or less than he would have been entitled to receive

1 had the records been correct, then regardless of the intentional
2 or unintentional nature of the error and upon the discovery of
3 such error, the board shall correct the error and if the error
4 affects contributions to or payments from the system, then so
5 far as practicable shall adjust the payments which may be made
6 for and to such person in such a manner that the actuarial
7 equivalent of the benefit to which he was correctly entitled
8 shall be paid. If the error affects contributions to or payments
9 from the plan, the board shall take such action as shall be
10 provided for in the plan document.

11 § 8535. Payments to school entities by Commonwealth.

12 For each school year beginning with the 1995-1996 school year
13 and ending with the 2017-2018 school year, each school entity
14 shall be paid by the Commonwealth for contributions based upon
15 school service of active members of the system after June 30,
16 1995, as follows:

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

35 (2) The Commonwealth shall pay each school entity for
36 contributions made to the Public School Employees' Retirement
37 Fund based upon school service of all active members,
38 including members on activated military service leave, who
39 are not described in paragraph (1), one-half of the amount
40 certified by the Public School Employees' Retirement Board as
41 necessary to provide, together with the members'
42 contributions, reserves on account of prospective annuities,
43 supplemental annuities and the premium assistance program as
44 provided in this part in accordance with section 8328.

45 (3) School entities shall have up to five days after
46 receipt of the Commonwealth's portion of the employer's
47 liability to make payment to the Public School Employees'
48 Retirement Fund. School entities are expected to make the
49 full payment to the Public School Employees' Retirement Fund
50 in accordance with section 8327 (relating to payments by
51 employers) in the event the receipt of the Commonwealth's

1 portion of the employer's liability is delayed because of
2 delinquent salary reporting or other conduct by the school
3 entities.

4 Section 124. Title 24 is amended by adding sections to read:

5 § 8535.1. Payments to school entities by Commonwealth
6 commencing with the 2018-2019 school year.

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

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

30 (2) The Commonwealth shall pay each school entity for
31 contributions made to the fund or the trust based upon school
32 service of all active members or active participants,
33 including members or participants on activated military
34 service leave, and active participants of the plan who are
35 not described in paragraph (1) one-half of the amount
36 certified by the board as necessary to provide, together with
37 the members' and participants' contributions, reserves on
38 account of prospective annuities, supplemental annuities and
39 the premium assistance program as provided in this part in
40 accordance with section 8328.

41 (3) School entities shall have up to five days after
42 receipt of the Commonwealth's portion of the employer's
43 liability to make payment to the fund or the trust. School
44 entities are expected to make the full payment to the fund or
45 the trust in accordance with section 8327 (relating to
46 payments by employers) in the event the receipt of the
47 Commonwealth's portion of the employer's liability is delayed
48 because of delinquent salary reporting or other conduct by
49 the school entities.

50 § 8537. Internal Revenue Code limitations.

51 Notwithstanding any provisions of this part to the contrary,

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

9 Section 125. Section 8702(a) of Title 24 is amended to read:
10 § 8702. Definitions.

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

17 "Eligible person." An individual who is:

18 (1) an annuitant or survivor annuitant or the spouse or
19 dependent of an annuitant or survivor annuitant[.]; or

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

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

24 "Plan year." The period July 1, 2001, through December 31,
25 2001, shall be the first plan year. After December 31, 2001, the
26 plan year shall be the calendar year.

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

30 "Reserve account." The restricted receipt account
31 established in section 8902(b) (relating to Public School
32 Retirees' Health Insurance Fund).

33 * * *

34 ARTICLE II

35 Section 201. Section 7306(a) introductory paragraph of Title
36 51 is amended and the section is amended by adding a subsection
37 to read:

38 § 7306. Retirement rights.

39 (a) Options available to employees.--Any employee who is a
40 member of a retirement system other than an active member or
41 inactive member on leave without pay of the State Employees'
42 Retirement System [or], an active participant or inactive
43 participant on leave without pay of the State Employees' Defined
44 Contribution Plan, an active or inactive member of the Public
45 School Employees' Retirement System or an active or inactive
46 participant of the School Employees' Defined Contribution Plan
47 at the time he is granted a military leave of absence shall be
48 entitled to exercise any one of the following options in regard
49 thereto:

50 * * *

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

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

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

15 ARTICLE III

16 Section 301. Section 4104(a)(7) of Title 71 is amended to
17 read:

18 § 4104. Duties of office.

19 (a) Mandatory.--The office shall:

20 * * *

21 (7) Study and analyze the impact of shared-risk
22 contributions under 24 Pa.C.S. § 8321(b) (relating to regular
23 member contributions for current service) and section 5501.1
24 (relating to shared-risk member contributions for Class A-3
25 [and], Class A-4 and Class A-5 service).
26 * * *

27 Section 302. The definitions of "active member," "alternate
28 payee," "average noncovered salary," "beneficiary," "class of
29 service multiplier," "compensation," "creditable nonstate
30 service," "credited service," "date of termination of service,"
31 "distribution," "domestic relations order," "final average
32 salary," "inactive member," "intervening military service,"
33 "irrevocable beneficiary," "member's annuity," "reemployed from
34 USERRA leave," "regular membership contributions," "required
35 beginning date," "retirement counselor," "salary deductions,"
36 "shared-risk member contributions," "special vestee," "standard
37 single life annuity," "State employee," "superannuation age,"
38 "superannuation score," "total accumulated deductions,"
39 "valuation interest" and "vestee" in section 5102 of Title 71,
40 amended or added December 28, 2015 (P.L.529, No.93), are amended
41 and the section is amended by adding definitions to read:

42 § 5102. Definitions.

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

46 * * *

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

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

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

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

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

29 "Active participant." A State employee for whom mandatory
30 pickup participant contributions are being made to the trust or
31 for whom such contributions otherwise required for State service
32 required to be credited in the plan are not being made solely by
33 reason of any provision of this part relating to the limitations
34 under section 401(a)(17) or 415 of the Internal Revenue Code of
35 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17) or 415).

36 * * *

37 "Alternate payee." Any spouse, former spouse, child or
38 dependent of a member or participant who is recognized by a
39 domestic relations order as having a right to receive all or a
40 portion of the moneys payable to that member or participant
41 under this part.

42 * * *

43 "Average noncovered salary." The average of the amounts of
44 compensation received by an active member, other than
45 compensation attributable to service as a Class A-5 member, each
46 calendar year since January 1, 1956, exclusive of the amount
47 which was or could have been covered by the Federal Social
48 Security Act[, 42 U.S.C. § 301 et seq.] (42 U.S.C. § 301 et
49 seq.), during that portion of the member's service since January
50 1, 1956, for which he has received social security integration
51 credit.

* * *

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

* * *

"Class A-5 accumulated deductions." The sum of the regular accumulated deductions, shared-risk member contributions and all other contributions paid into the fund for the purchase, transfer or conversion of credit for service or other coverage in Class A-5 together with all statutory interest credited thereon until the date of termination of service. In the case of a vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.

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

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

"Class of service multiplier."

Class of Service		Multiplier
A		1
AA	for all purposes except calculating regular member contributions on compensation paid prior to January 1, 2002	1.25
AA	for purposes of calculating regular member contributions on compensation paid prior to January 1, 2002	1
A-3	for all purposes except the calculation of regular member contributions and contributions	

1		for creditable	
2		nonstate service	1
3			
4	A-3	for purposes of	
5		calculating	
6		regular member	
7		contributions	
8		and	
9		contributions	
10		for creditable	
11		nonstate service	1.25
12	A-4	for all purposes	
13		except the	
14		calculation of	
15		regular member	
16		contributions	1.25
17			
18	A-4	for purposes of	
19		calculating	
20		regular member	
21		contributions	1.86
22	<u>A-5</u>	<u>for all purposes</u>	
23		<u>except the</u>	
24		<u>calculation of</u>	
25		<u>regular member</u>	
26		<u>contributions</u>	<u>1</u>
27	<u>A-5</u>	<u>for purposes of</u>	
28		<u>calculating</u>	
29		<u>regular member</u>	
30		<u>contributions on</u>	
31		<u>compensation up</u>	
32		<u>to the Class A-5</u>	
33		<u>annual</u>	
34		<u>compensation</u>	
35		<u>limit for</u>	
36		<u>members who have</u>	
37		<u>less than 25</u>	
38		<u>eligibility</u>	
39		<u>points credited</u>	
40		<u>as a member of</u>	
41		<u>Class A-5 or, if</u>	
42		<u>a multiple</u>	
43		<u>service member,</u>	
44		<u>as a member of</u>	
45		<u>Class T-G in the</u>	
46		<u>Public School</u>	
47		<u>Employees'</u>	
48		<u>Retirement</u>	
49		<u>System</u>	<u>1.2</u>
50			
51			

1	<u>A-5</u>	<u>for purposes of</u>		
2		<u>calculating</u>		
3		<u>regular member</u>		
4		<u>contributions on</u>		
5		<u>compensation</u>		
6		<u>over the Class</u>		
7		<u>A-5 annual</u>		
8		<u>compensation</u>		
9		<u>limit or for</u>		
10		<u>members who have</u>		
11		<u>25 or more</u>		
12		<u>eligibility</u>		
13		<u>points credited</u>		
14		<u>as a member of</u>		
15		<u>Class A-5 or, if</u>		
16		<u>a multiple</u>		
17		<u>service member,</u>		
18		<u>as a member of</u>		
19		<u>Class T-G in the</u>		
20		<u>Public School</u>		
21		<u>Employees'</u>		
22		<u>Retirement</u>		
23		<u>System</u>	<u>0</u>	
24				
25	B		.625	
26				
27	C		1	
28	D		1.25	
29	D-1	prior to January		
30		1, 1973	1.875	
31	D-1	on and		
32		subsequent to		
33		January 1, 1973	1.731	
34	D-2	prior to January		
35		1, 1973	2.5	
36	D-2	on and		
37		subsequent to		
38		January 1, 1973	1.731	
39	D-3	prior to January		
40		1, 1973	3.75	
41	D-3	on and		
42		subsequent to		
43		January 1, 1973	1.731	except prior to
44				December 1, 1974
45				as applied to
46				any additional
47				legislative
48				compensation as
49				an officer of
50				the General
51				Assembly

1				
2			3.75	
3	D-4	for all purposes		
4		except		
5		calculating		
6		regular member		
7		contributions		
8		on compensation		
9		paid prior to		
10		July 1, 2001	1.5	
11				
12	D-4	for purposes of		
13		calculating		
14		regular member		
15		contributions on		
16		compensation		
17		paid prior to		
18		July 1, 2001	1	
19	E, E-1	prior to January		
20		1, 1973	2	for each of the
21				first ten years
22				of judicial
23				service, and
24				
25			1.5	for each
26				subsequent year
27				of judicial
28				service
29	E, E-1	on and		
30		subsequent to		
31		January 1, 1973	1.50	for each of the
32				first ten years
33				of judicial
34				service and
35			1.125	for each
36				subsequent year
37				of judicial
38				service
39				
40	E-2	prior to		
41		September 1,		
42		1973	1.5	
43	E-2	on and		
44		subsequent to		
45		September 1,		
46		1973	1.125	
47	G		0.417	
48	H		0.500	
49	I		0.625	
50	J		0.714	
51				

1	K	0.834
2	L	1.000
3	M	1.100
4	N	1.250
5	T-C (Public School	1
6	Employees'	
7	Retirement Code)	
8	T-E (Public School	1
9	Employees'	
10	Retirement Code)	
11	T-F (Public School	1
12	Employees'	
13	Retirement Code)	
14	<u>T-G (Public School</u>	<u>1</u>
15	<u>Employees' Retirement</u>	
16	<u>Code)</u>	

17 * * *

18 "Compensation." Pickup contributions and mandatory pickup
19 participant contributions plus remuneration actually received as
20 a State employee excluding refunds for expenses, contingency and
21 accountable expense allowances; excluding any severance payments
22 or payments for unused vacation or sick leave; and excluding
23 payments for military leave and any other payments made by an
24 employer while on USERRA leave, leave of absence granted under
25 51 Pa.C.S. § 4102 (relating to leaves of absence for certain
26 government employees), military leave of absence granted under
27 51 Pa.C.S. § 7302 (relating to granting military leaves of
28 absence) or other types of military leave, including other types
29 of leave payments, stipends, differential wage payments as
30 defined in IRC § 414(u)(12) and any other payments[:]; and for a
31 member who first becomes an officer of the State police on or
32 after January 1, 2018, excluding remuneration received in any
33 pay period for voluntary overtime service for service as an
34 officer of the State police that exceeds 10% of the member's
35 base salary as an officer of the State police in that pay
36 period, notwithstanding the provisions of a binding arbitration
37 award issued before July 1, 1989, under the act of June 24, 1968
38 (P.L.237, No.111), referred to as the Policemen and Firemen
39 Collective Bargaining Act, and implemented by the board:
40 Provided, however, That compensation received prior to January
41 1, 1973, shall be subject to the limitations for retirement
42 purposes in effect December 31, 1972, if any: Provided further,
43 That the limitation under section 401(a)(17) of the Internal
44 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
45 taken into account for the purpose of member contributions,
46 including any additional member contributions in addition to
47 regular or joint coverage member contributions and Social
48 Security integration contributions, regardless of class of
49 service, shall apply to each member who first became a member of
50 the State Employees' Retirement System on or after January 1,
51 1996, and who by reason of such fact is a noneligible member

1 subject to the application of the provisions of section
2 5506.1(a) (relating to annual compensation limit under IRC §
3 401(a)(17)) and shall apply to each participant pertaining to
4 his participation in the plan.

5 * * *

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

8 (1) service as a State employee;

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

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

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

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

32 (1) the last day of service for which pickup
33 contributions are made for an active member or for which the
34 contributions otherwise required for such service were not
35 made solely by reason of section 5502.1 (relating to waiver
36 of regular member contributions and social security
37 integration member contributions) or any provision of this
38 part relating to the limitations under section 401(a)(17) or
39 415 of the Internal Revenue Code of 1986 (Public Law 99-514,
40 26 U.S.C. § 401(a)(17) or 415) or limitations on
41 contributions to the system applicable to a Class A-5 member;

42 (2) the last day of service for which mandatory pickup
43 participant contributions are made for an active participant;
44 or

45 (3) in the case of an inactive member on leave without
46 pay or an inactive participant on leave without pay, the date
47 of his resignation or the date his employment is formally
48 discontinued by his employer.

49 * * *

50 "Distribution." Payment of all or any portion of a person's
51 interest in either the State Employees' Retirement Fund or the

1 State Employees' Defined Contribution Trust, or both, which is
2 payable under this part.

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

16 * * *

17 "Employer defined contributions." Contributions that are
18 made by the Commonwealth or other employer to the trust to be
19 credited in an active participant's individual investment
20 account as follows:

21 (1) Except as provided under paragraph (2),
22 contributions equal to 4% of an active participant's
23 compensation.

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

31 * * *

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

33 (1) For purposes of calculating all annuities and
34 benefits from the system attributable to a class of service
35 other than Class A-5, the highest average compensation
36 received as a member during any three nonoverlapping periods
37 of four consecutive calendar quarters during which the member
38 was a State employee, excluding compensation received from
39 State service credited as a member of Class A-5, with the
40 compensation for part-time service being annualized on the
41 basis of the fractional portion of the year for which credit
42 is received; except if the employee was not a member in
43 classes of service other than Class A-5 for three
44 nonoverlapping periods of four consecutive calendar quarters,
45 the total compensation received as a member for State service
46 credited other than as a member of Class A-5, annualized in
47 the case of part-time service, divided by the number of
48 nonoverlapping periods of four consecutive calendar quarters
49 of membership in classes of service other than Class A-5; in
50 the case of a member with multiple service, the final average
51 salary for purposes of calculating all annuities and benefits

1 from the system attributable to a class of service other than
2 Class A-5 shall be determined on the basis of the
3 compensation received by him as a [State employee] member of
4 the system or as a school employee, or both[;], excluding
5 compensation received for service performed as a member of
6 Class A-5 or Class T-G in the Public School Employees'
7 Retirement System; and, in the case of a member with Class A-
8 3 or Class A-4 service and service in one or more other
9 classes of service other than Class A-5, the final average
10 salary shall be determined on the basis of the compensation
11 received by him in all classes of State service[; and] other
12 than Class A-5.

13 (2) For purposes of calculating all annuities and
14 benefits from the system attributable to service as a member
15 of Class A-5, the highest average compensation received for
16 service as a member of Class A-5 during any five calendar
17 years; except, if the employee was not a member of Class A-5
18 during five calendar years, the total compensation received
19 as a member of Class A-5, divided by the number of calendar
20 years of membership in Class A-5; in the case of a member
21 with multiple service, the final average salary for purposes
22 of calculating all annuities and benefits from the system
23 attributable to Class A-5 service shall be determined on the
24 basis of the compensation received by him as a State employee
25 for service credited Class A-5 or as a school employee for
26 service credited in Class T-G in the Public School Employees'
27 Retirement System, or both. For the purpose of calculating
28 final average salary under the paragraph, compensation for
29 service as a member of Class A-5 shall be adjusted as set
30 forth in section 5506.2 (relating to application of Class A-5
31 annual compensation limit).

32 (3) For all members, in the case of a member who first
33 became a member on or after January 1, 1996, the final
34 average salary shall be determined as hereinabove provided
35 but subject to the application of the provisions of section
36 5506.1(a) (relating to annual compensation limit under IRC §
37 401(a)(17)). Final average salary shall be determined by
38 including in compensation payments deemed to have been made
39 to a member reemployed from USERRA leave to the extent member
40 contributions have been made as provided in section 5302(f)
41 (2) (relating to credited State service) and payments made to
42 a member on leave of absence under 51 Pa.C.S. § 4102
43 (relating to leaves of absence for certain government
44 employees) as provided in section 5302(f) (6).

45 * * *

46 "Holding vehicle trust." The State Employees' Defined
47 Contribution Holding Vehicle Trust.

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

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

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

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

28 "Intervening military service." Active military service of a
29 member who was a State employee and active member of the system
30 immediately preceding his induction into the armed services or
31 forces of the United States in order to meet a military
32 obligation excluding any voluntary extension of such service and
33 who becomes a State employee within 90 days of the expiration of
34 such service.

35 * * *

36 "Irrevocable beneficiary." The person or persons permanently
37 designated by a member or participant in writing to the State
38 Employees' Retirement Board pursuant to an approved domestic
39 relations order to receive all or a portion of the accumulated
40 deductions, vested accumulated total defined contributions or
41 lump sum benefit payable upon the death of such member or
42 participant.

43 "Irrevocable successor payee." The person permanently
44 designated by a participant receiving distributions in writing
45 to the board pursuant to an approved domestic relations order to
46 receive one or more distributions from the plan upon the death
47 of such participant.

48 * * *

49 "Mandatory pickup participant contributions." Contributions
50 that are made by the Commonwealth or other employer for active
51 participants for State service required to be credited in the

1 plan as follows:

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

4 (2) For participants who have less than 25 eligibility
5 points credited as a member of Class A-5 or, if a multiple
6 service member, in Class T-G in the Public School Employees'
7 Retirement System, contributions equal to 1.5% of an active
8 participant's compensation for State service required to be
9 credited in the plan up to the Class A-5 annual compensation
10 limit and for other compensation contributions as set forth
11 in paragraph (1).

12 * * *

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

23 * * *

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

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

31 * * *

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

34 "Plan document." The documents created by the board under
35 section 5802 (relating to plan document) that contain the terms
36 and provisions of the plan and trust as established by the board
37 regarding the establishment, administration and investment of
38 the plan and trust.

39 * * *

40 "Reemployed from USERRA leave." Resumption of active
41 membership or active participation as a State employee after a
42 period of USERRA leave, provided, however, that the resumption
43 of active membership or active participation was within the time
44 period and under conditions and circumstances such that the
45 State employee was entitled to reemployment rights under 38
46 U.S.C. Ch. 43 (relating to employment and reemployment rights of
47 members of the uniformed services).

48 * * *

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

1 "Required beginning date." The latest date by which
2 distributions of a member's interest or a participant's interest
3 in his individual investment account must commence under section
4 401(a)(9) of the Internal Revenue Code of 1986 (Public Law 99-
5 514, 26 U.S.C. § 401(a)(9)).

6 "Retirement counselor." The State Employees' Retirement
7 System or State Employees' Defined Contribution Plan employee
8 whose duty it shall be to advise each employee of his rights and
9 duties as a member of the system or as a participant of the
10 plan.

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

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

19 * * *

20 "Shared-risk member contributions." The product of the
21 applicable shared-risk contribution rate and the compensation of
22 a member for service credited as Class A-3 or Class A-4 or the
23 compensation of a member up to the Class A-5 annual compensation
24 limit for service credited as Class A-5.

25 * * *

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

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

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

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

47 (4) the member elects to leave the member's total
48 accumulated deductions in the fund and to defer receipt of an
49 annuity until attainment of superannuation age or the
50 member's required beginning date.

51 "Standard single life annuity." An annuity equal to 2% of

1 the final average salary, multiplied by the total number of
2 years and fractional part of a year of credited service of a
3 member in each class service, limited in the case of Class A-5
4 service to 25 years.

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

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

14 (ii) State-owned educational institutions.

15 (iii) Community colleges.

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

24 (2) The Pennsylvania Turnpike Commission, the Delaware
25 River Port Authority, the Port Authority Transit Corporation,
26 the Philadelphia Regional Port Authority, the Delaware River
27 Joint Toll Bridge Commission, the State Public School
28 Building Authority, The General State Authority, the State
29 Highway and Bridge Authority, the Delaware Valley Regional
30 Planning Commission, the Interstate Commission of the
31 Delaware River Basin, and the Susquehanna River Basin
32 Commission any time subsequent to its creation, provided the
33 commission or authority agrees to contribute and does
34 contribute to the fund or trust, from time to time, the
35 moneys required to build up the reserves necessary for the
36 payment of the annuities or other benefits of such officers
37 and employees without any liability on the part of the
38 Commonwealth to make appropriations for such purposes, and
39 provided in the case of employees of the Interstate
40 Commission of the Delaware River Basin, that the employee
41 shall have been a member of the system for at least ten years
42 prior to January 1, 1963.

43 (3) Any separate independent public corporation created
44 by statute, not including any municipal or quasi-municipal
45 corporation, so long as he remains an officer or employee of
46 such public corporation, and provided that such officer or
47 employee of such public corporation was an employee of the
48 Commonwealth immediately prior to his employment by such
49 corporation, and further provided such public corporation
50 shall agree to contribute and contributes to the fund or
51 trust, from time to time, the moneys required to build up the

1 reserves necessary for the payment of the annuities or other
2 benefits of such officers and employees without any liability
3 on the part of the Commonwealth to make appropriations for
4 such purposes.

5 * * *

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

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

34 * * *

35 "Superannuation score." The sum of the member's age in whole
36 years on his last birthday and the amount of the member's total
37 eligibility points, other than eligibility points resulting from
38 Class A-5 service credit or, if a multiple service member, in
39 Class T-G on the member's effective date of retirement,
40 expressed in whole years and whole eligibility points and
41 disregarding fractions of a year and fractions of total
42 eligibility points.

43 "Sworn police officer." A State police officer who is
44 employed and serving as an officer of the Pennsylvania State
45 Police.

46 * * *

47 "Total accumulated deductions." The sum of the regular
48 accumulated deductions, additional accumulated deductions, the
49 social security integration accumulated deductions, shared-risk
50 member contributions and all other contributions other than
51 Class A-5 accumulated deductions paid into the fund for the

1 purchase, transfer or conversion of credit for service or other
2 coverage other than service or coverage in Class A-5 together
3 with all statutory interest credited thereon until the date of
4 termination of service. In the case of a vestee or a special
5 vestee, statutory interest shall be credited until the effective
6 date of retirement. A member's account shall not be credited
7 with statutory interest for more than two years during a leave
8 without pay.

9 "Trust." The State Employees' Defined Contribution Trust
10 established under Chapter 58 (relating to State Employees'
11 Defined Contribution Plan).

12 * * *

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

16 "Vestee." Any of the following:

17 (1) A member with:

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

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

27 (iii) Class A-3 or Class A-4 service with ten or
28 more eligibility points in classes of service other than
29 Class A-5 or Class T-G in the Public School Employees'
30 Retirement System ; or

31 (iv) Class A-5 service with ten or more eligibility
32 points for service in Class A-5 or, if a multiple service
33 member, Class T-G service in the Public School Employees'
34 Retirement System and

35 who has terminated State service and has elected to leave his
36 total accumulated deductions in the fund and to defer receipt
37 of an annuity.

38 "Voluntary contributions." Contributions made by a
39 participant to the trust and credited to his individual
40 investment account in excess of his mandatory pickup participant
41 contributions by an eligible rollover or direct trustee-to-
42 trustee transfer.

43 Section 303. Section 5103 of Title 71 is amended to read:
44 § 5103. Notice to members and participants.

45 Notice by publication, including, without being limited to,
46 newsletters, newspapers, forms, first class mail, letters,
47 manuals and, to the extent authorized by a policy adopted by the
48 board, electronically, including, without being limited to, e-
49 mail or [World Wide Web sites] Internet websites, distributed or
50 made available to members and participants in a manner
51 reasonably calculated to give actual notice of [those sections

1 of the State Employees' Retirement Code] the provisions of this
2 part that require notice to members or participants shall be
3 deemed sufficient notice for all purposes.

4 Section 304. Title 71 is amended by adding a section to
5 read:

6 § 5104. Reference to State Employees' Retirement System.

7 (a) Construction.--Unless the context clearly indicates
8 otherwise, any reference to the State Employees' Retirement
9 System in a statutory provision other than this part and 24
10 Pa.C.S. Pt. IV (relating to retirement for school employees)
11 shall include a reference to the State Employees' Defined
12 Contribution Plan and any reference to the State Employees'
13 Retirement Fund shall include a reference to the State
14 Employees' Defined Contribution Trust.

15 (b) Agreement.--The agreement of an employer listed in the
16 definition of "State employee" or any other law to make
17 contributions to the fund or to enroll its employees as members
18 in the system shall be deemed to be an agreement to make
19 contributions to the trust or to enroll its employees in the
20 plan.

21 Section 305. Section 5301(a), (b), (c) and (d) of Title 71
22 are amended and the section is amended by adding subsections to
23 read:

24 § 5301. Mandatory and optional membership in the system and
25 participation in the plan.

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

- 29 (1) Governor.
- 30 (2) Lieutenant Governor.
- 31 (3) Members of the General Assembly.
- 32 (4) Heads or deputy heads of administrative departments.
- 33 (5) Members of any independent administrative board or
34 commission.
- 35 (6) Members of any departmental board or commission.
- 36 (7) Members of any advisory board or commission.
- 37 (8) Secretary to the Governor.
- 38 (9) Budget Secretary.
- 39 (10) Legislative employees.
- 40 (11) School employees who have elected membership in the
41 Public School Employees' Retirement System.
- 42 (12) School employees who have elected membership in an
43 independent retirement program approved by the employer,
44 provided that in no case, except as hereinafter provided,
45 shall the employer contribute on account of such elected
46 membership at a rate greater than the employer normal
47 contribution rate as determined in section 5508(b) (relating
48 to actuarial cost method). For the fiscal year 1986-1987 an
49 employer may contribute on account of such elected membership
50 at a rate which is the greater of 7% or the employer normal
51 contribution rate as determined in section 5508(b) and for

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

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

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

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

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

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

29 (b) Optional membership in the system.--The State employees
30 listed in subsection (a) (1) through [(11)] (10) whose first
31 period of State service begins before January 1, 2018, shall
32 have the right to elect membership in the system[; once such
33 election is] before January 1, 2018, or the termination of State
34 service, whichever occurs first. The State employees listed in
35 subsection (a) (1) through (10) who first become State employees
36 on or after January 1, 2018, shall be members of the system
37 effective as of the date of their employment unless they elect
38 not to be members within 30 days after beginning State service.
39 Once such elections are exercised, membership or nonmembership,
40 as the case may be, shall continue until the termination of
41 State service. The State employees listed under subsection (a)
42 (11) shall have the right to elect membership in the system.
43 Once the election is exercised, membership shall continue until
44 the termination of State service.

45 (b.1) Optional participation in the plan.--The State
46 employees who are optional members of the system as a member of
47 Class A-5 also are optional participants in the plan. The State
48 employees who elect membership in the system as members of Class
49 A-5 also automatically elect participation in the plan as of the
50 effective date of membership in the system except for service as
51 a Class A-5 exempt employee.

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

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

8 (d) Return to service.--

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

16 (2) An annuitant, inactive participant or a participant
17 receiving distributions who returns to service as a State
18 employee on or after January 1, 2018, shall resume active
19 membership in the system, if an active member of Class A-5
20 shall, and be an active participant in the plan as of the
21 effective date of employment, except as otherwise provided in
22 section 5706(a), regardless of the optional membership or
23 participation category of the position.

24 * * *

25 Section 306. Section 5302(a), (b), (e) and (f) of Title 71,
26 amended December 28, 2015 (P.L.529, No.93), are amended to read:
27 § 5302. Credited State service.

28 (a) Computation of credited service.--In computing credited
29 State service of a member for the determination of benefits, a
30 full-time salaried State employee, including any member of the
31 General Assembly, shall receive credit for service in each
32 period for which contributions as required are made to the fund,
33 or for which contributions otherwise required for such service
34 were not made to the fund solely by reason of section 5502.1
35 (relating to waiver of regular member contributions and Social
36 Security integration member contributions) or any provision of
37 this part relating to the limitations under IRC § 401(a)(17) or
38 415, or limitations on contributions applicable to a Class A-5
39 member, except as otherwise provided in this part, but in no
40 case shall he receive more than one year's credit for any 12
41 consecutive months or 26 consecutive biweekly pay periods. A per
42 diem or hourly State employee shall receive one year of credited
43 service for each nonoverlapping period of 12 consecutive months
44 or 26 consecutive biweekly pay periods in which he is employed
45 and for which contributions are made to the fund or would have
46 been made to the fund but for such waiver under section 5502.1
47 or limitations under the IRC or limitations on contributions
48 applicable to a Class A-5 member for at least 220 days or 1,650
49 hours of employment. If the member was employed and
50 contributions were made to the fund for less than 220 days or
51 1,650 hours, he shall be credited with a fractional portion of a

1 year determined by the ratio of the number of days or hours of
2 service actually rendered to 220 days or 1,650 hours, as the
3 case may be. A part-time salaried employee shall be credited
4 with the fractional portion of the year which corresponds to the
5 number of hours or days of service actually rendered and for
6 which contributions are or would have been made to the fund
7 except for the waiver under section 5502.1, limitations under
8 the IRC or limitations on contributions applicable to a Class A-
9 5 member in relation to 1,650 hours or 220 days, as the case may
10 be. In no case shall a member who has elected multiple service
11 receive an aggregate in the two systems of more than one year of
12 credited service for any 12 consecutive months.

13 (b) Creditable leaves of absence.--

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

33 (2) An active member or active participant on paid leave
34 granted by an employer for purposes of serving as an elected
35 full-time officer for a Statewide employee organization which
36 is a collective bargaining representative under the act of
37 June 24, 1968 (P.L.237, No.111), referred to as the Policemen
38 and Firemen Collective Bargaining Act, or the act of July 23,
39 1970 (P.L.563, No.195), known as the Public Employe Relations
40 Act, and up to 14 full-time business agents appointed by an
41 employee organization that represents correction officers
42 employed at State correctional institutions: Provided, That
43 for elected full-time officers such leave shall not be for
44 more than three consecutive terms of the same office and for
45 up to 14 full-time business agents appointed by an employee
46 organization that represents correction officers employed at
47 State correctional institutions no more than three
48 consecutive terms of the same office; that the employer shall
49 fully compensate the member or participant, including, but
50 not limited to, salary, wages, pension and retirement
51 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, 5804
6 (relating to participant contributions), 5805 (relating to
7 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 and Class A-5 accumulated deductions, except that:

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

28 (ii) a member with Class A-5 service credit and one
29 or more other classes of service credit shall not have
30 his service credit in the classes of service other than
31 Class A-5 canceled when the member receives a lump sum
32 payment of Class A-5 accumulated deductions pursuant to
33 section 5705.1(b) (1); and

34 (iii) a member with Class A-5 service credit and one
35 or more other classes of service credit shall not have
36 his service credit as a member of Class A-5 canceled when
37 the member receives a lump sum payment of total
38 accumulated deductions resulting from the other classes
39 of service pursuant to section 5705.1(b) (2).

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

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

46 (1) For purposes of determining whether a member is
47 eligible to receive credited service in the system for a
48 period of active military service, other than active duty
49 service to meet periodic training requirements, rendered
50 after August 5, 1991, and that began before the effective
51 date of this paragraph, the provisions of 51 Pa.C.S. Ch. 73

1 (relating to military leave of absence) shall apply to all
2 individuals who were active members of the system when the
3 period of military service began, even if not defined as an
4 employee pursuant to 51 Pa.C.S. § 7301 (relating to
5 definitions).

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

11 (1.2) State employees may not participate in the plan or
12 exercise the options under 51 Pa.C.S. § 7306 for military
13 leaves that begin on or after the effective date of this
14 paragraph, except as otherwise provided by this subsection.

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

18 (i) A State employee who is reemployed from USERRA
19 leave as an active member of the system shall be treated
20 as not having incurred a break in State service by reason
21 of the USERRA leave and shall be granted eligibility
22 points as if the State employee had not been on the
23 USERRA leave. If a State employee who is reemployed from
24 USERRA leave as an active member of the system
25 subsequently makes regular member contributions,
26 additional member contributions, Social Security
27 integration member contributions, shared-risk member
28 contributions and any other member contributions in the
29 amounts and in the time periods required by 38 U.S.C. Ch.
30 43 (relating to employment and reemployment rights of
31 members of the uniformed services) and IRC § 414(u) as if
32 the State employee had continued in State office or
33 employment and performed State service and was
34 compensated during the period of USERRA leave, then the
35 State employee shall be granted State service credit for
36 the period of USERRA leave. The State employee shall have
37 the State employee's benefits, rights and obligations
38 determined under this part as if the State employee was
39 an active member who performed creditable State service
40 during the USERRA leave in the job position that the
41 State employee would have held had the State employee not
42 been on USERRA leave and received the compensation on
43 which the member contributions to receive State service
44 credit for the USERRA leave were determined.

45 (ii) For purposes of determining whether a State
46 employee has made the required employee contributions for
47 State service credit for USERRA leave, if an employee who
48 is reemployed from USERRA leave as an active member of
49 the system terminates State service or dies in State
50 service before the expiration of the allowed payment
51 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) (relating to member's
12 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
31 periods required by 38 U.S.C. Ch. 43 and IRC § 414(u) as
32 if the participant had continued in his State office or
33 employment and performed State service and been
34 compensated during the period of USERRA leave, the
35 participant's employer shall make the corresponding
36 employer defined contributions. The employee shall have
37 his contributions, benefits, rights and obligations
38 determined under this part as if he were an active
39 participant who performed State service during the USERRA
40 leave in the job position that he would have held had he
41 not been on USERRA leave and received the compensation on
42 which the mandatory pickup participant contributions to
43 receive State service credit for the USERRA leave were
44 determined.

45 (ii) A participant who is reemployed from USERRA
46 leave who does not make the mandatory pickup participant
47 contributions or makes only part of the mandatory pickup
48 participant contributions within the allowed payment
49 period shall not be eligible to make mandatory pickup
50 participant contributions at a later date for the period
51 of USERRA leave for which the mandatory pickup

1 participant contributions were not timely made.

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

12 (3.1) A State employee who is a participant in the plan
13 and performs USERRA leave from which the employee could have
14 been reemployed from USERRA leave had the employee returned
15 to State service in the time frames required by 38 U.S.C. Ch.
16 43 for reemployment rights, but did not do so, shall not be
17 eligible to make mandatory pickup participant contributions
18 for the period of USERRA leave should the employee later
19 return to State service and be a participant in the plan.

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

30 (4.1) An active participant or inactive participant on
31 leave without pay who on or after the effective date of this
32 paragraph is granted a leave of absence under 51 Pa.C.S. §
33 4102 or a military leave under 51 Pa.C.S. Ch. 73 that is not
34 USERRA leave shall not be able to make mandatory pickup
35 participant contributions during or for the leave of absence
36 or military leave and shall not have employer defined
37 contributions made during such leave, without regard to
38 whether or not the State employee received salary, wages,
39 stipends, differential wage payments or other payments from
40 his employer during the leave, notwithstanding any provision
41 to the contrary under 51 Pa.C.S. § 4102 or Ch. 73.

42 (5) If a member dies while performing USERRA leave, then
43 the beneficiaries or survivor annuitants, as the case may be,
44 of the deceased member are entitled to any additional
45 benefits, including eligibility points, other than benefit
46 accruals relating to the period of qualified military
47 service, provided under this part had the member resumed and
48 then terminated employment on account of death.

49 (5.1) If a participant dies while performing USERRA
50 leave, the beneficiaries or successor payees of the deceased
51 participant are entitled to any additional benefits, other

1 than benefit accruals relating to the period of qualified
2 military service, provided under this part had the
3 participant resumed and then terminated employment on account
4 of death.

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

16 Section 307. Section 5303(b) and (d)(1) of Title 71 are
17 amended and the section is amended by adding a subsection to
18 read:

19 § 5303. Retention and reinstatement of service credits.

20 * * *

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

22 (1) [Every] Subject to the limitations in subsection
23 (i), an active member of the system or a multiple service
24 member who is a school employee and a member of the Public
25 School Employees' Retirement System on or after the effective
26 date of this part shall receive eligibility points in
27 accordance with section 5307 for current State service,
28 previous State service, or creditable nonstate service upon
29 compliance with sections 5501 (relating to regular member
30 contributions for current service), 5501.1 (relating to
31 shared-risk contributions for Class A-3 [and], Class A-4 and
32 Class A-5 service), 5504 (relating to member contributions
33 for the purchase of credit for previous State service or to
34 become a full coverage member), 5505 (relating to
35 contributions for the purchase of credit for creditable
36 nonstate service), 5505.1 (relating to additional member
37 contributions) or 5506 (relating to incomplete payments).
38 Subject to the limitations in subsection (i) and sections
39 5306.1 (relating to election to become a Class AA member) and
40 5306.2 (relating to elections by members of the General
41 Assembly), the class or classes of service in which the
42 member may be credited for previous State service prior to
43 the effective date of this part shall be the class or classes
44 in which he was or could have at any time elected to be
45 credited for such service, except that a State employee who
46 first becomes a member of the system on or after January 1,
47 2011, or on or after December 1, 2010, as a member of the
48 General Assembly and:

49 (i) is credited with Class A-3 service for such
50 membership, shall be credited only with Class A-3 service
51 for previous State service performed before January 1,

1 2011, that was not previously credited in the system; or
2 (ii) is credited with Class A-4 service for such
3 membership, shall be credited only with Class A-4 service
4 for previous State service performed before January 1,
5 2011, that was not previously credited in the system.

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

10 (1.1) Every active member of the system who elects to
11 convert county service to State service pursuant to section
12 5303.1 (relating to election to convert county service to
13 State service) shall receive eligibility points in accordance
14 with section 5307 for converted county service upon
15 compliance with section 5303.1(b). The class or classes of
16 service in which the member may be credited for converted
17 county service shall be determined in accordance with section
18 5306(c).

19 (1.2) Every member of the system who elects to convert
20 school service to State service pursuant to section 5303.2
21 (relating to election to convert school service to State
22 service) shall receive eligibility points in accordance with
23 section 5307 for converted school service. The class or
24 classes of service in which the member may be credited for
25 converted school service shall be determined in accordance
26 with section 5306(d).

27 (1.3) A member of the system who is reemployed from
28 USERRA leave or who dies while performing USERRA leave shall
29 receive eligibility points in accordance with section 5307
30 for the State service that would have been performed had the
31 member not performed USERRA leave.

32 (2) A special vestee or person otherwise eligible to be
33 a special vestee who returns to State service or withdraws
34 his accumulated deductions pursuant to section 5311 (relating
35 to eligibility for refunds) or 5701 (relating to return of
36 [total] accumulated deductions) shall receive or retain
37 eligibility points in accordance with paragraph (1) but upon
38 subsequent termination of State service shall only be
39 eligible to be an annuitant vestee or inactive member without
40 regard to previous status as a special vestee and without
41 regard to the provisions of this part providing for special
42 vestees.

43 (3) A special vestee or person otherwise eligible to be
44 a special vestee who becomes an active member of the Public
45 School Employees' Retirement System and elects multiple
46 service shall receive or retain eligibility points as
47 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
48 (relating to retirement for school employees) but upon
49 subsequent termination of school service shall only be
50 eligible to be an annuitant, vestee or inactive member as
51 otherwise eligible as a multiple service member without

1 regard to previous status as a special vestee and without
2 regard to the provisions of this part providing for special
3 vestees.

4 * * *

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

6 (1) Any person who was an employee of any county in this
7 Commonwealth on the personal staff of an appellate court
8 judge prior to September 9, 1985, and who had that employment
9 transferred to the Commonwealth pursuant to 42 Pa.C.S. § 3703
10 (relating to local chamber facilities) shall be a member of
11 the system for all service rendered as an employee of the
12 Commonwealth on the personal staff of an appellate court
13 judge subsequent to the date of the transfer unless
14 specifically prohibited pursuant to section 5301(c) (relating
15 to mandatory and optional membership in the system and
16 participation in the plan). The employee shall be entitled to
17 have any prior service credit in that county or other
18 municipal pension plan or retirement system transferred to
19 the system and deemed to be State service for all purposes
20 under this part. However, for those employees who were in
21 continuous county employment which commenced prior to July
22 22, 1983, section 5505.1 shall not apply. The transfer of
23 prior service credit to the system shall occur upon the
24 transfer, by the member, county or other municipal pension
25 plan or retirement system, to the system of the amount of
26 accumulated member contributions, pick-up contributions and
27 credited interest standing in the employee's county or
28 municipal pension plan or retirement system account as of the
29 date that these funds are transferred to the system. In the
30 event that these funds have been refunded to the member, the
31 transfer of service credit shall occur when the member
32 transfers an amount equal to either the refund which the
33 member received from the county or municipal pension plan or
34 retirement system or the amount due under section 5504, if
35 less. In the case of a transfer by the member, the transfer
36 shall occur by December 31, 1987, in order for the member to
37 receive credit for the prior service. In the case of a
38 transfer by the county or other municipal pension plan or
39 retirement system, the transfer shall also occur by December
40 31, 1987. If the amount transferred to the system by the
41 member of a county or municipal pension plan or retirement
42 system is greater than the amount that would have accumulated
43 in the member's account if the employee had been a member of
44 the system, all excess funds shall be returned to the
45 employee within 90 days of the date on which such funds are
46 credited to the member's account in the system. Within 60
47 days of receipt of written notice that an employee has
48 elected to transfer credits under the provisions of this
49 subsection, the county or other municipal pension plans or
50 retirement systems shall be required to transfer to the
51 system an amount, excluding contributions due under section

1 5504(a), equal to the liability of the prior service in
2 accordance with county or other municipal pension plan or
3 retirement system benefit provisions, multiplied by the ratio
4 of system actuarial value of assets for active members to the
5 system actuarial accrued liability for active members. The
6 Public Employee Retirement Study Commission shall determine
7 the appropriate amount of employer contributions to be
8 transferred to the system by the county or other municipal
9 pension plans or retirement systems.

10 * * *

11 (i) Ineligibility to purchase previous State service
12 credit.--An active member of Class A-5 or a multiple service
13 member who is an active member of Class T-G in the Public School
14 Employees' Retirement System shall not be eligible to purchase
15 service credit for previous State service, whether or not
16 previously credited in the system, except to reinstate
17 previously credited Class A-5 service credit for which Class A-5
18 accumulated deductions were withdrawn under section 5311 or
19 5701, and except to the extent that any other provision of law
20 requires or allows any period of leave to be credited as State
21 service after the member returns from the leave to State
22 service.

23 Section 308. Sections 5303.2(a) and 5304(a) and (b) of Title
24 71 are amended to read:

25 § 5303.2. Election to convert school service to State service.

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

48 * * *

49 § 5304. Creditable nonstate service.

50 (a) Eligibility.--

51 (1) An active member who first becomes an active member

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

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

39 (3) An active member of Class A-5 or a multiple service
40 member who is a school employee and an active member of the
41 Public School Employees' Retirement System as a member of
42 Class T-G shall be eligible for Class A-5 service credit for
43 creditable nonstate service as set forth in subsections (b)
44 and (c)(2) for which the member makes the required
45 contributions to the fund.

46 * * *

47 (b) Limitations on eligibility.--An active member or a
48 multiple service member who is a school employee and an active
49 member of the Public School Employees' Retirement System shall
50 be eligible as set forth in subsection (a) to receive credit for
51 nonstate service provided that he does not have credit for such

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

14 * * *

15 Section 309. Section 5305(b) of Title 71, amended December
16 28, 2015 (P.L.529, No.93), is amended and the section is amended
17 by adding a subsection to read:

18 § 5305. Social security integration credits.

19 * * *

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

34 (1) continues subsequent to March 1, 1974 as an active
35 member in either the [State or school system;] system in a
36 class of service other than Class A-5 or, if a multiple
37 service member, as an active member in the Public School
38 Employees' Retirement System in a class of service other than
39 Class T-G;

40 (2) terminates such continuous service in the [State or
41 school] system or the Public School Employees' Retirement
42 System and returns to active membership in the [State] system
43 within six months in a class of service other than Class A-5;
44 or

45 (3) terminates his status as a vestee or an annuitant
46 and returns to State service as an active member of the
47 system in a class of service other than Class A-5.

48 * * *

49 (e) Class A-5 service ineligible for credit.--No social
50 security integration credits shall accrue for any service
51 performed or credited as Class A-5 service.

1 Section 310. Section 5305.1 of Title 71 is amended to read:
2 § 5305.1. Eligibility for actuarial increase factor.

3 A person who has credit for a class of service other than
4 Class A-5 and is:

- 5 (1) an active member;
6 (2) an inactive member on leave without pay; or
7 (3) a multiple service member who is a school employee
8 and an active member of the Public School Employees'
9 Retirement System;

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

17 Section 311. Section 5306(a), (a.1), (a.2), (a.3) and (b) of
18 Title 71 are amended and the section is amended by adding a
19 subsection to read:

20 § 5306. Classes of service.

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

22 (1) A State employee who is a member of Class A on the
23 effective date of this part or who first becomes a member of
24 the system subsequent to the effective date of this part and
25 before January 1, 2011, or before December 1, 2010, as a
26 member of the General Assembly, shall be classified as a
27 Class A member and receive credit for Class A service upon
28 payment of regular and additional member contributions for
29 Class A service, provided that the State employee does not
30 become a member of Class AA pursuant to subsection (a.1) or a
31 member of Class D-4 pursuant to subsection (a.2) or a member
32 of Class A-5.

33 (2) A State employee who first becomes a member of the
34 system on or after January 1, 2011, or on or after December
35 1, 2010, as a member of the General Assembly, and, unless a
36 Class A-5 exempt employee, before January 1, 2018, shall be
37 classified as a Class A-3 member and receive credit for Class
38 A-3 service upon payment of regular member contributions and
39 shared-risk member contributions for Class A-3 service
40 provided that the State employee does not become a member of
41 Class A-4 pursuant to subsection (a.3) or a member of Class
42 A-5, except that a member of the judiciary shall be
43 classified as a member of such other class of service for
44 which the member of the judiciary is eligible[,], and shall
45 elect and make regular member contributions unless the member
46 of the judiciary subsequently becomes a member of Class A-5.

47 (3) A Class A-5 exempt employee who is a member of Class
48 A-3 shall have all other State service performed concurrently
49 with being a Class A-5 exempt employee classed as Class A-3
50 service instead of any other class of service the service
51 might otherwise be credited as. This paragraph shall apply

1 only to service performed concurrently with Class A-5 exempt
2 service. Notwithstanding the provisions of a binding
3 arbitration award issued before July 1, 1989, under the act
4 of June 24, 1968 (P.L.237, No.111), referred to as the
5 Policemen and Firemen Collective Bargaining Act, and
6 implemented by the board, for a member who first becomes an
7 officer of the Pennsylvania State Police on or after January
8 1, 2018, other service performed before or after service as a
9 State police officer shall be credited in the class of
10 service as provided under this part.

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

12 (1) A person who becomes a State employee and an active
13 member of the system after June 30, 2001, and who first
14 became an active member before January 1, 2011, or before
15 December 1, 2010, as a member of the General Assembly, and
16 who is not a State police officer and not employed in a
17 position for which a class of service other than Class A is
18 credited or could be elected shall be classified as a Class
19 AA member and receive credit for Class AA State service upon
20 payment of regular member contributions for Class AA service
21 and, subject to the limitations contained in paragraph (7)
22 and section 5303(i) (relating to retention and reinstatement
23 of service credits), if previously a member of Class A or
24 previously employed in a position for which Class A service
25 could have been earned, shall have all Class A State service
26 (other than State service performed as a State police officer
27 or for which a class of service other than Class A was earned
28 or could have been elected) classified as Class AA service.

29 (2) A person who is a State employee on June 30, 2001,
30 and July 1, 2001, but is not an active member of the system
31 because membership in the system is optional or prohibited
32 pursuant to section 5301 (relating to mandatory and optional
33 membership in the system and participation in the plan) and
34 who first becomes an active member after June 30, 2001, and
35 before January 1, 2011, or before December 1, 2010, as a
36 member of the General Assembly, and who is not a State police
37 officer and not employed in a position for which a class of
38 service other than Class A is credited or could be elected
39 shall be classified as a Class AA member and receive credit
40 for Class AA State service upon payment of regular member
41 contributions for Class AA service and, subject to the
42 limitations contained in paragraph (7) and section 5303(i),
43 if previously a member of Class A or previously employed in a
44 position for which Class A service could have been earned,
45 shall have all Class A State service (other than State
46 service performed as a State Police officer or for which a
47 class of service other than Class A was earned or could have
48 been elected) classified as Class AA service.

49 (3) Provided that an election to become a Class AA
50 member is made pursuant to section 5306.1 (relating to
51 election to become a Class AA member), a State employee,

1 other than a State employee who is a State police officer on
2 or after July 1, 1989, who on June 30, 2001, and July 1,
3 2001, is:

4 (i) a member of Class A, other than a member of
5 Class A who could have elected membership in a Class C,
6 Class D-3, Class E-1 or Class E-2; or

7 (ii) an inactive member on a leave without pay from
8 a position in which the State employee would be a Class A
9 active member if the employee was not on leave without
10 pay, other than a position in which the State employee
11 could elect membership in Class C, Class D-3, Class E-1
12 or Class E-2;

13 shall be classified as a Class AA member and receive
14 credit for Class AA State service performed after June 30,
15 2001, upon payment of regular member contributions for Class
16 AA service and, subject to the limitations contained in
17 paragraph (7) and section 5303(i), shall receive Class AA
18 service credit for all Class A State service, other than
19 State service performed as a State police officer or as a
20 State employee in a position for which the member could have
21 elected membership in Class C, Class D-3, Class E-1 or Class
22 E-2, performed before July 1, 2001.

23 (4) Provided that an election to become a Class AA
24 member is made pursuant to section 5306.1, a former State
25 employee, other than a former State employee who was a State
26 police officer on or after July 1, 1989, who on June 30,
27 2001, and July 1, 2001, is a multiple service member and a
28 school employee and a member of the Public School Employees'
29 Retirement System, subject to the limitations contained in
30 paragraph (7) and section 5303(i), shall receive Class AA
31 service credit for all Class A State service, other than
32 State service performed as a State police officer or as a
33 State employee in a position in which the former State
34 employee could have elected a class of service other than
35 Class A, performed before July 1, 2001.

36 (5) A former State employee who first becomes a member
37 before January 1, 2011, or before December 1, 2010, as a
38 member of the General Assembly, other than a former State
39 employee who was a State police officer on or after July 1,
40 1989, who is a school employee and who on or after July 1,
41 2001, becomes a multiple service member, subject to the
42 limitations contained in paragraph (7) and section 5303(i),
43 shall receive Class AA service credit for all Class A State
44 service other than State service performed as a State
45 employee in a position in which the former State employee
46 could have elected a class of service other than Class A.

47 (6) A State employee who after June 30, 2001, becomes a
48 State police officer or who is employed in a position in
49 which the member could elect membership in the system in a
50 class of service other than Class AA or Class D-4 shall
51 retain any Class AA service credited prior to becoming a

1 State police officer or being so employed but shall be
2 ineligible to receive Class AA credit thereafter and instead
3 shall receive Class A credit for service as a member of the
4 judiciary if the judicial service begins before January 1,
5 2018, and the State employee first becomes a member of the
6 system before January 1, 2018, or if he first became a member
7 before January 1, 2011, or December 1, 2010, as a member of
8 the General Assembly, or Class A-3 credit for service other
9 than as a member of the judiciary and other than service as a
10 Class A-5 exempt employee before January 1, 2018, and he
11 first became a member on or after January 1, 2011, or
12 December 1, 2010, as a member of the General Assembly, unless
13 a class of membership other than Class A is elected.

14 (7) (i) State service performed as Class A service
15 before July 1, 2001, and State service for which Class A
16 service could have been credited but was not credited
17 because membership in the system was optional or
18 prohibited pursuant to section 5301 shall be credited as
19 Class AA service only upon the completion of all acts
20 necessary for the State service to be credited as Class A
21 service had this subsection not been enacted and upon
22 payment of required Class AA member contributions as
23 provided in section 5504 (relating to member
24 contributions for the purchase of credit for previous
25 State service or to become a full coverage member).

26 (ii) A person who is not a State employee or a
27 school employee on June 30, 2001, and July 1, 2001, and
28 who has previous State service (except a disability
29 annuitant who returns to State service after June 30,
30 2001, upon termination of the disability annuity) shall
31 not receive Class AA service credit for State service
32 performed before July 1, 2001, until such person becomes
33 an active member, or an active member of the Public
34 School Employees' Retirement System and a multiple
35 service member, and earns three eligibility points by
36 performing credited State service in a class of service
37 other than Class A-5 or credited school service in a
38 class of service other than Class T-G after June 30,
39 2001.

40 (iii) Nothing in this paragraph shall be construed
41 to authorize a member of Class A-5 or a multiple service
42 member who is a member of Class T-G in the Public School
43 Employees' Retirement System to reinstate or purchase
44 credit for previously credited or uncredited State
45 service other than as allowed under section 5303(i).

46 (a.2) Class of membership for members of the General
47 Assembly.--

48 (1) A person who:

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

1 (ii) is a member of the General Assembly on July 1,
2 2001, but is not an active member of the system because
3 membership in the system is optional pursuant to section
4 5301 and who becomes an active member after June 30,
5 2001, and before December 1, 2010;
6 and who was not a State police officer on or after July 1,
7 1989, shall be classified as a Class D-4 member and unless he
8 later becomes a member of Class A-5 receive credit as a Class
9 D-4 member for all State service as a member of the system
10 performed as a member of the General Assembly upon payment of
11 regular member contributions for Class D-4 service and,
12 subject to the limitations contained in subsection (a.1)(7)
13 and section 5303(i), if previously a member of Class A or
14 employed in a position for which Class A service could have
15 been earned, shall receive Class AA service credit for all
16 Class A State service, other than State service performed as
17 a State police officer or for which a class of service other
18 than Class A or Class D-4 was or could have been elected or
19 credited.

20 (2) Provided an election to become a Class D-4 member is
21 made pursuant to section 5306.2 (relating to elections by
22 members of the General Assembly), a State employee who was
23 not a State police officer on or after July 1, 1989, who on
24 July 1, 2001, is a member of the General Assembly and an
25 active member of the system and not a member of Class D-3
26 shall be classified as a Class D-4 member and, unless he
27 later becomes a member of Class A-5, receive credit as a
28 Class D-4 member for all State service performed as a member
29 of the General Assembly not credited as another class other
30 than Class A upon payment of regular member contributions for
31 Class D-4 service and, subject to the limitations contained
32 in paragraph (a.1)(7), shall receive Class AA service credit
33 for all Class A State service, other than State service
34 performed as a State police officer or as a State employee in
35 a position in which the member could have elected a class of
36 service other than Class A, performed before July 1, 2001.

37 (3) A member of the General Assembly who after June 30,
38 2001, becomes a State police officer shall retain any Class
39 AA service or Class D-4 service credited prior to becoming a
40 State police officer or being so employed but shall be
41 ineligible to receive Class AA or Class D-4 credit thereafter
42 and instead shall receive Class A credit or Class A-3 credit
43 if he first becomes a member of the system on or after
44 January 1, 2011, and before January 1, 2018, or Class A-5
45 credit if his most recent period of State service begins on
46 or after January 1, 2018.

47 (4) Notwithstanding the provisions of this subsection,
48 no service as a member of the General Assembly performed
49 before December 1, 2010, that is not credited as Class D-4
50 service on November 30, 2010, shall be credited as Class D-4
51 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 otherwise would be a member of Class A-3 shall be
12 classified as a Class A-4 member and receive Class A-4 credit
13 for all creditable State service performed after the effective
14 date of membership in the system, except as a member of the
15 judiciary, upon payment of regular member contributions and
16 shared-risk member contributions for Class A-4 service[.],
17 provided that the member does not terminate service and then, on
18 or after January 1, 2018, returns to the State service in a
19 position other than a Class A-5 exempt employee and elects to be
20 a member of Class A-5 under section 5306.4 (relating to election
21 to become a Class A-5 member and participant).

22 (a.4) Class A-5 membership.--

23 (1) A State employee who begins State service or becomes
24 a member of the system on or after January 1, 2018, other
25 than as a Class A-5 exempt employee, shall be classified as a
26 Class A-5 member without regard to position or office held or
27 class of service that the employee would have been a member
28 of or benefits that the member would have been eligible to
29 accrue and receive but for this subsection and shall receive
30 credit for Class A-5 service upon payment of regular member
31 contributions for Class A-5 service.

32 (2) The provisions of this part regarding the
33 establishment of and membership in Class A-5 shall apply to
34 all current and former members of the State Employees'
35 Retirement System who have returned to State service on or
36 after January 1, 2018, other than as a Class A-5 exempt
37 employee, after a termination of State service and who have
38 elected to be a member of Class A-5 under section 5306.4.

39 (3) A terminated State employee who is a member of Class
40 A-5 or who elects to be a member of Class A-5 under section
41 5306.4 who returns to State service on or after January 1,
42 2018, shall be subject to the provisions of this part
43 regarding membership in Class A-5 that are in effect on the
44 effective date of reemployment, including benefit formulas
45 and accrual rates, eligibility for annuities and
46 distributions, contribution rates, definitions, purchase of
47 creditable school, nonschool, State and nonstate service
48 provisions and actuarial and funding assumptions.

49 (4) An individual who is a State employee on January 1,
50 2018, but is not a member of the system or who first becomes
51 a State employee on or after January 1, 2018, other than as a

1 Class A-5 exempt employee, shall be ineligible for active
2 membership in any of the several classes of State service as
3 otherwise provided for under this section other than Class A-
4 5. Any such State employee, if eligible, may be a member of
5 Class A-5 as a result of such State service.

6 (5) Notwithstanding this subsection the following shall
7 apply:

8 (i) A current or former Class A-5 exempt employee
9 who has service as a Class A-5 exempt employee credited
10 as Class A service shall receive Class A service credit
11 for any State service that otherwise would be credited as
12 Class A-5 and shall not be eligible to be an active
13 participant in the plan for the service.

14 (ii) A current or former Class A-5 exempt employee
15 who has service as a Class A-5 exempt employee credited
16 as Class A-3 or Class A-4 service before January 1, 2018,
17 shall receive Class A-3 or Class A-4 service credit, as
18 the case may be, for any State service that otherwise
19 would be credited as Class A-5 and shall not be eligible
20 to be an active participant in the plan for the service.

21 (iii) A person who first becomes a Class A-5 exempt
22 employee on or after January 1, 2018, shall receive
23 credit for service as a State police officer as a member
24 of Class A-3, unless the member would otherwise be
25 eligible to receive Class A credit for service as a Class
26 A-5 exempt employee, upon payment of the required member
27 contributions and shall not be eligible to be an active
28 participant in the plan for such service. All other
29 creditable State service shall be credited as otherwise
30 provided under this part, including as Class A-5 service,
31 except that any State service performed concurrently with
32 service as an active or inactive member on leave without
33 pay as a Class A-5 exempt employee shall be credited as
34 Class A-3 service and shall not be eligible for active
35 participation in the plan. Class A-3 service provided for
36 under this subparagraph shall be subject to an election
37 to be credited as Class A-4 service.

38 (iv) Notwithstanding the provisions of a binding
39 arbitration award issued before July 1, 1989, under the
40 act of June 24, 1968 (P.L.237, No.111), referred to as
41 the Policemen and Firemen Collective Bargaining Act, and
42 implemented by the board, for a member who first becomes
43 an officer of the Pennsylvania State Police on or after
44 January 1, 2018, other service performed before or after
45 service as a officer of the Pennsylvania State Police
46 shall be credited in the class of service provided under
47 this part.

48 (b) Other class membership.--

49 (1) A State employee who is a member of a class of
50 service other than Class A on the effective date of this part
51 shall retain his membership in that class until such service

1 is discontinued; any service thereafter shall be credited as
2 Class A service, Class AA service, Class A-5 or Class D-4
3 service as provided for in this section.

4 (2) Notwithstanding any other provision of this section,
5 a State employee [who] whose first period of State service
6 began before January 1, 2018, is appointed [bail
7 commissioner] arraignment court magistrate of the
8 Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a) (5)
9 (relating to jurisdiction and venue) and is eligible to be a
10 member of the system as an arraignment court magistrate may,
11 within 30 days of the effective date of this sentence or
12 within 30 days of his initial appointment as a [bail
13 commissioner] arraignment court magistrate, whichever is
14 later, elect Class E-2 service credit for service performed
15 as [a bail commissioner] an arraignment court magistrate
16 until the termination of State service. This class of service
17 multiplier for E-2 service as a bail commissioner shall be
18 1.5.

19 * * *

20 Section 312. Sections 5306.1(c), 5306.2(b) and 5306.3(c) and
21 (d) of Title 71 are amended to read:

22 § 5306.1. Election to become a Class AA member.

23 * * *

24 (c) Effect of election.--An election to become a Class AA
25 member shall become effective the later of July 1, 2001, or the
26 date when the election is filed with the board and shall remain
27 in effect until the termination of employment. Upon termination
28 and a subsequent reemployment that occurs before January 1,
29 2018, the member's class of service shall be credited in the
30 class of service otherwise provided for in this part. If the
31 reemployment occurs on or after January 1, 2018, the State
32 employee's eligibility for membership and class of service in
33 the system or participation in the plan shall be as provided in
34 this part.

35 * * *

36 § 5306.2. Elections by members of the General Assembly.

37 * * *

38 (b) Effect of election.--Membership as a Class D-4 member
39 shall become effective on July 1, 2001, and shall remain in
40 effect until the termination of service as a member of the
41 General Assembly. Upon termination and a subsequent reemployment
42 that occurs before January 1, 2018, unless the reemployment is
43 as a Class A-5 exempt employee the member's class of service
44 shall be credited in the class of service otherwise provided for
45 in this part. If the reemployment occurs on or after January 1,
46 2018, the State employee's eligibility for membership and class
47 of service in the system or participation in the plan shall be
48 as provided in this part.

49 * * *

50 § 5306.3. Election to become a Class A-4 member.

51 * * *

1 (c) Effect of election.--An election to become a Class A-4
2 member shall be irrevocable and shall become effective on the
3 effective date of membership in the system and shall remain in
4 effect for all future [creditable] State service[.] creditable
5 in the system that otherwise is not credited as Class A-5
6 service, other than service performed as a member of the
7 judiciary, but shall not apply to service performed after a
8 termination of State service and a reemployment when the
9 reemployment occurs on or after January 1, 2018, and the member
10 elects to be a member of Class A-5 under section 5306.4
11 (relating to election to become a Class A-5 member and
12 participant). Payment of regular member contributions for Class
13 A-4 State service performed prior to the election of Class A-4
14 membership shall be made in a form, manner and time determined
15 by the board. Upon termination of State service and a subsequent
16 reemployment, a member who elected Class A-4 membership shall be
17 credited as a Class A-4 member for creditable State service
18 performed after reemployment, except as a member of the
19 judiciary, regardless of termination of employment, termination
20 of membership by withdrawal of accumulated deductions or status
21 as an annuitant, vestee or inactive member after the termination
22 of service; provided that the member does not elect to be a
23 member of Class A-5.

24 (d) Effect of failure to make election.--Failure to elect to
25 become a Class A-4 member within the election period set forth
26 in subsection (b) shall result in all of the member's State
27 service, other than service performed as a member of the
28 judiciary or that would otherwise be credited as Class A-5 after
29 a termination and return to State service, being credited as
30 Class A-3 service and not subject to further election or
31 crediting as Class A-4 service. Upon termination and subsequent
32 employment, a member who failed to elect to become a Class A-4
33 member shall not be eligible to make another election to become
34 a Class A-4 member for either past or future State service.

35 Section 312.1. Title 71 is amended by adding a section to
36 read:

37 § 5306.4. Election to become a Class A-5 member and
38 participant.

39 (a) General rule.--A person who returns to State service on
40 or after January 1, 2018, and becomes a member of a class of
41 service other than Class A-5 who has not previously declined to
42 elect Class A-5 membership under this section may elect to
43 become a member of Class A-5 and a participant in the plan.

44 (b) Time for making election.--The election to become a
45 Class A-5 member and participant must be made by the member
46 filing written notice with the board in a form and manner
47 determined by the board no later than 45 days after notice from
48 the board of the member's eligibility to elect Class A-5
49 membership and participation. A State employee who is eligible
50 to elect to become a Class A-5 member and participant who begins
51 USERRA leave during the election period without having elected

1 Class A-5 membership and participation may make the election
2 within 45 days after being reemployed from USERRA leave.

3 (c) Effect of election.--An election to become a Class A-5
4 member and participant shall be irrevocable and shall become
5 effective on the effective date of active membership in the
6 system resulting from the member's return to service. Payment of
7 regular member contributions and shared-risk member
8 contributions for Class A-5 State service performed prior to the
9 election of Class A-5 membership shall be made in a form, manner
10 and time determined by the board. Payment of employer defined
11 contributions and mandatory participant contributions to the
12 plan for State service performed prior to the election of
13 participation in the plan shall be as established in the plan
14 document. Upon termination and subsequent reemployment, a member
15 who elected Class A-5 membership and participation in the plan
16 shall be credited as a Class A-5 member and participant for
17 creditable State service performed after reemployment,
18 regardless of termination of employment, termination of
19 membership or participation by withdrawal of total accumulated
20 deductions, Class A-5 accumulated deductions or distribution of
21 all or part of accumulated total defined contributions or status
22 as an annuitant, vestee, inactive member, participant receiving
23 distributions or inactive participant after the termination of
24 service.

25 (d) Effect of failure to make election.--Failure to elect to
26 become a Class A-5 member and participant within the election
27 period set forth in subsection (b) shall result in all of the
28 member's State service being credited in the class of membership
29 otherwise provided for under this part and not subject to
30 further election or crediting as Class A-5 service or eligible
31 for participation in the plan. Upon termination and subsequent
32 employment, a member who failed to elect to become a Class A-5
33 member and participant shall not be eligible to make another
34 election to become a Class A-5 member or participant for either
35 past or future State service.

36 Section 312.2. Section 5307 of Title 71 is amended to read:
37 § 5307. Eligibility points.

38 (a) General rule.--An active member of the system shall
39 accrue one eligibility point for each year of credited service
40 as a member of the [State or] system and if a multiple service
41 member as a member of the Public School Employees' Retirement
42 System. A member shall accrue an additional two-thirds of an
43 eligibility point for each year of Class D-3 credited service.
44 In the case of a fractional part of a year of credited service,
45 a member shall accrue the corresponding fractional portion of
46 eligibility points to which the class of service entitles him.

47 (a.1) USERRA leave.--A member of the system or participant
48 in the plan who is reemployed from USERRA leave or who dies
49 while performing USERRA leave shall be granted the eligibility
50 points that he would have accrued had he continued in his State
51 office or employment instead of performing USERRA leave. In the

1 event that a State employee who is reemployed from USERRA leave
2 makes the member contributions or mandatory pickup participant
3 contributions to be granted State service credit for the USERRA
4 leave, no additional eligibility points will be granted.

5 (b) Transitional rule.--

6 (1) In determining whether a member who is not a State
7 employee or school employee on June 30, 2001, and July 1,
8 2001, and who has previous State service (except a disability
9 annuitant who returns to State service after June 30, 2001,
10 upon termination of the disability annuity) has the five
11 eligibility points required by sections 5102 (relating to
12 definitions), 5308(b) (relating to eligibility for
13 annuities), 5309 (relating to eligibility for vesting),
14 5704(b) (relating to disability annuities) and 5705(a)
15 (relating to member's options), only eligibility points
16 earned by performing credited State service[,] or USERRA
17 leave in a class of service other than Class A-5, or credited
18 school service as an active member of the Public School
19 Employees' Retirement System in a class of service other than
20 Class T-G after June 30, 2001, shall be counted until such
21 member earns one such eligibility point by performing
22 credited State service or credited school service after June
23 30, 2001, at which time all eligibility points other than
24 eligibility points in classes of service other than Class A-5
25 or Class T-G as determined pursuant to subsection (a) shall
26 be counted.

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

30 (i) has ten or more eligibility points of the
31 applicable class of service as determined pursuant to
32 subsection (a); or

33 (ii) has Class G, Class H, Class I, Class J, Class
34 L, Class M or Class N service and has eight or more
35 eligibility points of a class of service other than Class
36 A-5 or Class T-G as determined pursuant to subsection

37 (a).

38 (c) Transitional rule for members with Class A-5 service
39 credit.--

40 (1) Any provision of this part pertaining to eligibility
41 points applicable to the eligibility for or calculation of
42 annuities or benefits attributable to classes of service
43 other than Class A-5 shall not include any eligibility points
44 attributable to service credited in Class A-5 or as a member
45 of Class T-G in the Public School Employees' Retirement
46 System.

47 (2) Any provision of this part pertaining to eligibility
48 points applicable to the eligibility for or calculation of
49 annuities or benefits attributable to service in Class A-5
50 shall include only eligibility points attributable to service
51 credited in Class A-5 or if a multiple service member as a

1 member of Class T-G in the Public School Employees'
2 Retirement System.

3 (3) Only eligibility points earned as a member of Class
4 A-5, or if a multiple service member, as a member of Class T-
5 G in the Public School Employees' Retirement System, shall be
6 applicable to any provision in this part requiring
7 eligibility points for the determination or payment of
8 benefits from the plan.

9 Section 312.3. Section 5308 of Title 71, amended December
10 28, 2015 (P.L.529, No.93), is amended to read:

11 § 5308. Eligibility for annuities.

12 (a) Superannuation annuity.--Attainment of superannuation
13 age by an active member or an inactive member on leave without
14 pay with three or more eligibility points other than eligibility
15 points resulting from nonstate service or nonschool service
16 shall entitle him to receive a superannuation annuity upon
17 termination of State service and compliance with section 5907(f)
18 (relating to rights and duties of State employees [and
19 members).], members and participants); provided that only
20 eligibility points earned in classes of service other than Class
21 A-5 or, if a multiple service member, in Class T-G shall be used
22 to determine if a member has the three eligibility points
23 necessary to be eligible to receive a superannuation annuity
24 attributable to classes of service other than Class A-5; and
25 further provided, that only eligibility points earned in Class
26 A-5 or, if a multiple service member, in Class T-G shall be used
27 to determine if a member has the three eligibility points
28 necessary to be eligible to receive a superannuation annuity
29 attributable to Class A-5 service.

30 (b) Withdrawal annuity.--

31 (1) Any vestee or any active member or inactive member
32 on leave without pay who terminates State service having five
33 or more eligibility points and who does not have Class A-3
34 [or], Class A-4 or Class A-5 service credit or Class T-E
35 [or], Class T-F or Class T-G service credit in the Public
36 School Employees' Retirement System, or who has Class G,
37 Class H, Class I, Class J, Class K, Class L, Class M or Class
38 N service and terminates State service having five or more
39 eligibility points, upon compliance with section 5907(f), (g)
40 or (h) shall be entitled to receive an annuity.

41 (2) Any vestee, active member or inactive member on
42 leave without pay who has Class A-3 or Class A-4 service
43 credit or, if a multiple service member, Class T-E or Class
44 T-F service credit in the Public School Employees' Retirement
45 System who terminates State service having ten or more
46 eligibility points in classes of service other than Class A-5
47 or Class T-G in the Public School Employees' Retirement
48 System, upon compliance with section 5907(f), (g) or (h),
49 shall be entitled to receive an annuity based on service and
50 compensation in classes of service other than Class A-5 or
51 Class T-G.

1 (3) Any vestee, active member or inactive member on
2 leave without pay who has either Class A-3 [or], Class A-4 or
3 Class A-5 service credit or, if a multiple service member,
4 Class T-E [or], Class T-F or Class T-G service credit in the
5 Public School Employees' Retirement System and also has
6 service credited in the system in one or more other classes
7 of service who has five or more, but fewer than ten,
8 eligibility points from classes of service other than Class
9 A-5 or Class T-G, upon compliance with section 5907(f), (g)
10 or (h), shall be eligible to receive an annuity calculated on
11 his service credited in classes of service other than Class
12 A-3 [or], Class A-4 or Class A-5, provided that the member
13 has five or more eligibility points resulting from service in
14 classes other than Class A-3 [or], Class A-4 or Class A-5 or
15 Class T-E [or], Class T-F or Class T-G service in the Public
16 School Employees' Retirement System.

17 (4) In addition to any withdrawal annuity payable under
18 paragraph (2) or (3), any vestee, active member or inactive
19 member on leave without pay who terminates State service
20 having ten or more eligibility points resulting from Class A-
21 5 service credit or, if a multiple service member, Class T-G
22 service credit in the Public School Employees' Retirement
23 System, upon compliance with section 5907 (f), (g) or (h)
24 shall be entitled to receive an annuity based on service and
25 compensation as a member of Class A-5 and Class T-G in
26 addition to any annuity the member is eligible to receive
27 from other classes of service.

28 (c) Disability annuity.--An active member or inactive member
29 on leave without pay who:

30 (1) has five or more eligibility points other than
31 eligibility points resulting from service as a member of
32 Class A-5 or membership in the Public School Employees'
33 Retirement System [or any active member or inactive member on
34 leave without pay who];

35 (2) is an officer of the Pennsylvania State Police or an
36 enforcement officer; or

37 (3) has five or more eligibility points resulting from
38 service as a member of Class A-5;

39 shall, upon compliance with section 5907(k), be entitled to a
40 disability annuity based on service and compensation in classes
41 other than Class A-5 if he is eligible for a disability annuity
42 on service other than as a member of Class A-5 and a disability
43 annuity based on service and compensation in Class A-5 if he is
44 eligible for a disability annuity based on service and
45 compensation as a member of Class A-5 if he becomes mentally or
46 physically incapable of continuing to perform the duties for
47 which he is employed and qualifies in accordance with the
48 provisions of section 5905(c)(1) (relating to duties of the
49 board regarding applications and elections of members).

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

1 required beginning date.

2 Section 312.4. Section 5308.1 introductory paragraph and (1)
3 of Title 71 are amended to read:

4 § 5308.1. Eligibility for special early retirement.

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

8 (1) During the period of July 1, 1985, to September 30,
9 1991, an active member who has attained the age of at least
10 53 years and has accrued at least 30 eligibility points shall
11 be entitled, upon termination of State service and compliance
12 with section 5907(f) (relating to rights and duties of State
13 employees [and], members and participants), to receive a
14 maximum single life annuity calculated under section 5702
15 (relating to maximum single life annuity) without a reduction
16 by virtue of an effective date of retirement which is under
17 the superannuation age.

18 * * *

19 Section 312.5. Section 5309 of Title 71, amended December
20 28, 2015 (P.L.529, No.93), is amended to read:

21 § 5309. Eligibility for vesting.

22 Any member who:

23 (1) Does not have Class A-3 [or], Class A-4 or Class A-5
24 service credit or if a multiple service member, Class T-E
25 [or], Class T-F or Class T-G service credit in the Public
26 School Employees' Retirement System and terminates State
27 service, or if a multiple service member and an active member
28 of the Public School Employees' Retirement System terminates
29 school service, with five or more eligibility points, or any
30 member with Class G, Class H, Class I, Class J, Class K,
31 Class L, Class M or Class N service with five or more
32 eligibility points, shall be eligible until his required
33 beginning date to vest his retirement benefits.

34 (2) Has only Class A-3 [or] and, if a multiple service
35 member, only Class A-4 service credit or Class T-E or Class
36 T-F service credit in the Public School Employees' Retirement
37 System and terminates State service, or if a multiple service
38 member and an active member of the Public School Employees'
39 Retirement System terminates school service, with ten or more
40 eligibility points shall be eligible until his required
41 beginning date to vest his retirement benefits.

42 (3) Has either Class A-3 [or] and, if a multiple service
43 member, Class A-4 service credit or Class T-E or Class T-F
44 service credit in the Public School Employees' Retirement
45 System, also has service other than Class A-5 credited in the
46 system in one or more other classes of service and has five
47 or more, but fewer than ten, eligibility points resulting
48 from service in classes other than Class A-5 or Class T-G and
49 terminates State service, or if a multiple service member and
50 an active member of the Public School Employees' Retirement
51 System terminates school service, shall be eligible until his

1 required beginning date to vest his retirement benefits
2 calculated on his service credited in classes of service
3 other than Class A-3 [or], Class A-4 or Class A-5 and to be
4 credited with statutory interest on total accumulated
5 deductions, regardless of whether or not any part of his
6 accumulated deductions are a result of Class A-3 or Class A-4
7 service credit.

8 (4) Has only Class A-5 service credit and, if a multiple
9 service member, only Class T-G service credit in the Public
10 School Employees' Retirement System and terminates State
11 service, or, if a multiple service member and an active
12 member of the Public School Employees' Retirement System,
13 terminates school service with ten or more eligibility points
14 shall be eligible until his required beginning date to vest
15 his retirement benefits resulting from Class A-5 service.

16 (5) Has Class A-5 service credit and service credited in
17 one or more other classes of service and terminates State
18 service, or if a multiple service member and an active member
19 of the Public School Employees' Retirement System terminates
20 school service, shall be eligible to vest his retirement
21 benefits based on Class A-5 service until the attainment of
22 the applicable superannuation age if he would be required or
23 eligible to vest his retirement benefits based on Class A-5
24 service under paragraph (4) disregarding all classes of
25 service other than Class A-5 and Class T-G and shall be
26 eligible to vest his retirement benefits in each other class
27 of service other than Class A-5 in accordance with the
28 requirements of each class of service until the attainment of
29 the applicable superannuation ages for each class of service
30 for which he would be able to vest his retirement benefits
31 under paragraph (1), (2) or (3) disregarding service in Class
32 A-5 and Class T-G.

33 Section 312.6. Section 5310 of Title 71 is amended to read:
34 § 5310. Eligibility for death benefits.

35 In the event of the death of a member who is eligible for an
36 annuity in accordance with section 5308(a) or (b) (relating to
37 eligibility for annuities), his beneficiary shall be entitled to
38 a death benefit. For purposes of this section, a member with ten
39 or more but less than 25 eligibility points resulting from Class
40 A-5 service credit or, if a multiple service member, Class T-G
41 service credit in the Public School Employees' Retirement System
42 shall be considered eligible for an annuity based on Class A-5
43 service even if under superannuation age.

44 Section 312.7. Sections 5311 and 5501 of Title 71, amended
45 December 28, 2015 (P.L.529, No.93), are amended to read:

46 § 5311. Eligibility for refunds.

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

(b) Social security integration accumulated deductions.--Any active member at any time after the attainment of normal retirement age may elect to receive his social security integration accumulated deductions and thereby to have all his social security integration credits and benefits therefor cancelled, and shall not be entitled to accrue any further social security integration credits or benefits; except that a disability annuitant who returns to State service in a class of service other than Class A-5 shall have the right to reinstate his social security integration accumulated deductions and credits therefor.

§ 5501. Regular member contributions for current service.

Regular member contributions shall be made to the fund on behalf of each active member for current service except for any period of current service in which the making of such contributions has ceased solely by reason of section 5502.1 (relating to waiver of regular member contributions and Social Security integration member contributions) or any provision of this part relating to the limitations under IRC § 401(a)(17) or 415 or limitations on contributions to the system applicable to a Class A-5 member who is making mandatory pickup participant contributions to the trust.

Section 313. Section 5501.1(a) and (b)(1) and (7) of Title 71 are amended and the section is amended by adding a subsection to read:

§ 5501.1. Shared-risk member contributions for Class A-3 [and], Class A-4 and Class A-5 service.

(a) General.--Shared-risk member contributions shall be made to the fund on behalf of each member of Class A-3 [or], Class A-4 or Class A-5 for current service credited as Class A-3 [or], Class A-4 or Class A-5 as provided under this section, except for any period of current service in which the making of the contributions has ceased solely by reason of any provision of this part relating to the limitations under IRC § 401(a)(17) or 415 or any provision of this part limiting contributions applicable to a Class A-5 member. Shared-risk member contributions shall be credited to the members' savings account.

(b) Determination of shared-risk contribution rate[.--] for Class A-3 and Class A-4 service.--The shared-risk contribution for Class A-3 and Class A-4 service shall be determined as follows:

(1) For the period from the effective date of this section until June 30, 2014, the shared-risk contribution rate for Class A-3 and Class A-4 service shall be zero.

* * *

(7) For any fiscal year in which the actual contributions by the Commonwealth or an employer are lower than those required to be made under section 5507(d) (relating to contributions to the system by the Commonwealth and other employers), the prospective shared-risk contribution rate for those employees whose employers are not

1 making the contributions required by section 5507(d) shall be
2 zero and shall not subsequently be increased, except as
3 otherwise provided in this section.

4 * * *

5 (c) Determination of shared-risk contribution rate for Class
6 A-5 service.--The shared risk contribution for Class A-5 service
7 shall be determined as follows:

8 (1) For the period from the effective date of this
9 section until June 30, 2020, the shared-risk contribution
10 rate for Class A-5 service shall be zero.

11 (2) For the period from July 1, 2020, to June 30, 2023,
12 if the annual interest rate adopted by the board for use
13 during the period from January 1, 2017, to December 31, 2019,
14 for the calculation of the normal contribution rate is more
15 than 1% greater than the actual rate of return, net of fees,
16 of the investments of the fund based on market value over the
17 period, the shared-risk contribution rate shall be 0.5%. In
18 all other situations, the shared-risk contribution rate shall
19 be zero.

20 (3) For each subsequent three-year period, the shared-
21 risk contribution rate shall be increased by 0.5% if the
22 annual interest rate adopted by the board for use during the
23 previous ten-year period for the calculation of the normal
24 contribution rate is more than 1% greater than the actual
25 rate of return, net of fees, of the investments of the fund
26 based on market value over the period. The shared-risk
27 contribution rate shall be decreased by 0.5% if the annual
28 interest rate adopted by the board for use during the
29 previous ten-year period for the calculation of the normal
30 contribution rate is equal to or less than the actual rate of
31 return, net of fees, of the investments of the fund based on
32 market value over that period.

33 (4) Notwithstanding paragraphs (2) and (3), the shared-
34 risk contribution rate may not be less than zero and may not
35 be more than the experience adjustment factor resulting from
36 investment gains or losses in effect on the first day when
37 the new rate would be applied, expressed as a percentage of
38 member compensation, provided that in no event may the
39 shared-risk contribution rate be more than 2%. For the
40 determination of the shared-risk contribution rate to be
41 effective July 1, 2023, the determination period shall be
42 January 1, 2017, through December 31, 2022. For the
43 determination of the shared-risk contribution rate to be
44 effective July 1, 2026, the determination period shall be
45 January 1, 2020, through December 31, 2025.

46 (5) The shared-risk contribution rate and the factors
47 entering into its calculation shall be certified by the
48 actuary as part of the annual valuations and the actuarial
49 investigation and evaluation of the system conducted every
50 five years under section 5902(j) (relating to administrative
51 duties of the board).

1 (6) In the event that the annual interest rate adopted
2 by the board for the calculation is changed during the period
3 used to determine the shared-risk contribution rate, the
4 board, with the advice of the actuary, shall determine the
5 applicable rate during the entire period, expressed as an
6 annual rate.

7 (7) For any fiscal year in which the actual
8 contributions by the Commonwealth or an employer are lower
9 than those required to be made under section 5507(d)
10 (relating to contributions to the system by the Commonwealth
11 and other employers), the prospective shared-risk
12 contribution rate for those employees whose employers are not
13 making the contributions required by section 5507(d) shall be
14 zero and shall not subsequently be increased, except as
15 otherwise provided in this section.

16 (8) If the actuary certifies that the accrued liability
17 contributions calculated in accordance with the actuarial
18 cost method provided in section 5508(b), as adjusted by the
19 experience adjustment factor, are zero or less, then the
20 shared-risk contribution rate for the next fiscal year shall
21 be zero and shall not subsequently be increased, except as
22 otherwise provided in this section.

23 Section 314. Section 5502 of Title 71, amended December 28,
24 2015 (P.L.529, No.93), is amended to read:

25 § 5502. Social Security integration member contributions.

26 Except for any period of current service in which the making
27 of regular member contributions has ceased solely by reason of
28 section 5502.1 (relating to waiver of regular member
29 contributions and Social Security integration member
30 contributions) or any provision of this part relating to
31 limitations under IRC § 401(a)(17) or 415, contributions shall
32 be made on behalf of [a] an active member of any class other
33 than Class A-5 who prior to March 1, 1974, has elected Social
34 Security integration coverage. The amount of such contributions
35 shall be 6 1/4% of that portion of his compensation as an active
36 member in excess of the maximum wages taxable under the
37 provisions of the Social Security Act (49 Stat. 620, 42 U.S.C. §
38 301 et seq.), in addition to the regular member contributions
39 which, after such election, shall be determined on the basis of
40 the basic contribution rate of 5% and the additional member
41 contribution of 1 1/4%: Provided, That a member may elect to
42 discontinue Social Security integration coverage and shall
43 thereafter be ineligible to accrue any further Social Security
44 integration credits or any additional benefits on account of
45 Social Security integration membership.

46 Section 314.1. Sections 5502.1(b) and 5503.1(a) of Title 71
47 are amended to read:

48 § 5502.1. Waiver of regular member contributions and Social
49 Security integration member contributions.

50 * * *

51 (b) Applicability.--This section shall not apply to any

1 member who has Class A-3 [or], Class A-4 or Class A-5 service
2 credit.

3 * * *

4 § 5503.1. Pickup contributions.

5 (a) Treatment for purposes of IRC § 414(h).--All
6 contributions to the fund required to be made under sections
7 5501 (relating to regular member contributions for current
8 service), 5501.1 (relating to shared-risk member contributions
9 for Class A-3 [and], Class A-4 and Class A-5 service), 5502
10 (relating to Social Security integration member contributions),
11 5503 (relating to joint coverage member contributions) and
12 [section] 5505.1 (relating to additional member contributions),
13 with respect to current State service rendered by an active
14 member on or after January 1, 1982, shall be picked up by the
15 Commonwealth or other employer and shall be treated as the
16 employer's contribution for purposes of IRC § 414(h).

17 * * *

18 Section 314.2. Section 5504 of Title 71, amended December
19 28, 2015 (P.L.529, No.93), is amended to read:

20 § 5504. Member contributions for the purchase of credit for
21 previous State service or to become a full coverage
22 member.

23 (a) Amount of contributions for service in other than Class
24 G through N.--

25 (1) The contributions to be paid by an active member or
26 eligible school employee for credit [for] in the system for
27 the portion of total previous State service other than
28 service in Class G, Class H, Class I, Class J, Class K, Class
29 L, Class M and Class N that a member is eligible to have
30 credited or to become a full coverage member shall be
31 sufficient to provide an amount equal to the regular and
32 additional accumulated deductions which would have been
33 standing to the credit of the member for such service had
34 regular and additional member contributions been made with
35 full coverage in the class of service and at the rate of
36 contribution applicable during such period of previous
37 service and had his regular and additional accumulated
38 deductions been credited with statutory interest during all
39 periods of subsequent State service as an active member or
40 inactive member on leave without pay and school service as an
41 active member or inactive member of the Public School
42 Employees' Retirement System up to the date of purchase.

43 (2) Notwithstanding paragraph (1), active members [with]
44 who perform State service credited as Class A-3 [State]
45 service shall make contributions and receive credit as if the
46 previous State service was Class A-3 service, and active
47 members [with] who perform State service credited as Class A-
48 4 [State] service shall make contributions and receive credit
49 as if the previous State service was Class A-4 service, even
50 if it would have been credited as a different class of
51 service had the State employee been a member of the system at

1 the time the service was performed unless it was mandatory
2 that the State employee be an active member of the system and
3 the previous State service is being credited as the result of
4 a mandatory active membership requirement.

5 (a.1) Converted county service.--No contributions shall be
6 required to restore credit for previously credited State service
7 in Class G, Class H, Class I, Class J, Class K, Class L, Class M
8 and Class N. Such service shall be restored upon the
9 commencement of payment of the contributions by an active member
10 of a class of service other than Class A-5 required to restore
11 credit in the system for all other previous State service other
12 than Class A-5 service.

13 (b) Certification and method of payment.--

14 (1) The amount payable shall be certified in each case
15 by the board in accordance with methods approved by the
16 actuary and shall be paid in a lump sum within 30 days or in
17 the case of an active member or eligible school employee who
18 is an active member of the Public School Employees'
19 Retirement System may be amortized with statutory interest
20 through salary deductions to the system in amounts agreed
21 upon by the member and the board. The salary deduction
22 amortization plans agreed to by members and the board may
23 include a deferral of payment amounts and statutory interest
24 until the termination of school service or State service as
25 the board in its sole discretion decides to allow. The board
26 may limit the salary deduction amortization plans to such
27 terms as the board in its sole discretion determines. In the
28 case of an eligible school employee who is an active member
29 of the Public School Employees' Retirement System, the agreed
30 upon salary deductions shall be remitted to the Public School
31 Employees' Retirement Board, which shall certify and transfer
32 to the board the amounts paid.

33 (2) No payments for service or coverage shall be allowed
34 for which the required contributions would cause a violation
35 of the limitation related to contributions applicable to
36 governmental plans contained in IRC § 415. In the event that
37 any service credit or coverage based on such disallowed
38 contributions is granted after the effective date of this
39 paragraph, then such service credit shall be canceled and
40 benefits calculated without regard to such service or
41 contributions and any member contributions in excess of the
42 limitations and statutory interest credited on those
43 contributions shall be refunded to the member by the board.

44 Section 314.3. Sections 5505(b)(1), (c), (d) and (i)(4) and
45 5506.1(a) of Title 71 are amended to read:

46 § 5505. Contributions for the purchase of credit for creditable
47 nonstate service.

48 * * *

49 (b) Nonintervening military service.--

50 (1) (i) The amount due for the purchase of credit for
51 military service other than intervening military service

1 by a member who is eligible to make the purchase under
2 section 5304(a)(1) or (2) (relating to creditable
3 nonstate service) shall be determined by applying the
4 member's basic contribution rate, the additional
5 contribution rate plus the Commonwealth normal
6 contribution rate for active members at the time of
7 entry, subsequent to such military service, of the member
8 into State service to his average annual rate of
9 compensation, excluding compensation received for Class
10 A-5 service, over the first three years of such
11 subsequent State service and multiplying the result by
12 the number of years and fractional part of a year of
13 creditable nonintervening military service being
14 purchased together with statutory interest during all
15 periods of subsequent State service as an active member
16 or inactive member on leave without pay and school
17 service as an active member or inactive member of the
18 Public School Employees' Retirement System to date of
19 purchase.

20 (ii) The amount due for the purchase of credit for
21 military service other than intervening military service
22 by a member who is eligible to make the purchase under
23 section 5304(a)(3) shall be determined by applying the
24 member's basic contribution rate, plus the Commonwealth
25 normal contribution rate for active members at the time
26 of entry, subsequent to such military service, of the
27 member into Class A-5 State service to his average annual
28 rate of compensation received for Class A-5 service
29 subject to any limit each year by the application of the
30 Class A-5 annual compensation limit, over the first three
31 years of such subsequent Class A-5 State service and
32 multiplying the result by the number of years and
33 fractional part of a year of creditable nonintervening
34 military service being purchased, together with statutory
35 interest during all periods of subsequent State service
36 as an active member or inactive member on leave without
37 pay and school service as an active member or inactive
38 member of the Public School Employees' Retirement System
39 to date of purchase.

40 (iii) Upon application for credit for such service,
41 payment shall be made in a lump sum within 30 days or in
42 the case of an active member or eligible school employee
43 who is an active member of the Public School Employees'
44 Retirement System it may be amortized with statutory
45 interest through salary deductions in amounts agreed upon
46 by the member and the board. The salary deduction
47 amortization plans agreed to by members and the board may
48 include a deferral of payment amounts and statutory
49 interest until the termination of school service or State
50 service as the board in its sole discretion decides to
51 allow. The board may limit salary deduction amortization

1 plans to such terms as the board in its sole discretion
2 determines. In the case of an eligible school employee
3 who is an active member of the Public School Employees'
4 Retirement System, the agreed upon salary deductions
5 shall be remitted to the Public School Employees'
6 Retirement Board, which shall certify and transfer to the
7 board the amounts paid. Application may be filed for all
8 such military service credit upon completion of three
9 years of subsequent State service and shall be credited
10 as Class A service.

11 * * *

12 (c) Intervening military service.--Contributions on account
13 of credit for intervening military service shall be determined
14 by the member's regular contribution rate, shared-risk
15 contribution rate, Social Security integration contribution
16 rate, the additional contribution rate which shall be applied
17 only to those members who began service on or after the
18 effective date of this amendatory act and compensation at the
19 time of entry of the member into active military service,
20 together with statutory interest during all periods of
21 subsequent State service as an active member or inactive member
22 on leave without pay and school service as an active member or
23 inactive member of the Public School Employees' Retirement
24 System to date of purchase. Upon application for such credit the
25 amount due shall be certified in the case of each member by the
26 board in accordance with methods approved by the actuary, and
27 contributions may be made by:

- 28 (1) regular monthly payments during active military
29 service; or
30 (2) a lump sum payment within 30 days of certification;
31 or
32 (3) salary deductions to the system in amounts agreed
33 upon by the member or eligible school employee who is an
34 active member of the Public School Employees' Retirement
35 System and the board.

36 The salary deduction amortization plans agreed to by members and
37 the board may include a deferral of payment amounts and
38 statutory interest until the termination of school service or
39 State service as the board in its sole discretion decides to
40 allow. The board may limit salary deduction amortization plans
41 to such terms as the board in its sole discretion determines. In
42 the case of an eligible school employee who is an active member
43 of the Public School Employees' Retirement System, the agreed
44 upon salary deductions shall be remitted to the Public School
45 Employees' Retirement Board, which shall certify and transfer to
46 the board the amounts paid.

47 (d) Nonmilitary and nonmagisterial service.--Contributions
48 on account of credit for creditable nonstate service other than
49 military and magisterial service by State employees who first
50 become members of the system before January 1, 2011, or before
51 December 1, 2010, as a member of the General Assembly shall be

determined by applying the member's basic contribution rate, the additional contribution rate plus the Commonwealth normal contribution rate for active members at the time of entry subsequent to such creditable nonstate service of the member into State service to his compensation at the time of entry into State service as a member of the system and multiplying the result by the number of years and fractional part of a year of creditable nonstate service being purchased together with statutory interest during all periods of subsequent State service as an active member or inactive member on leave without pay and school service as an active member or inactive member of the Public School Employees' Retirement System to the date of purchase. Upon application for credit for such service payment shall be made in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System it may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and statutory interest until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible school employee who is an active member of the Public School Employees' Retirement System, the agreed upon salary deduction shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

* * *

(i) Purchases of nonstate service credit by State employees who first became members of the system on or after December 1, 2010.--

* * *

(4) The payment for credit purchased under this subsection shall be certified in each case by the board in accordance with methods approved by the actuary and shall be paid in a lump sum within 30 days or in the case of an active member or eligible school employee who is an active member of the Public School Employees' Retirement System may be amortized with statutory interest through salary deductions to the system in amounts agreed upon by the member and the board. The salary deduction amortization plans agreed to by members and the board may include a deferral of payment amounts and interest until the termination of school service or State service as the board in its sole discretion decides to allow. The board may limit the salary deduction amortization plans to such terms as the board in its sole discretion determines. In the case of an eligible school employee who is an active member of the Public School Employees' Retirement System, the agreed upon salary

deductions shall be remitted to the Public School Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

* * *

§ 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

* * *

Section 315. Title 71 is amended by adding a section to read:

§ 5506.2. Application of Class A-5 annual compensation limit.

(a) General rule.--The Class A-5 annual compensation limit shall be applied to the total compensation received each calendar year for service as a member of Class A-5 and, if a multiple service member, for service in Class T-G in the Public School Employees' Retirement System.

(b) Adjustment required.--For purposes of calculating final average salary for the determination of standard single life annuities and other benefits resulting from Class A-5 service, compensation received each calendar year for Class A-5 service and, if a multiple service member, as a school employee for service as a Class T-G member of the Public School Employees' Retirement System shall be adjusted by first limiting the compensation to the Class A-5 annual compensation limit for that year. The limited Class A-5 service compensation shall then be annualized for any part-time service on the basis of the fractional portion of the year for which credit is received.

Section 316. Section 5507(a), (b), (d) and (e) of Title 71 are amended and the section is amended by adding a subsection to read:

§ 5507. Contributions to the system by the Commonwealth and other employers.

(a) Contributions on behalf of active members.--The

1 Commonwealth and other employers whose employees are members of
2 the system or participants in the plan shall make contributions
3 to the fund on behalf of all active members in such amounts as
4 shall be certified by the board as necessary to provide,
5 together with the members' total accumulated deductions and
6 Class A-5 accumulated deductions, annuity reserves on account of
7 prospective annuities other than those provided in sections 5708
8 (relating to supplemental annuities), 5708.1 (relating to
9 additional supplemental annuities), 5708.2 (relating to further
10 additional supplemental annuities), 5708.3 (relating to
11 supplemental annuities commencing 1994), 5708.4 (relating to
12 special supplemental postretirement adjustment), 5708.5
13 (relating to supplemental annuities commencing 1998), 5708.6
14 (relating to supplemental annuities commencing 2002), 5708.7
15 (relating to supplemental annuities commencing 2003) and 5708.8
16 (relating to special supplemental postretirement adjustment of
17 2002), in accordance with the actuarial cost method provided in
18 section 5508(a), (b), (c), (d) and (f) (relating to actuarial
19 cost method).

20 (b) Contributions on behalf of annuitants.--The Commonwealth
21 and other employers whose employees are members of the system or
22 participants in the plan shall make contributions on behalf of
23 annuitants in such amounts as shall be certified by the board as
24 necessary to fund the liabilities for supplemental annuities in
25 accordance with the actuarial cost method provided in section
26 5508(e) [(relating to actuarial cost method)].

27 (b.1) Payment of employer contributions to the system.--

28 (1) Payment of employer normal contributions shall be as
29 a percentage of:

30 (i) the compensation of active members in classes of
31 service other than Class A-5; and

32 (ii) the compensation of active members of Class A-5
33 who have 25 or fewer eligibility points resulting from
34 Class A-5 service or, if a multiple service member, Class
35 T-G service up to each employee's Class A-5 annual
36 compensation limit.

37 (2) Payment of accrued liability contributions as
38 modified by the experience adjustment factor shall be as a
39 percentage of compensation of active members and active
40 participants.

41 * * *

42 (d) Payment of final contribution rate.--Notwithstanding the
43 calculation of the actuarially required contribution rate and
44 the provisions of subsections (a) and (b), the Commonwealth and
45 other employers whose employees are members of the system or
46 participants in the plan shall make contributions to the fund on
47 behalf of all active members and annuitants in such amounts as
48 shall be certified by the board in accordance with section
49 5508(i).

50 (e) Benefits completion plan contributions.--In addition to
51 all other contributions required under this section and section

1 5508, the Commonwealth and other employers whose employees are
2 members of the system shall make contributions as certified by
3 the board pursuant to section 5941 (relating to benefits
4 completion plan). Payment of contributions under this subsection
5 shall be as a percentage of the compensation of active members
6 in classes of service other than Class A-5 and the compensation
7 of active members of Class A-5 who have 25 or fewer eligibility
8 points resulting from Class A-5 service or, if a multiple
9 service member, Class T-G up to each employee's Class A-5 annual
10 compensation limit.

11 * * *

12 Section 317. Section 5508(a), (b), (c)(1) and (3), (e)(2),
13 (f) and (h) of Title 71 are amended and subsection (c) is
14 amended by adding a paragraph to read:

15 § 5508. Actuarial cost method.

16 (a) Employer contribution rate on behalf of active
17 members.--The amount of the Commonwealth and other employer
18 contributions on behalf of all active members shall be computed
19 by the actuary as a percentage of the total compensation of all
20 active members and participants, subject to the limitations in
21 section 5507(b.1) (relating to contributions to the system by
22 the Commonwealth and other employees), during the period for
23 which the amount is determined and shall be so certified by the
24 board. The actuarially required contribution rate on behalf of
25 all active members shall consist of the employer normal
26 contribution rate, as defined in subsection (b), and the accrued
27 liability contribution rate as defined in subsection (c). The
28 actuarially required contribution rate on behalf of all active
29 members shall be modified by the experience adjustment factor as
30 calculated in subsection (f).

31 (b) Employer normal contribution rate.--The employer normal
32 contribution rate shall be determined after each actuarial
33 valuation on the basis of an annual interest rate and such
34 mortality and other tables as shall be adopted by the board in
35 accordance with generally accepted actuarial principles. The
36 employer normal contribution rate shall be determined as a level
37 percentage of the compensation of the average new active member
38 on which employer normal contributions are made under section
39 5507(b.1), which percentage, if contributed on the basis of his
40 prospective compensation on which employer normal contributions
41 are made under section 5507(b.1) through his entire period of
42 active State service, would be sufficient to fund the liability
43 for any prospective benefit payable to him in excess of that
44 portion funded by his prospective member contributions,
45 excluding shared-risk member contributions. In no case shall the
46 employer normal contribution rate be less than zero.

47 (c) Accrued liability contribution rate.--

48 (1) For the fiscal years beginning July 1, 2002, and
49 July 1, 2003, the accrued liability contribution rate shall
50 be computed as the rate of total compensation of all active
51 members which shall be certified by the actuary as sufficient

1 to fund over a period of ten years from July 1, 2002, the
2 present value of the liabilities for all prospective
3 benefits, except for the supplemental benefits as provided in
4 sections 5708 (relating to supplemental annuities), 5708.1
5 (relating to additional supplemental annuities), 5708.2
6 (relating to further additional supplemental annuities),
7 5708.3 (relating to supplemental annuities commencing 1994),
8 5708.4 (relating to special supplemental postretirement
9 adjustment), 5708.5 (relating to supplemental annuities
10 commencing 1998), 5708.6 (relating to supplemental annuities
11 commencing 2002), 5708.7 (relating to supplemental annuities
12 commencing 2003) and 5708.8 (relating to special supplemental
13 postretirement adjustment of 2002), in excess of the total
14 assets in the fund (calculated recognizing all investment
15 gains and losses over a five-year period), excluding the
16 balance in the supplemental annuity account, and the present
17 value of employer normal contributions and of member
18 contributions payable with respect to all active members on
19 December 31, 2001, and excluding contributions to be
20 transferred by county retirement systems or pension plans
21 pursuant to section 5507(c) (relating to contributions to the
22 system by the Commonwealth and other employers). The amount
23 of each annual accrued liability contribution shall be equal
24 to the amount of such contribution for the fiscal year
25 beginning July 1, 2002, except that, if the accrued liability
26 is increased by legislation enacted subsequent to June 30,
27 2002, but before July 1, 2003, such additional liability
28 shall be funded over a period of ten years from the first day
29 of July, coincident with or next following the effective date
30 of the increase. The amount of each annual accrued liability
31 contribution for such additional legislative liabilities
32 shall be equal to the amount of such contribution for the
33 first annual payment.

34 * * *

35 (3) For the fiscal year beginning July 1, 2010, the
36 accrued liability contribution rate shall be computed as the
37 rate of total compensation of all active members which shall
38 be certified by the actuary as sufficient to fund in equal
39 dollar installments over a period of 30 years from July 1,
40 2010, the present value of the liabilities for all
41 prospective benefits calculated as of the immediately prior
42 valuation date, including the supplemental benefits as
43 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
44 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
45 payable from the retirement benefit plan established pursuant
46 to section 5941 (relating to benefits completion plan), in
47 excess of the actuarially calculated assets in the fund
48 (calculated recognizing all realized and unrealized
49 investment gains and losses each year in level annual
50 installments over five years), including the balance in the
51 supplemental annuity account, and the present value of

1 employer normal contributions and of member contributions
2 payable with respect to all active members, inactive members
3 on leave without pay, vestees and special vestees on December
4 31, 2009. If the accrued liability is changed by legislation
5 enacted subsequent to December 31, 2009, and before January
6 1, 2017, such change in liability shall be funded in equal
7 dollar installments over a period of ten years from the first
8 day of July following the valuation date coincident with or
9 next following the date such legislation is enacted.

10 (4) For fiscal years beginning on or after July 1, 2017,
11 the accrued liability contribution rate shall be computed as
12 provided for under paragraph (3), except that the rate shall
13 be computed as a rate of total compensation of all active
14 members and active participants. In addition to any employer
15 defined contributions made to the trust, the Commonwealth and
16 other employers of participants shall make the accrued
17 liability contributions to the fund certified by the board.
18 If the accrued liability is changed by legislation enacted
19 subsequent to December 31, 2016, the change in liability
20 shall be funded in equal dollar installments as a percentage
21 of compensation of all active members and active participants
22 over a period of ten years from the first day of July
23 following the valuation date coincident with or next
24 following the date such legislation is enacted. The accrued
25 liability contribution rate shall be determined after each
26 actuarial valuation on the basis of an annual interest rate
27 and the mortality and other tables adopted by the board in
28 accordance with generally accepted actuarial principles.

29 * * *

30 (e) Supplemental annuity contribution rate.--

31 * * *

32 (2) For fiscal years beginning on or after July 1, 2010,
33 contributions from the Commonwealth and other employers whose
34 employees are members of the system required to provide for
35 the payment of supplemental annuities as provided in sections
36 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
37 and 5708.8 shall be paid as part of the accrued liability
38 contribution rate as provided for in subsection (c)(3), and
39 there shall not be a separate supplemental annuity
40 contribution rate attributable to those supplemental
41 annuities. In the event that supplemental annuities are
42 increased by legislation enacted subsequent to December 31,
43 2009, the additional liability for the increase in benefits
44 shall be funded in equal dollar installments as a percentage
45 of compensation of all active members and active participants
46 over a period of ten years from the first day of July
47 following the valuation date coincident with or next
48 following the date such legislation is enacted.

49 (f) Experience adjustment factor.--

50 (1) For each year after the establishment of the accrued
51 liability contribution rate and the supplemental annuity

1 contribution rate for the fiscal year beginning July 1, 2010,
2 any increase or decrease in the unfunded accrued liability
3 and any increase or decrease in the liabilities and funding
4 for supplemental annuities, due to actual experience
5 differing from assumed experience (recognizing all realized
6 and unrealized investment gains and losses over a five-year
7 period), changes in contributions caused by the final
8 contribution rate being different from the actuarially
9 required contribution rate, State employees making shared-
10 risk member contributions, changes in actuarial assumptions
11 or changes in the terms and conditions of the benefits
12 provided by the system by judicial, administrative or other
13 processes other than legislation, including, but not limited
14 to, reinterpretation of the provisions of this part, shall be
15 amortized in equal dollar annual contributions as a
16 percentage of compensation of all active members and active
17 participants over a period of 30 years beginning with the
18 July 1 succeeding the actuarial valuation determining said
19 increases or decreases.

20 (2) The actuarially required contribution rate shall be
21 the sum of the normal contribution rate, the accrued
22 liability contribution rate and the supplemental annuity
23 contribution rate, modified by the experience adjustment
24 factor as calculated in paragraph (1).

25 * * *

26 (h) Temporary application of collared contribution rate.--
27 The collared contribution rate for each fiscal year shall be
28 determined by comparing the actuarially required contribution
29 rate calculated without regard for costs added by legislation to
30 the prior year's final contribution rate. If, for any of the
31 fiscal years beginning July 1, 2011, July 1, 2012, and on or
32 after July 1, 2013, the actuarially required contribution rate
33 calculated without regard for costs added by legislation is more
34 than 3%, 3.5% and 4.5%, respectively, of the total compensation
35 of all active members greater than the prior year's final
36 contribution rate, then the collared contribution rate shall be
37 applied and be equal to the prior year's final contribution rate
38 increased by the respective percentage above of total
39 compensation of all active members. Otherwise, and for all
40 subsequent fiscal years, the collared contribution rate shall
41 not be applicable. In no case shall the collared contribution
42 rate be less than 4% of total compensation of all active
43 members.

44 * * *

45 Section 318. Section 5509 of Title 71 is amended to read:
46 § 5509. Appropriations and assessments by the Commonwealth.

47 (a) Annual submission of budget.--The board shall prepare
48 and submit annually an itemized budget consisting of the amounts
49 necessary to be appropriated by the Commonwealth out of the
50 General Fund and special operating funds and the amounts to be
51 assessed the other employers required to meet the separate

1 obligations to the fund and the trust accruing during the fiscal
2 period beginning the first day of July of the following year.

3 (b) Appropriation and payment.--The General Assembly shall
4 make an appropriation sufficient to provide for the separate
5 obligations of the Commonwealth to the fund and the trust. Such
6 amount shall be paid by the State Treasurer through the
7 Department of Revenue into the fund or trust, as the case may
8 be, in accordance with requisitions presented by the board. The
9 contributions to the system by the Commonwealth on behalf of
10 active members who are officers of the Pennsylvania State Police
11 shall be charged to the General Fund and to the Motor License
12 Fund in the same ratios as used to apportion the appropriations
13 for salaries of members of the Pennsylvania State Police. The
14 contributions to the system by the Commonwealth on behalf of
15 active members who are enforcement officers and investigators of
16 the Pennsylvania Liquor Control Board shall be charged to the
17 General Fund and to the State Stores Fund.

18 (c) Contributions from funds other than General Fund.--The
19 amounts assessed other employers who are required to make the
20 necessary separate contributions to the fund and the trust out
21 of funds other than the General Fund shall be paid by such
22 employers into the fund or trust, as the case may be, in
23 accordance with requisitions presented by the board. The General
24 Fund of the Commonwealth shall not be held liable to appropriate
25 the moneys required to build up the reserves in the fund
26 necessary for the payment of benefits from the system to
27 employees or to make the employer defined contributions for
28 employees of such other employers. In case any such other
29 employer shall fail to provide to the fund the moneys necessary
30 for such purpose, then the service of such members of the system
31 for such period for which money is not so provided shall be
32 credited and pickup contributions with respect to such members
33 shall continue to be credited to the members' savings account.
34 The annuity to which such member is entitled shall be determined
35 as actuarially equivalent to the present value of the maximum
36 single life annuity of each such member reduced by the amount of
37 employer contributions to the system payable on account and
38 attributable to his compensation during such service, except
39 that no reduction shall be made as a result of the failure of an
40 employer to make contributions required for a period of USERRA
41 leave.

42 Section 318.1. Section 5701 of Title 71, amended December
43 28, 2015 (P.L.529, No.93), is amended to read:

44 § 5701. Return of total accumulated deductions.

45 Any member upon termination of service may, in lieu of all
46 benefits payable from the system under this chapter to which he
47 may be entitled, elect to receive his total accumulated
48 deductions by his required beginning date.

49 Section 318.2. Section 5701.1 of Title 71 is amended to
50 read:

51 § 5701.1. Transfer of accumulated deductions.

1 When an employee of the Juvenile Court Judges' Commission
2 elects membership in an independent retirement program pursuant
3 to section 5301(f) (relating to mandatory and optional
4 membership in the system and participation in the plan), the
5 board shall transfer directly to the trustee or administrator of
6 the independent retirement program all accumulated deductions
7 resulting from service credited while an employee of the
8 Juvenile Court Judges' Commission.

9 Section 319. Section 5702(a), (a.1), (b) and (c) and
10 5704(a), (c), (e) and (f) of Title 71 are amended and the
11 sections are amended by adding subsections to read:
12 § 5702. Maximum single life annuity.

13 (a) General rule.--Any full coverage member who is eligible
14 to receive an annuity pursuant to the provisions of section
15 5308(a) or (b) (relating to eligibility for annuities) who
16 terminates State service, or if a multiple service member who is
17 a school employee who is an active member of the Public School
18 Employees' Retirement System who terminates school service,
19 before attaining age 70 shall be entitled to receive a maximum
20 single life annuity attributable to his credited service and
21 equal to the sum of the following single life annuities
22 beginning at the effective date of retirement:

23 (1) A single life annuity that is the sum of the
24 standard single life [annuity multiplied by the sum of the
25 products,] annuities determined separately for each class of
26 service[, obtained by multiplying] multiplied by the
27 appropriate class of service multiplier [by the ratio of
28 years of service credited in that class to the total credited
29 service] applicable to each standard single life annuity. In
30 case the member on the effective date of retirement is under
31 superannuation age for any service, a reduction factor
32 calculated to provide benefits actuarially equivalent to an
33 annuity starting at superannuation age shall be applied to
34 the product determined for that service. The class of service
35 multiplier for any period of concurrent service shall be
36 multiplied by the proportion of total State and school
37 compensation during such period attributable to State service
38 as a member of the system. In the event a member has two
39 multipliers for one class of service [the class of service
40 multiplier to be used for calculating benefits for that class
41 shall be the average of the two multipliers weighted by the
42 proportion of compensation attributable to each multiplier
43 during the three years of highest annual compensation in that
44 class of service: Provided, That in the case of a member of
45 Class E-1, a portion but not all of whose three years of
46 highest annual judicial compensation is prior to January 1,
47 1973, two class of service multipliers shall be calculated on
48 the basis of his entire judicial service, the one applying
49 the judicial class of service multipliers effective prior to
50 January 1, 1973 and the second applying the class of service
51 multipliers effective subsequent to January 1, 1973. The

1 average class of service multiplier to be used for
2 calculating benefits for his judicial service shall be the
3 average of the two calculated multipliers weighted by the
4 proportion of compensation attributable to each of the
5 calculated multipliers during the three years of highest
6 annual compensation in that class of service.] separate
7 standard single life annuities shall be calculated for the
8 portion of service in such class applicable to each class of
9 service multiplier.

10 (2) If eligible, a single life annuity of 2% of his
11 average noncovered salary for each year of social security
12 integration credit as provided for in section 5305 (relating
13 to social security integration credits) multiplied, if on the
14 effective date of retirement the member is under
15 superannuation age for any service, by the actuarially
16 determined reduction factor for that service.

17 (3) If eligible, a single life annuity which is
18 actuarially equivalent to the regular and additional
19 accumulated deductions attributable to contributions as a
20 member of Class C, but not less than such annuity determined
21 as if the member were age 60 on the effective date of
22 retirement, actuarially reduced in the event the member is
23 under superannuation age on the effective date of retirement.

24 (4) If eligible, a single life annuity which is
25 actuarially equivalent to the amount by which his regular and
26 additional accumulated deductions attributable to any
27 credited service other than as a member of Class A-3, Class
28 A-4, Class A-5 and Class C are greater than one-half of the
29 actuarially equivalent value on the effective date of
30 retirement of the annuity as provided in paragraph (1)
31 attributable to service other than Class A-3, Class A-4,
32 Class A-5 and Class C for which regular or joint coverage
33 member contributions were made. [This paragraph shall not
34 apply to any member with State service credited as Class A-3
35 or Class A-4.]

36 (5) If eligible, a single life annuity which is
37 actuarially equivalent to the amount by which his social
38 security integration accumulated deductions are greater than
39 one-half of the actuarially equivalent value on the effective
40 date of retirement of the annuity provided for under
41 paragraph (2).

42 (6) If eligible, a single life annuity sufficient
43 together with the annuity provided for in paragraph (1) as a
44 Class A, Class AA, Class A-3 and Class A-4 member and the
45 highest annuity provided for in paragraph (2) to which he is
46 entitled, or at his option could have been entitled, to
47 produce that percentage of [a] the sums of the standard
48 single life [annuity] annuities adjusted by the application
49 of the class of service multiplier for Class A, Class AA,
50 Class A-3 or Class A-4 as set forth in paragraph (1) in the
51 case where any service is credited as a member of Class A,

1 Class AA, Class A-3 or Class A-4 on the effective date of
2 retirement as determined by his total years of credited
3 service as a member of Class A, Class AA, Class A-3 and Class
4 A-4 and by the following table:

5 Total Years of	6 Percentage of <u>Sums of</u>
7 Credited Service	8 Standard
9 as a Member of	10 Single Life
11 Class A,	12 [Annuity] <u>Annuities</u> Adjusted for
13 Class AA, Class A-3	14 Class A, Class AA,
15 and Class A-4	16 Class A-3 and Class A-4
17	18 Class of
19	20 Service Multipliers
21 35-40	22 100%
23 41	24 102%
25 42	26 104%
27 43	28 106%
29 44	30 108%
31 45 or more	32 110%

33 (a.1) Rule for terminations after attaining age 70.--

34 (1) Any full coverage member who is eligible to receive
35 an annuity pursuant to the provisions of section 5308(a) who
36 terminates State service, or if a multiple service member who
37 is a school employee and an active member of the Public
38 School Employees' Retirement System who terminates school
39 service, on or after attaining age 70 and who applies for a
40 superannuation annuity to be effective the day after the
41 termination of State service or school service, as the case
42 may be, shall be entitled to receive a maximum single life
43 annuity as of a determination date that is equal to the
44 greater of subparagraph (i) or (ii), plus any annuity he may
45 be eligible to receive attributable to Class A-5 service
46 credit:

47 (i) the sum of the annuities provided in subsection
48 (a)(1) through (6) calculated without including any
49 annuity attributable to Class A-5 service credit as of
50 the determination date; and

51 (ii) the greater of clause (A) or (B):

(A) the sum of the annuities provided in
subsubsection (a)(1), (3), (4) and (6) as of the
preceding determination date without including any
annuity attributable to Class A-5 service credit
adjusted by the actuarial increase factor, plus the
annuities provided in subsection (a)(2) and (5) as of
the determination date; and

(B) the maximum single life annuity calculated
without including any annuity attributable to Class
A-5 service credit as of the preceding determination
date adjusted by the actuarial increase factor.

The maximum single life annuity calculated without

1 including any annuity attributable to Class A-5 service
2 credit shall be calculated for each determination date.

3 (2) For purposes of this subsection, the determination
4 date shall be:

5 (i) the member's birthday, provided that as of such
6 date the member qualifies for a maximum single life
7 annuity under this subsection, determined excluding
8 eligibility for any annuity attributable to Class A-5
9 service credit; or

10 (ii) if the member's maximum single life annuity is
11 being determined as of the member's effective date of
12 retirement, then the determination date shall be the
13 member's effective date of retirement.

14 (3) In the event an active member, an inactive member on
15 leave without pay or a multiple service member who is a
16 school employee and an active member of the Public School
17 Employees' Retirement System has attained age 70 before the
18 effective date of this subsection, or enters State service or
19 school service, as the case may be, after attaining age 70,
20 then section 5305.1 (relating to eligibility for actuarial
21 increase factor) and subsections (a) and (a.1) shall be
22 effective prospectively with respect to such member at the
23 member's next birthday after the effective date of this
24 subsection, entry into State service, or school service.
25 Nothing in this subsection shall be construed to provide an
26 actuarial increase factor for any period of service prior to the
27 effective date of this subsection.

28 (b) Present value of annuity.--The present value of the
29 maximum single life annuity as calculated in accordance with
30 subsection (a) of this section shall be determined by
31 multiplying the maximum single life annuity by the cost of a
32 dollar annuity on the effective date of retirement, which shall
33 take into account any delay in the receipt of the portion of the
34 annuity based on Class A-5 if the effective date of retirement
35 is under the superannuation age applicable to Class A-5 service.
36 Such present value shall be decreased only as required under the
37 provisions of section 5506 (relating to incomplete payments),
38 5509(c) (relating to appropriations and assessments by the
39 Commonwealth) or 5703 (relating to reduction of annuities on
40 account of social security old-age insurance benefits).

41 (c) Limitation on amount of annuity.--The annuity paid to a
42 member under subsection (a) attributable to any credited service
43 other than as a member of Class A-5 and reduced in accordance
44 with the option elected under section 5705 (relating to member's
45 options) shall not exceed the highest compensation received for
46 any credited service other than service credited as Class A-5
47 during any period of twelve consecutive months of credited
48 service. No limit on the total annuity paid to a member with
49 Class D-3 service shall be applied in the case of a member who
50 served as a constitutional officer of the General Assembly.

51 * * *

1 (e) 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 § 5704. Disability annuities.

7 (a) Amount of annuity.--A member who has made application
8 for a disability annuity and has been found to be eligible in
9 accordance with the provisions of section 5905(c)(1) (relating
10 to duties of the board regarding applications and elections of
11 members) shall receive a disability annuity payable from the
12 effective date of disability as determined by the board and
13 continued until a subsequent determination by the board that the
14 annuitant is no longer entitled to a disability annuity. [The]
15 If the sum of the products of the number of years and fractional
16 part of a year of credited service in each class and the
17 appropriate class of service multiplier is greater than 16.667,
18 then the disability annuity shall be a single life annuity that
19 is equal to [a] the sum of the standard single life [annuity]
20 annuities determined separately for each class of service
21 multiplied by the appropriate class of service multiplier
22 [applicable to the class of service at the time of disability if
23 the product of such class of service multiplier and the total
24 number of years of credited service is greater than 16.667,
25 otherwise the], otherwise each standard single life annuity
26 shall be multiplied by the lesser of the following ratios:

27
$$MY^*/Y \text{ or } 16.667/Y$$

28 where Y = total number of years of credited service, Y* = total
29 years of credited service if the member were to continue as a
30 State employee until attaining superannuation age as applicable
31 to that class of service at the time of disability, or if the
32 member has attained superannuation age, as applicable to that
33 class of service at the time of disability, then the number of
34 years of credited service and M = the class of service
35 multiplier as applicable to that class of service at the
36 effective date of disability. A member of Class C shall receive,
37 in addition, any annuity to which he may be eligible under
38 section 5702(a)(3) (relating to maximum single life annuity).
39 The member shall be entitled to the election of a joint and
40 survivor annuity on that portion of the disability annuity to
41 which he is entitled under section 5702.

42 * * *

43 (c) Reduction on account of earned income.--Subsequent to
44 January 1, 1972, payments on account of disability shall be
45 reduced by that amount by which the earned income of the
46 annuitant, as reported in accordance with section 5908(b)
47 (relating to rights and duties of annuitants), for the preceding
48 calendar year together with the disability annuity payments
49 provided in this section other than subsection (b), for the
50 year, exceeds the product of:

51 [(i)] (1) the last year's salary of the annuitant as a

1 [State employee] member of the system; and
2 [(ii)] (2) the ratio of the current monthly payment to
3 the monthly payment at the effective date of disability;
4 Provided, That the annuitant shall not receive less than his
5 member's annuity or the amount to which he may be entitled under
6 section 5702 whichever is greater.

7 * * *

8 (e) Termination of State service.--Upon termination of
9 disability annuity payments in excess of an annuity calculated
10 in accordance with section 5702, a disability annuitant who:

11 (1) does not have Class A-3 [or], Class A-4 or Class A-5
12 service credit; or

13 (2) has Class A-3 [or], Class A-4 or Class A-5 service
14 credit and fewer than ten eligibility points;
15 and who does not return to State service may file an application
16 with the board for an amount equal to the excess, if any, of the
17 sum of the shared-risk accumulated deductions plus the regular
18 and additional accumulated deductions standing to his credit at
19 the effective date of disability over one-third of the total
20 disability annuity payments received. If the annuitant on the
21 date of termination of service was eligible for an annuity as
22 provided in section 5308(a) or (b) (relating to eligibility for
23 annuities), he may file an application with the board for an
24 election of an optional modification of his annuity.

25 (f) Supplement for service connected disability.--

26 (1) If a member has been found to be eligible for a
27 disability annuity and if the disability has been found to be
28 a service connected disability and if the member is receiving
29 workers' compensation payments for other than medical
30 benefits, such member shall receive a supplement equal to
31 [70% of his final average salary] the amount determined under
32 paragraph (2) less the sum of the annuity as determined under
33 subsection (a) and any payments paid or payable on account of
34 such disability under the act of June 2, 1915 (P.L.736,
35 No.338), known as the Workers' Compensation Act, the act of
36 June 21, 1939 (P.L.566, No.284), known as The Pennsylvania
37 Occupational Disease Act, and the Social Security Act (49
38 Stat. 620, 42 U.S.C. § 301 et seq.). Such supplement shall
39 continue as long as he is determined to be disabled and is
40 receiving workers' compensation payments for other than
41 medical benefits on account of his service connected
42 disability in accordance with the Workers' Compensation Act
43 or The Pennsylvania Occupational Disease Act. If the member
44 has received a lump sum workers' compensation payment in lieu
45 of future weekly compensation payments, the length in weeks
46 and calculation of the service connected disability
47 supplement shall be determined by dividing the lump sum
48 payment by the average weekly wage as determined by the
49 Workers' Compensation Board.

50 (2) For a member who does not have Class A-5 service or
51 has only Class A-5 service, the amount to be used to

determine eligibility for the supplement under paragraph (1) shall be 70% of his final average salary. For a member who has Class A-5 service and other classes of service, the amount to be used to determine eligibility for the supplement under paragraph (1) shall be determined using the following formula:

$$A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) + (FAS^W \text{ multiplied by } Y^W/Y^T)].$$

(3) The following apply to the formula in paragraph (2):

(i) A equals the amount used to determine the supplement;

(ii) Y^T equals total years of credited service;

(iii) Y^W equals years of service credited in classes of service other than Class A-5;

(iv) FAS^W equals final average salary calculated for classes of service other than Class A-5;

(v) Y^{A-5} equals years of service credited in Class A-5; and

(vi) FAS^{A-5} equals final average salary calculated for service credited in Class A-5.

* * *

(h) Coordination of benefits.--The determination and payment of a disability annuity under this section is in addition to any payments a member may be entitled to receive, has received or is receiving as a result of being a participant in the plan.

Section 320. Section 5705(a) of Title 71, amended December 28, 2015 (P.L.529, No.93), is amended to read:
§ 5705. Member's options.

(a) General rule.--Any special vestee [who has attained superannuation age, any vestee who does not have Class A-3 or Class A-4 service credit having five or more eligibility points for service other than Class T-E or Class T-F service in the Public School Employees' Retirement System, or vestee who has Class A-3 or Class A-4 service credit having ten or more eligibility points, any member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service having five or more eligibility points or any other eligible member upon termination of State service who has not withdrawn his total accumulated deductions as provided in section 5701 (relating to return of total accumulated deductions)] , vestee or any other member upon termination of State service who is eligible to receive an annuity as provided in section 5308(a) or
(b) (relating to eligibility for annuities) may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 5702 (relating to maximum single life annuity), or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity and in accordance with one of the following options; except that no member shall elect an annuity payable to one or more survivor annuitants other than his spouse or alternate payee of such a magnitude that the present value of

1 the annuity payable to him for life plus any lump sum payment he
2 may have elected to receive is less than 50% of the present
3 value of his maximum single life annuity and no member may elect
4 a payment option that would provide benefits that do not satisfy
5 the minimum distribution requirements or would violate the
6 incidental death benefit rules of IRC § 401(a)(9):

7 (1) Option 1.--A life annuity to the member with:

8 (i) a guaranteed total payment attributable to all
9 classes of service other than Class A-5 equal to the
10 present value of the maximum single life annuity
11 attributable to all classes of service other than Class
12 A-5 on the effective date of retirement with the
13 provision that, if, at his death, he has received less
14 than such present value, the unpaid balance shall be
15 payable to his beneficiary[.]; and

16 (ii) a guaranteed total payment attributable to
17 Class A-5 service equal to the present value of the
18 maximum single life annuity attributable to Class A-5
19 service on the effective date of retirement with the
20 provision that, if, at his death, he has received less
21 than such present value, the unpaid balance shall be
22 payable to his beneficiary.

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

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

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

35 (i) any annuity shall be payable without reduction
36 during the lifetime of the member;

37 (ii) the sum of all annuities payable to the
38 designated survivor annuitants shall not be greater than
39 one and one-half times the annuity payable to the member;
40 and

41 (iii) a portion of the benefit may be payable as a
42 lump sum, except that such lump sum payment shall not
43 exceed an amount equal to the total accumulated
44 deductions standing to the credit of the member that are
45 not the result of contributions and statutory interest
46 made or credited as a result of Class A-3 or Class A-4
47 service. The balance of the present value of the maximum
48 single life annuity adjusted in accordance with section
49 5702(b) shall be paid in the form of an annuity with a
50 guaranteed total payment, a single life annuity, or a
51 joint and survivor annuity or any combination thereof but

1 subject to the restrictions of subparagraphs (i) and (ii)
2 under this option.

3 * * *

4 Section 320.1. Section 5705.1 of Title 71 is amended to
5 read:

6 § 5705.1. Payment of accumulated deductions resulting from
7 Class A-3 [and], Class A-4 and Class A-5 service.

8 Any superannuation or withdrawal annuitant who:

9 (1) has Class A-3 [or], Class A-4 or Class A-5 service
10 credit;

11 (2) has service credited in one or more classes of
12 service; and

13 (3) because he has five or more, but fewer than ten,
14 eligibility points is not eligible to receive an annuity on
15 his Class A-3 [or], Class A-4 and Class A-5 service
16 shall receive in a lump sum at the time of his retirement, in
17 addition to any other annuity or lump sum payment which he may
18 elect, his accumulated deductions resulting from his Class A-3
19 or Class A-4 service credit. Payment of these accumulated
20 deductions resulting from Class A-3 [or], Class A-4 and Class A-
21 5 service credit shall not be eligible for installment payments
22 pursuant to section 5905.1 (relating to installment payments of
23 accumulated deductions) but shall be considered a lump sum
24 payment for purposes of section 5905.1(d).

25 Section 320.2 Section 5706(a), (a.1), (a.2), (b) and (c)(1)
26 of Title 71, amended December 28, 2015 (P.L.529, No.93), are
27 amended to read:

28 § 5706. Termination of annuities.

29 (a) General rule.--

30 (1) If the annuitant returns to State service or enters
31 or has entered school service and elects multiple service
32 membership, any annuity payable to him under this part shall
33 cease effective upon the date of his return to State service
34 or entering school service without regard to whether he is a
35 mandatory, optional or prohibited member of the system or
36 participant in the plan or, if a multiple service member,
37 whether he is a mandatory, optional or prohibited member or
38 participant of the Public School Employees' Retirement System
39 or School Employees' Defined Contribution Plan and in the
40 case of an annuity other than a disability annuity the
41 present value of such annuity, adjusted for full coverage in
42 the case of a joint coverage member who makes the appropriate
43 back contributions for full coverage, shall be frozen as of
44 the date such annuity ceases. An annuitant who is credited
45 with an additional 10% of Class A and Class C service as
46 provided in section 5302(c) (relating to credited State
47 service) and who returns to State service shall forfeit such
48 credited service and shall have his frozen present value
49 adjusted as if his 10% retirement incentive had not been
50 applied to his account. In the event that the cost-of-living
51 increase enacted December 18, 1979 occurred during the period

1 of such State or school employment, the frozen present value
2 shall be increased, on or after the member attains
3 superannuation age, by the percent applicable had he not
4 returned to service.

5 (2) This subsection shall not apply in the case of any
6 annuitant who:

7 (i) may render services to the Commonwealth in the
8 capacity of an independent contractor; or

9 (ii) is over normal retirement age or who has been
10 an annuitant for more than one year and who may render
11 service to the Commonwealth:

12 (A) as a member of an independent board or
13 commission or as a member of a departmental
14 administrative or advisory board or commission when
15 such members of independent or departmental boards or
16 commissions are compensated on a per diem basis for
17 not more than 150 days per calendar year; or

18 (B) as a member of an independent board or
19 commission requiring appointment by the Governor,
20 with advice and consent of the Senate, where the
21 annual salary payable to the member does not exceed
22 \$35,000 and where the member has been an annuitant
23 for at least six months immediately preceding the
24 appointment.

25 Such service shall not be eligible for participation in the
26 plan, mandatory pickup participant contributions or employer
27 defined contributions.

28 (a.1) Return to State service during emergency.--When, in
29 the judgment of the employer, an emergency creates an increase
30 in the work load such that there is serious impairment of
31 service to the public, an annuitant who is over normal
32 retirement age or who has been an annuitant for more than one
33 year may be returned to State service for a period not to exceed
34 95 days in any calendar year without loss of his annuity. In
35 computing the number of days an annuitant has returned to State
36 service, any amount of time less than one-half of a day shall be
37 counted as one-half of a day. For agencies, boards and
38 commissions under the Governor's jurisdiction, the approval of
39 the Governor that an emergency exists shall be required before
40 an annuitant may be returned to State service his service shall
41 not be subject to member contributions or be eligible for
42 qualification as creditable State service or for participation
43 in the plan, mandatory pickup participant contributions or
44 employer defined contributions.

45 (a.2) Return of benefits.--In the event an annuitant whose
46 annuity from the system ceases pursuant to this section receives
47 any annuity payment, including a lump sum payment pursuant to
48 section 5705 (relating to member's options) on or after the date
49 of his return to State service or entering school service, the
50 annuitant shall return to the board the amount so received from
51 the system plus statutory interest. The amount payable shall be

1 certified in each case by the board in accordance with methods
2 approved by the actuary and shall be paid in a lump sum within
3 30 days or in the case of an active member or school employee
4 who is an active member of the Public School Employees'
5 Retirement System may be amortized with statutory interest
6 through salary deductions to the system in amounts agreed upon
7 by the member and the board. The salary deduction amortization
8 plans agreed to by the member and the board may include a
9 deferral of payment amounts and statutory interest until the
10 termination of school service or State service as the board in
11 its sole discretion decides to allow. The board may limit salary
12 deduction amortization plans to such terms as the board in its
13 sole discretion determines. In the case of a school employee who
14 is an active member of the Public School Employees' Retirement
15 System, the agreed upon salary deductions shall be remitted to
16 the Public School Employees' Retirement Board, which shall
17 certify and transfer to the board the amounts paid.

18 * * *

19 (b) Subsequent discontinuance of service.--Upon subsequent
20 discontinuance of service, such member other than a former
21 annuitant who had the effect of his frozen present value
22 eliminated in accordance with subsection (c) or a former
23 disability annuitant shall be entitled to an annuity which is
24 actuarially equivalent to the sum of:

25 (1) the present value as determined under subsection (a)
26 [and];

27 (2) the present value of a maximum single life annuity
28 based on years of service credited in classes of service
29 other than Class A-5 subsequent to reentry in the system and
30 his final average salary computed by reference to his
31 compensation for service credited in classes of service other
32 than Class A-5 and Class T-G during his entire period of
33 State and school service[.]; and

34 (3) if eligible, the present value of a maximum single
35 life annuity based on years of service credited in Class A-5
36 subsequent to reentry in the system and his final average
37 salary computed by reference to his compensation for service
38 credited in Class A-5 and Class T-G during his entire period
39 of State and school service.

40 (c) Elimination of the effect of frozen present value.--

41 (1) An annuitant who returns to State service as an
42 active member of the system and earns three eligibility
43 points by performing credited State service in a class of
44 service other than Class A-5 following the most recent period
45 of receipt of an annuity under this part, or an annuitant who
46 enters school service and:

47 (i) is a multiple service member; or

48 (ii) who elects multiple service membership, and
49 earns three eligibility points by performing credited State
50 service or credited school service in classes of service
51 other than Class A-5 or Class T-G following the most recent

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

11 * * *

12 Section 321. Section 5707(b), (e) and (f) of Title 71 are
13 amended and the section is amended by adding a subsection to
14 read:

15 § 5707. Death benefits.

16 * * *

17 (b) Members ineligible for annuities.--In the event of the
18 death of a special vestee, an active member, an inactive member
19 on leave without pay or a current or former State employee
20 performing USERRA leave who is not entitled to a death benefit
21 as provided in subsection (a), his designated beneficiary shall
22 be paid the full amount of his total accumulated deductions and
23 Class A-5 accumulated deductions.

24 (b.1) Members eligible for annuities in some classes of
25 service and ineligible in other classes of service.--In the
26 event of the death of a member who is eligible for an annuity
27 based on service credited in some classes of service and
28 ineligible for an annuity for service credited in other classes
29 of service, a benefit shall be paid under subsection (a) based
30 on the service for which an annuity is deemed payable in
31 addition to payment under subsection (b) of the accumulated
32 deductions attributable to service for which the member was not
33 eligible for an annuity.

34 * * *

35 (e) Annuitants electing maximum single life annuity.--

36 (1) In the event of the death of an annuitant who has
37 elected to receive the maximum single life annuity before he
38 has received in annuity payments based on his service
39 credited in classes other than Class A-5 the full amount of
40 the total accumulated deductions standing to his credit on
41 the effective date of retirement, the balance shall be paid
42 to his designated beneficiary.

43 (2) In the event of the death of an annuitant who has
44 elected to receive the maximum single life annuity before he
45 has received in annuity payments based on his service
46 credited in Class A-5 the full amount of the Class A-5
47 accumulated deductions standing to his credit on the
48 effective date of retirement, the balance shall be paid to
49 his designated beneficiary.

50 (f) Members subject to limitations under section 5702(c).--
51 Subject to the limitations contained in section 401(a) (9) of the

1 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
2 401(a)(9)), the present value of any annuity in excess of that
3 payable under section 5702 (relating to maximum single life
4 annuity) that is not subject to the limitations under section
5 415(b) of the Internal Revenue Code of 1986 shall be paid in a
6 lump sum to the beneficiary designated by the member after the
7 death of the member. A beneficiary receiving a benefit under
8 this subsection shall not be able to elect a payment method
9 otherwise allowed under section 5709(b)(2) and (3) (relating to
10 payment of benefits from the system).

11 * * *

12 Section 321.1. Section 5709(a) of Title 71 is amended to
13 read:

14 § 5709. Payment of benefits from the system.

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

18 (b) Death benefits.--If the amount of a death benefit
19 payable from the fund to a beneficiary of a member under section
20 5707 (relating to death benefits) or under the provisions of
21 Option 1 of section 5705(a)(1) (relating to member's options) is
22 \$10,000 or more, such beneficiary may elect to receive payment
23 according to one of the following options:

24 (1) a lump sum payment;

25 (2) an annuity actuarially equivalent to the amount
26 payable; or

27 (3) a lump sum payment and an annuity such that the
28 annuity is actuarially equivalent to the amount payable less
29 the lump sum payment specified by the beneficiary.

30 * * *

31 Section 322. Title 71 is amended by adding a chapter to
32 read:

33 CHAPTER 58

34 STATE EMPLOYEES' DEFINED CONTRIBUTION PLAN

35 Sec.

36 5801. Establishment.

37 5802. Plan document.

38 5803. Individual investment accounts.

39 5804. Participant contributions.

40 5805. Mandatory pickup participant contributions.

41 5806. Employer defined contributions.

42 5806.1. Use of plan savings.

43 5807. Eligibility for benefits.

44 5808. Death benefits.

45 5809. Vesting.

46 5810. Termination of distributions.

47 5811. Agreements with financial institutions and other
48 organizations.

49 5812. Powers and duties of board.

50 5813. Responsibility for investment loss.

51 5814. Investments based on participants' investment allocation

1 choices.

2 5815. Expenses.

3 5816. (Reserved).

4 5817. Tax qualification.

5 5818. State Employees' Defined Contribution Holding Vehicle
6 Trust.

7 § 5801. Establishment.

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

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

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

41 (d) Name for transacting business.--All of the business of
42 the plan shall be transacted, the trust invested, all
43 requisitions for money drawn and payments made and all of its
44 cash and securities and other property shall be held by the name
45 of the "State Employees' Defined Contribution Plan."
46 Notwithstanding any other law to the contrary, the board may
47 establish a nominee registration procedure for the purpose of
48 registering securities in order to facilitate the purchase, sale
49 or other disposition of securities pursuant to the provisions of
50 this part.

51 § 5802. Plan document.

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

13 § 5803. Individual investment accounts.

14 The board shall establish in the trust an individual
15 investment account for each participant in the plan. All
16 contributions by a participant or an employer for or on behalf
17 of a participant shall be credited to the participant's
18 individual investment account, together with all interest and
19 investment earnings and losses. Investment and administrative
20 fees, costs and expenses shall be charged to the participants'
21 individual investment accounts. Employer defined contributions
22 shall be recorded and accounted for separately from participant
23 contributions, but all interest, investment earnings and losses,
24 and investment and administrative fees, costs and expenses shall
25 be allocated proportionately.

26 § 5804. Participant contributions.

27 (a) Mandatory contributions.--A participant shall make
28 mandatory pickup participant contributions through payroll
29 deductions to the participant's individual investment account
30 for State service required to be credited in the plan. The
31 employer shall cause those contributions for service required to
32 be credited in the plan to be made and deducted from each
33 payroll or on such schedule as established by the board.

34 (b) Voluntary contributions.--A participant may make
35 voluntary contributions through direct trustee-to-trustee
36 transfers or through transfers of money received in an eligible
37 rollover into the trust to the extent allowed by IRC § 402. The
38 rollovers shall be made in a form and manner as determined by
39 the board, shall be credited to the participant's individual
40 investment account and shall be separately accounted for by the
41 board.

42 (c) Prohibited contributions.--No contributions may be
43 allowed that would cause a violation of the limitations related
44 to contributions applicable to governmental plans contained in
45 IRC § 415 or in other provisions of law. In the event that any
46 disallowed contributions are made, any participant contributions
47 in excess of the limitations and investment earnings on those
48 contributions shall be refunded to the participant by the board.

49 § 5805. Mandatory pickup participant contributions.

50 (a) Treatment for purposes of IRC § 414(h).--The
51 contributions to the trust required to be made under section

1 5804(a) (relating to participant contributions) with respect to
2 State service rendered by an active participant shall be picked
3 up by the Commonwealth or other employer and shall be treated as
4 the employer's contribution for purposes of IRC § 414(h). After
5 the effective date of this section, an employer employing a
6 participant in the plan shall pick up the required mandatory
7 participant contributions by a reduction in the compensation of
8 the participant.

9 (b) Treatment for other purposes.--For all purposes other
10 than the IRC, the mandatory pickup participant contributions
11 shall be treated as contributions made by a participant in the
12 same manner and to the same extent as if the contributions were
13 made directly by the participant and not picked up.
14 § 5806. Employer defined contributions.

15 (a) Contributions for service.--The Commonwealth or other
16 employer of an active participant shall make employer defined
17 contributions for service of an active participant that shall be
18 credited to the active participant's individual investment
19 account. Employer defined contributions shall be recorded and
20 accounted for separately from participant contributions.

21 (b) Contributions resulting from participants reemployed
22 from USERRA leave.--When a State employee reemployed from USERRA
23 leave makes the mandatory pickup participant contributions
24 permitted to be made for the USERRA leave, the Commonwealth or
25 other employer by whom the State employee is employed at the
26 time the participant contributions are made shall make whatever
27 employer defined contributions would have been made under this
28 section had the employee making the participant contributions
29 continued to be employed in the participant's State office or
30 position instead of performing USERRA leave. The employer
31 defined contributions shall be placed in the participant's
32 individual investment account as otherwise provided by this
33 part.

34 (c) Limitations on contributions.--No contributions may be
35 allowed that would cause a violation of the limitations related
36 to contributions applicable to governmental plans contained in
37 IRC § 415 or in other provisions of law. In the event that any
38 disallowed contributions are made, any employer defined
39 contributions in excess of the limitations and investment
40 earnings on the contributions shall be refunded to the employer
41 by the board.

42 § 5806.1. Use of plan savings.

43 (a) Determination.--The system shall determine the
44 difference between:

45 (1) The current aggregate employer contributions and the
46 aggregate employer contributions that would have been
47 required by Act 120 of 2010.

48 (2) The current plan expenditures and the plan
49 expenditures that would have been required by Act 120 of
50 2010.

51 (b) Utilization.--Any savings realized based on the

1 implementation of the plan, as determined under subsection (a),
2 shall be utilized to pay down the accrued unfunded liability.

3 (c) Intent.--It is the intent of the General Assembly to
4 make an annual appropriation from the General Fund to the system
5 in the amount determined under subsection (a)(1).

6 (d) Definition.--As used in this section, the term "Act 120
7 of 2010" shall mean the act of November 23, 2010 (P.L.1269,
8 No.120), entitled, "An act amending Titles 24 (Education) and 71
9 (State Government) of the Pennsylvania Consolidated Statutes, in
10 Title 24, further providing for definitions, for mandatory and
11 optional membership, for contributions by the Commonwealth, for
12 payments by employers, for actuarial cost method, for additional
13 supplemental annuities, for further additional supplemental
14 annuities, for supplemental annuities commencing 1994, for
15 supplemental annuities commencing 1998, for supplemental
16 annuities commencing 2002, for supplemental annuities commencing
17 2003, for administrative duties of board, for payments to school
18 entities by Commonwealth, for eligibility points for retention
19 and reinstatement of service credits and for creditable
20 nonschool service; providing for election to become a Class T-F
21 member; further providing for classes of service, for
22 eligibility for annuities, for eligibility for vesting, for
23 regular member contributions, for member contributions for
24 creditable school service, for contributions for purchase of
25 credit for creditable nonschool service, for maximum single life
26 annuity, for disability annuities, for member's options, for
27 duties of board regarding applications and elections of members
28 and for rights and duties of school employees and members;
29 providing for Independent Fiscal Office study; in Title 71,
30 establishing an independent fiscal office and making a related
31 repeal; further providing for definitions, for credited State
32 service, for retention and reinstatement of service credits, for
33 creditable nonstate service and for classes of service;
34 providing for election to become a Class A-4 member; further
35 providing for eligibility for annuities and for eligibility for
36 vesting; providing for shared-risk member contributions for
37 Class A-3 and Class A-4 service; further providing for waiver of
38 regular member contributions and Social Security integration
39 member contributions, for member contributions for purchase of
40 credit for previous State service or to become a full coverage
41 member, for contributions for the purchase of credit for
42 creditable nonstate service, for contributions by the
43 Commonwealth and other employers, for actuarial cost method, for
44 maximum single life annuity, for disability annuities and for
45 member's options; providing for payment of accumulated
46 deductions resulting from Class A-3 service; further providing
47 for additional supplemental annuities, for further additional
48 supplemental annuities, for supplemental annuities commencing
49 1994, for supplemental annuities commencing 1998, for
50 supplemental annuities commencing 2002, for supplemental
51 annuities commencing 2003, for special supplemental

1 postretirement adjustment of 2002, for administrative duties of
2 the board, for duties of board to advise and report to heads of
3 departments and members, for duties of board regarding
4 applications and elections of members, for installment payments
5 of accumulated deductions, for rights and duties of State
6 employees and members, for members' savings account, for State
7 accumulation account, for State Police Benefit Account, for
8 Enforcement Officers' Benefit Account, for supplemental annuity
9 account and for construction of part; and providing for
10 Independent Fiscal Office study, for retirement eligibility of
11 Pennsylvania State Police officers or members, for a prohibition
12 on the issuance of pension obligation bonds, for holding certain
13 public officials harmless, for construction of calculation or
14 actuarial method, for applicability and for certain operational
15 provisions."

16 § 5807. Eligibility for benefits.

17 (a) Termination of service.--A participant who terminates
18 State 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 his vested accumulated total defined
25 contributions shall no longer be a participant in the plan,
26 notwithstanding that the former State employee may continue to
27 be a member of the system with Class A-5 service credit or may
28 have contracted to receive an annuity or other form of payment
29 from a provider retained by the board for such purposes.

30 (b) Required distributions.--All payments pursuant to this
31 section shall start and be made in compliance with the minimum
32 distribution requirements and incidental death benefit rules of
33 IRC § 401(a)(9). The board shall take any action and make any
34 distributions it may determine are necessary to comply with
35 those requirements.

36 (c) (Reserved).

37 (d) Prohibited distributions.--A participant who also is a
38 member of the system must be terminated from all positions that
39 result in either membership in the system or participation in
40 the plan to be eligible to receive a distribution.

41 (e) Loans.--Loans or other distributions, including hardship
42 or unforeseeable emergency distributions, from the plan to State
43 employees who have not terminated State service are not
44 permitted, except as required by law.

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

51 § 5808. Death benefits.

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

7 (b) Death of participant receiving distributions.--In the
8 event of the death of a participant receiving distributions, the
9 board shall pay to the participant's beneficiary the vested
10 balance in the participant's individual investment account in a
11 lump sum or in such other manner as the board may establish in
12 the plan document or, if the board has established alternative
13 methods of distribution in the plan document under which the
14 participant was receiving distributions, to the participant's
15 beneficiary or successor payee, as the case may be, as provided
16 in the plan document.

17 (c) Contracts.--The board may contract with financial
18 institutions, insurance companies or other types of third-party
19 providers to allow participants who receive a lump sum
20 distribution to receive payments and death benefits in a form
21 and manner as provided by the contract.
22 § 5809. Vesting.

23 (a) Participant and voluntary contributions.--Subject to the
24 forfeiture and attachment provisions of section 5953 (relating
25 to taxation, attachment and assignment of funds) or otherwise as
26 provided by law, a participant shall be vested with respect to
27 all mandatory pickup participant contributions and voluntary
28 contributions paid by or on behalf of the participant to the
29 trust in addition to interest and investment gains or losses on
30 the participant contributions but not including investment fees
31 and administrative charges.

32 (b) Employer defined contributions.--

33 (1) Subject to the forfeiture and attachment provisions
34 of section 5953 or otherwise as provided by law, a
35 participant with three eligibility points as provided under
36 section 5307(c)(3) (relating to eligibility points) shall be
37 vested with respect to all employer defined contributions
38 paid to the participant's individual investment account in
39 the trust in addition to interest and investment gains and
40 losses on the employer defined contributions but not
41 including investment fees and administrative charges.

42 (2) Nonvested employer defined contributions and the
43 interest and investment gains and losses on the nonvested
44 employer defined contributions that are forfeited when a
45 participant terminates State service before accruing three
46 eligibility points as provided under section 5307(c)(3) are
47 credited to the participant's most recent employer's future
48 obligation assessed under section 5509 (relating to
49 appropriations and assessments by the Commonwealth).

50 (c) USERRA leave and eligibility points.--A participant in
51 the plan who is reemployed from USERRA leave or who dies while

1 performing USERRA leave shall receive eligibility points under
2 this section for the State service that would have been
3 performed had the member not performed USERRA leave.

4 § 5810. Termination of distributions.

5 (a) Return to State service.--

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

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

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

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

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

34 § 5811. Agreements with financial institutions and other
35 organizations.

36 (a) Written agreement.--To establish and administer the
37 plan, the board shall enter into a written agreement with one or
38 more financial institutions or pension management organizations
39 to administer the plan and the investment of funds held pursuant
40 to the plan. The administrator shall be selected in accordance
41 with the following:

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

44 (2) The board shall publish the solicitation in the
45 Pennsylvania Bulletin.

46 (3) Proposals received shall be evaluated based on
47 specific criteria adopted by the board. The criteria shall
48 include experience, customer service history and other
49 criteria.

50 (b) Rebid.--A contract to administer the plan under
51 subsection (a) shall be rebid at least once every ten years.

1 § 5812. Powers and duties of board.

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

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

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

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

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

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

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

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

30 (8) The board may allow a former participant to maintain
31 the participant's individual investment account within the
32 plan.

33 (9) The board shall administer or ensure the
34 administration of the plan in compliance with the
35 qualifications and other rules of the IRC.

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

38 (11) The board shall determine what constitutes a
39 termination of State service.

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

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

47 (i) Procedures for eligible participants to change
48 their investment choices on a periodic basis or make
49 other elections regarding their participation in the
50 plan.

51 (ii) Procedures for deducting mandatory pickup

1 participant contributions from a participant's
2 compensation.

3 (iii) Procedures for rollovers and trustee-to-
4 trustee transfers allowed under the IRC and permitted as
5 part of the plan.

6 (iv) Standards and criteria for providing not less
7 than ten options in accordance with three or more
8 providers of investment options to eligible individuals
9 regarding investments of amounts deferred under the plan.
10 The standards and criteria must provide for variety of
11 investment options and shall be reviewed in accordance
12 with criteria established by the board. One of the
13 available options must serve as the default option for
14 participants who do not make a timely election and, to
15 the extent commercially available, one option must have
16 an annuity.

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

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

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

31 (15) The board may contract any services and duties in
32 lieu of staff, except final adjudications and as prohibited
33 by law. Any duties or responsibilities of the board not
34 required by law to be performed by the board can be delegated
35 to a third-party provider subject to appeal to the board.

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

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

42 § 5813. Responsibility for investment loss.

43 The board, the Commonwealth, an employer or other political
44 subdivision shall not be responsible for any investment loss
45 incurred under the plan or for the failure of any investment to
46 earn any specific or expected return or to earn as much as any
47 other investment opportunity, whether or not the other
48 opportunity was offered to participants in the plan.

49 § 5814. Investments based on participants' investment
50 allocation choices.

51 (a) Investment by participant.--All contributions, interest

1 and investment earnings shall be invested based on a
2 participant's investment allocation choices. All investment
3 allocation choices shall be credited proportionally between
4 participant contributions and employer defined contributions.
5 Each participant shall be credited individually with the amount
6 of contributions, interest and investment earnings.

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

21 § 5815. Expenses.

22 All fees, costs and expenses of administering the plan and
23 the trust and investing the assets of the trust shall be borne
24 by the participants and paid from assessments against the
25 balances of the individual investment accounts as established by
26 the board, except that for fiscal years ending before July 1,
27 2020, and for any additional fiscal years as the General
28 Assembly may provide, the fees, costs and expenses of
29 establishing and administering the plan and the trust shall be
30 paid by the Commonwealth through annual appropriations from the
31 General Fund, made on the basis of estimates from the board.

32 § 5816. (Reserved).

33 § 5817. Tax qualification.

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

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

39 (1) (i) Except as provided under subparagraph (ii) and
40 notwithstanding a provision of this part, a contribution
41 or benefit related to the plan may not exceed any
42 limitation under IRC § 415 with respect to governmental
43 plans which is in effect on the date the contribution or
44 benefit payment takes effect.

45 (ii) An increase in a limitation under IRC § 415
46 shall apply to all participants on and after the
47 effective date of this section.

48 (iii) For the purposes of this paragraph, the term
49 "government plans" shall have the same meaning as the
50 term has in IRC § 414(d).

51 (2) (i) Except as provided under subparagraph (ii), an

1 amendment of this part on or after the effective date of
2 this section that increases contributions or benefits for
3 active participants, inactive participants or
4 participants receiving distributions shall not be deemed
5 to provide for a contribution or benefit in excess of any
6 limitation, adjusted on or after the effective date of
7 this section, under IRC § 415 unless specifically
8 provided by legislation.

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

13 § 5818. State Employees' Defined Contribution Holding Vehicle
14 Trust.

15 (a) Establishment.--The State Employees' Defined
16 Contribution Holding Vehicle Trust is established as part of the
17 plan. The holding vehicle trust shall be comprised of the
18 individual investment accounts and all assets and moneys in
19 those accounts from January 1, 2018, until the earlier of the
20 date the board certifies that the State Employees' Defined
21 Contribution Trust is operational and able to accept participant
22 and employer contributions or December 31, 2018, unless the
23 board so certifies on or before January 1, 2018. The members of
24 the board shall be the trustees of the holding vehicle trust,
25 which shall be held in a separate account, established by the
26 Treasury Department and shall not be inconsistent with this
27 part, the IRC or other applicable law. The holding vehicle trust
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)
31 subject to the requirements of Chapter 59 (relating to
32 administration, funds, accounts, general provisions).

33 (b) Assets held in trust.--All assets and income in the
34 holding vehicle trust that are withheld or contributed by the
35 participants, the Commonwealth and other employers in accordance
36 with this part shall be held in trust as permitted by the
37 applicable provisions of the IRC for the exclusive benefit of
38 the participants and their beneficiaries until such time as the
39 funds are transferred to the State Employees' Defined
40 Contribution Trust in accordance with the terms of the plan
41 document. The assets of the holding vehicle trust may be used
42 for the payment of the fees, costs and expenses related to the
43 administration and investment of the holding vehicle trust and
44 transfer of assets to the State Employees' Defined Contribution
45 Trust.

46 (c) Mandatory pickup participant contributions.--All
47 mandatory pickup participant contributions and employer defined
48 contributions that are required under sections 5804 (relating to
49 participant contributions), 5805 (relating to mandatory pickup
50 participant contributions) and 5806 (relating to employer
51 defined contributions) to be made to the State Employees'

1 Defined Contribution Trust upon certification of such trust
2 shall be made to the holding vehicle trust prior to the date the
3 board certifies the State Employees' Defined Contribution Trust.
4 The employer shall cause those contributions for service
5 required to be credited in the plan to be made and deducted from
6 each payroll or on such schedule as established by the board and
7 such participant contributions shall be picked up by the
8 Commonwealth or other employer and shall be treated as the
9 employer's contribution for purposes of IRC § 414(h). On and
10 after the effective date of this section, an employer employing
11 a participant in the plan shall pick up the required mandatory
12 participant contributions by a reduction in the compensation of
13 the participant. No participant is permitted to make voluntary
14 contributions to the holding vehicle trust.

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

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

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

32 (g) Interest.--Upon the disbursement of a return of Class A-
33 5 accumulated deductions to a participant who has terminated
34 State service or of a death benefit to a participant's
35 designated beneficiaries or upon the transfer of all assets in
36 the holding vehicle trust to the State Employees' Defined
37 Contribution Trust or December 31, 2017, whichever occurs first,
38 the Commonwealth shall make an interest payment to the holding
39 vehicle trust. The interest payment shall be equal to 4% annual
40 rate of return on the mandatory pickup participant contributions
41 and employer defined contributions made for the participant,
42 increased or decreased for any investment losses or earnings
43 while in the holding vehicle trust, but in no case shall the
44 interest payment be less than zero.

45 (h) Responsibility for loss of investment opportunity.--The
46 board, the Commonwealth, an employer or other political
47 subdivision shall not be responsible for the failure of any
48 investment in the holding vehicle trust to earn any specific or
49 expected return greater than the 4% interest rate paid under
50 subsection (g) or to earn as much as any other investment
51 opportunity, whether or not the other opportunity was offered to

1 participants in the holding vehicle trust.

2 (i) Termination of holding vehicle trust.--After the
3 disbursement or transfer of all assets in the holding vehicle
4 trust and the certification by the board that no further
5 liabilities from the holding vehicle trust exist, the holding
6 vehicle trust shall be closed, and this section, except for
7 subsection (h), shall become inoperative.

8 Section 323. Section 5901(a), (c), (d) and (e) of Title 71
9 are amended to read:

10 § 5901. The State Employees' Retirement Board.

11 (a) Status and membership.--The board shall be an
12 independent administrative board and consist of 11 members: the
13 State Treasurer, ex officio, two Senators, two members of the
14 House of Representatives and six members appointed by the
15 Governor, one of whom shall be an annuitant of the system or a
16 participant in the plan who has terminated State service and is
17 receiving or is eligible to receive distributions, for terms of
18 four years, subject to confirmation by the Senate. At least five
19 board members shall be active members of the system or active
20 participants in the plan, and at least two shall have ten or
21 more years of credited State service or shall have been active
22 participants in the plan for ten calendar years. The chairman of
23 the board shall be designated by the Governor from among the
24 members of the board. Each member of the board who is a member
25 of the General Assembly may appoint a duly authorized designee
26 to act in his stead. In the event that a board member, who is
27 designated as an active participant or as a participant in the
28 plan who is receiving or is eligible to receive distributions,
29 receives a total distribution of his interest in the plan, that
30 board member may continue to serve on the board for the
31 remainder of his term.

32 * * *

33 (c) Oath of office.--Each member of the board shall take an
34 oath of office that he will, so far as it devolves upon him,
35 diligently and honestly, administer the affairs of said board,
36 the system and the plan and that he will not knowingly violate
37 or willfully permit to be violated any of the provisions of law
38 applicable to this part. Such oath shall be subscribed by the
39 member taking it and certified by the officer before whom it is
40 taken and shall be immediately filed in the Office of the
41 Secretary of the Commonwealth.

42 (d) Compensation and expenses.--The members of the board who
43 are members of the system or participants in the plan shall
44 serve without compensation but shall not suffer loss of salary
45 or wages through serving on the board. The members of the board
46 who are not members of the system or participants in the plan
47 shall receive \$100 per day when attending meetings and all board
48 members shall be reimbursed for any necessary expenses. However,
49 when the duties of the board as mandated are not executed, no
50 compensation or reimbursement for expenses of board members
51 shall be paid or payable during the period in which such duties

1 are not executed.

2 (e) Corporate power and legal advisor.--For the purposes of
3 this part, the board shall possess the power and privileges of a
4 corporation. [The Attorney General of the Commonwealth shall be
5 the legal advisor of the board.] The board shall be considered
6 to be an independent agency under the act of October 15, 1980
7 (P.L.950, No.164), known as the Commonwealth Attorneys Act.
8 Legal counsel to the board shall serve independently from the
9 Governor's Office of General Counsel, the Attorney General and
10 the General Assembly.

11 Section 324. Sections 5902(a)(2), (a.1), (b), (c), (e), (h),
12 (i), (j), (k), (m) and (n) and 5903 heading and (b) of Title 71
13 are amended and the sections are amended by adding subsections
14 to read:

15 § 5902. Administrative duties of the board.

16 (a) Employees.--

17 * * *

18 (2) Notwithstanding any other provisions of law, the
19 compensation of investment professionals and legal counsel
20 shall be established by the board. The compensation of all
21 other officers and employees of the board who are not covered
22 by a collective bargaining agreement shall be established by
23 the board consistent with the standards of compensation
24 established by the Executive Board of the Commonwealth.

25 (a.1) Secretary.--The secretary shall act as chief
26 administrative officer for the board with respect to both the
27 system and the plan. In addition to other powers and duties
28 conferred upon and delegated to the secretary by the board, the
29 secretary shall:

30 (1) Serve as the administrative agent of the board.

31 (2) Serve as liaison between the board and applicable
32 legislative committees, the Treasury Department, the
33 Department of the Auditor General, and between the board and
34 the investment counsel and the mortgage supervisor in
35 arranging for investments to secure maximum returns to the
36 fund.

37 (3) Review and analyze proposed legislation and
38 legislative developments affecting the system or the plan and
39 present findings to the board, legislative committees, and
40 other interested groups or individuals.

41 (4) Direct the maintenance of files and records and
42 preparation of periodic reports required for actuarial
43 evaluation studies.

44 (5) Receive inquiries and requests for information
45 concerning the system or the plan from the press,
46 Commonwealth officials, State employees, the general public,
47 research organizations, and officials and organizations from
48 other states, and provide information as authorized by the
49 board.

50 (6) (i) Supervise a staff of administrative, technical,
51 and clerical employees engaged in record-keeping and

1 clerical processing activities for both the system and
2 the plan in maintaining files of members and
3 participants, accounting for contributions, processing
4 payments to annuitants and terminated participants,
5 preparing required reports, and retirement counseling.

6 (ii) The board may utilize the staff of employees
7 provided for under this paragraph for both the system and
8 the plan but shall allocate the fees, costs and expenses
9 incurred under this paragraph between the system and the
10 plan as appropriate.

11 (b) Professional personnel.--

12 (1) The board shall contract for the services of a chief
13 medical examiner, an actuary, investment advisors and
14 counselors, and such other professional personnel as it deems
15 advisable. The board may, with the approval of the Attorney
16 General, contract for legal services.

17 (2) The board may utilize the same individuals and firms
18 contracted under this subsection for both the system and the
19 plan but shall allocate the fees, costs and expenses incurred
20 under this subsection between the system and the plan as
21 appropriate.

22 (c) Expenses.--

23 (1) The board shall, through the Governor, submit to the
24 General Assembly annually a budget covering the
25 administrative expenses of [this part] the system and a
26 separate budget covering the administrative expenses of the
27 plan which budgets shall include those expenses necessary to
28 establish the plan and trust.

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

32 (3) For fiscal years ending on or before June 30, 2019,
33 such expenses of the plan and the holding vehicle trust as
34 approved by the General Assembly in an appropriation bill
35 shall be paid from the General Fund. For fiscal years
36 beginning on or after July 1, 2019, such expenses of the plan
37 and the holding vehicle trust as approved by the General
38 Assembly shall be paid from interest, pursuant to section
39 5814(b) (relating to investments based on participants'
40 investment allocation choices), assessments on the balances
41 of the participants' individual investment accounts or as
42 otherwise provided in this part except as the General
43 Assembly provides by appropriations from the General Fund.

44 (4) Concurrently with its administrative budget, the
45 board shall also submit to the General Assembly annually a
46 list of proposed expenditures which the board intends to pay
47 through the use of directed commissions, together with a list
48 of the actual expenditures from the past year actually paid
49 by the board through the use of directed commissions. All
50 such directed commission expenditures shall be made by the
51 board for the exclusive benefit of the system and its

1 members.

2 * * *

3 (e) Records.--

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

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

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

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

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

30 (3) (i) The sensitive investment or financial
31 information excluded from [inspection] access under
32 paragraph (2)(i), to the extent not otherwise excluded
33 from [inspection] access, shall constitute a public
34 record subject to public [inspection] access under the
35 Right-to-Know Law once the board is no longer required by
36 its agreement to maintain confidentiality.

37 (ii) The sensitive investment or financial
38 information excluded from [inspection] access under
39 paragraph(2)(ii), to the extent not otherwise excluded
40 from [inspection] access, shall constitute a public
41 record subject to public [inspection] access under the
42 Right-to-Know Law once:

43 (A) the [inspection] access no longer causes
44 substantial competitive harm to the person from whom
45 the information was received; or

46 (B) the entity in which the investment was made
47 is liquidated;
48 whichever is later.

49 (iii) The sensitive investment or financial
50 information excluded from [inspection] access under
51 paragraph(2)(iii), to the extent not otherwise excluded

1 from [inspection] access, shall constitute a public
2 record subject to public [inspection] access under the
3 Right-to-Know Law once:

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

9 (B) the entity in which the investment was made
10 is liquidated;
11 whichever is later.

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

18 (5) Any record, material or data received, prepared,
19 used or retained by the board or its employees, or agents
20 relating to the contributions, account value or benefits
21 payable to or on account of a participant shall not
22 constitute a public record subject to public access under the
23 Right-to-Know Law if, in the reasonable judgment of the
24 board, the access would disclose any of the following:

25 (i) The existence, date, amount and any other
26 information pertaining to the rollover contributions or
27 trustee-to-trustee transfers, of any participant.

28 (ii) The investment options selections of any
29 participant.

30 (iii) The balance of a participant's individual
31 investment account, including the amount distributed to
32 the participant, investment gains or losses or rates of
33 return.

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

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

37 (6) Nothing in this subsection shall be construed to
38 designate any record, material or data received, prepared,
39 used or retained by the board or its employees, or agents
40 relating to the contributions, account value or benefits
41 payable to or on account of a participant as a public record
42 subject to public access under the Right-to-Know Law.

43 (7) The following shall apply:

44 (i) Nothing in this part shall be construed to mean
45 that the release or publicizing of a record, material or
46 data which would not constitute a public record under
47 this subsection shall be a violation of the board's
48 fiduciary duties.

49 (ii) This paragraph shall apply to a record,
50 material or data under this subsection, notwithstanding
51 any of the following:

1 (A) Whether the record, material or data was
2 created, generated or stored before the effective
3 date of this paragraph.

4 (B) Whether the record, material or data was
5 previously released or made public.

6 (C) Whether a request for the record, material
7 or data was made or is pending final response under
8 the Right-to-Know Law.

9 * * *

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

26 (i) Data.--The board shall keep in convenient form such data
27 as are stipulated by the actuary in order that an annual
28 actuarial valuation of the various accounts of the fund can be
29 completed within six months of the close of each calendar year.

30 (j) Actuarial investigation and valuation.--The board shall
31 have the actuary make an annual valuation of the various
32 accounts of the fund within six months of the close of each
33 calendar year. In the year 1975 and in every fifth year
34 thereafter the board shall have the actuary conduct an actuarial
35 investigation and evaluation of the system based on data
36 including the mortality, service, and compensation experience
37 provided by the board annually during the preceding five years
38 concerning the members and beneficiaries of the system. The
39 board shall by resolution adopt such tables as are necessary for
40 the actuarial valuation of the fund and calculation of
41 contributions, annuities and other benefits based on the reports
42 and recommendations of the actuary. Within 30 days of their
43 adoption, the secretary of the board shall cause those tables
44 which relate to the calculation of annuities and other benefits
45 to be published in the Pennsylvania Bulletin in accordance with
46 the provisions of 45 Pa.C.S. § 725(a) (relating to additional
47 contents of Pennsylvania Bulletin) and, unless the board
48 specifies therein a later effective date, such tables shall
49 become effective on such publication. The board shall include a
50 report on the significant facts, recommendations and data
51 developed in each five-year actuarial investigation and

1 evaluation of the system in the annual financial statement
2 published pursuant to the requirements of subsection (m) for the
3 fiscal year in which such investigation and evaluation were
4 concluded.

5 (k) Certification of employer contributions to fund.--The
6 board shall, each year in addition to the itemized budget
7 required under section 5509 (relating to appropriations and
8 assessments by the Commonwealth), certify, as a percentage of
9 the members' payroll, the shared-risk contribution rate, the
10 employers' contributions as determined pursuant to section 5508
11 (relating to actuarial cost method) necessary for the funding of
12 prospective annuities for active members and the annuities of
13 annuitants and certify the rates and amounts of the employers'
14 normal contributions as determined pursuant to section 5508(b),
15 accrued liability contributions as determined pursuant to
16 section 5508(c), supplemental annuities contribution rate as
17 determined pursuant to section 5508(e), the experience
18 adjustment factor as determined pursuant to section 5508(f), the
19 collared contribution rate pursuant to section 5508(h) and the
20 final contribution rate pursuant to section 5508(i), which shall
21 be paid to the fund and credited to the appropriate accounts.
22 The board may allocate the final contribution rate and certify
23 various employer contribution rates and amounts based upon the
24 different benefit eligibility, class of service multiplier,
25 superannuation age, final average salary calculation,
26 compensation limits and other benefit differences resulting from
27 State service credited for individual members even though such
28 allocated employer contribution rate on behalf of any given
29 member may be more or less than 5% of the member's compensation
30 for the period from July 1, 2010, to June 30, 2011, or may
31 differ from the prior year's contribution for that member by
32 more or less than the percentages used to calculate the collared
33 contribution rate for that year and may be below any minimum
34 contribution rate established for the collared contribution rate
35 or final contribution rate. These certifications shall be
36 regarded as final and not subject to modification by the
37 Secretary of the Budget.

38 * * *

39 (m) Annual financial statement.--The board shall prepare and
40 have published, on or before July 1 of each year, [a financial
41 statement] financial statements as of the calendar year ending
42 December 31 of the previous year showing the condition of the
43 fund, the trust and the various accounts, including, but not
44 limited to, the board's accrual and expenditure of directed
45 commissions, and setting forth such other facts,
46 recommendations, and data as may be of use in the advancement of
47 knowledge concerning annuities and other benefits provided by
48 this part. The board shall submit said financial [statement]
49 statements to the Governor and shall file copies with the head
50 of each department for the use of the State employees and the
51 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] accountants,
4 which [audit] 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 (relating to appropriations
12 and assessments by the Commonwealth), certify, as a percentage
13 of each participant's compensation, the employer defined
14 contributions, which shall be paid to the trust and credited to
15 each participant's individual investment account. These
16 certifications shall be regarded as final and not subject to
17 modification by the Secretary of the Budget. The board shall
18 cause all mandatory pickup participant contributions made on
19 behalf of a participant and all voluntary contributions made by
20 a participant to be credited to the participant's individual
21 investment account.

22 § 5903. Duties of the board to advise and report to heads of
23 departments [and], members and participants.

24 * * *

25 (b) Member status statements and certifications.--The board
26 shall furnish annually to the head of each department on or
27 before April 1, a statement for each member employed in such
28 department showing the total accumulated deductions and Class A-
29 5 accumulated deductions standing to his credit as of December
30 31 of the previous year and requesting the member to make any
31 necessary corrections or revisions regarding his designated
32 beneficiary. In addition, for each member employed in any
33 department and for whom the department has furnished the
34 necessary information, the board shall certify the number of
35 years and fractional part of a year of credited service
36 attributable to each class of service, the number of years and
37 fractional part of a year attributable to social security
38 integration credits in each class of service and, in the case of
39 a member eligible to receive an annuity, the benefit to which he
40 is entitled upon the attainment of superannuation age.

41 (b.1) Participant status statements.--The board shall
42 furnish annually to each participant, on or before April 1 and
43 more frequently as the board may agree or as required by law, a
44 statement showing the accumulated total defined contributions
45 credited to the participant's individual investment account, the
46 nature and type of investments and the investment allocation of
47 future contributions as of December 31 of the previous year and
48 requesting the participant to make any necessary correction or
49 revision regarding his designated beneficiary.

50 * * *

51 Section 325. Section 5904(c) of Title 71 is amended to read:

1 § 5904. Duties of the board to report to the Public School
2 Employees' Retirement Board.

3 * * *

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

11 (1) certify to the Public School Employees' Retirement
12 Board;

13 (i) the salary history as a member of the State
14 Employees' Retirement System and the final average salary
15 as calculated on the basis of the compensation received
16 as a State and school employee; and

17 (ii) the annuity or benefit to which the member or
18 his beneficiary is entitled as modified according to the
19 option selected; and

20 (2) transfer to the Public School Employees' Retirement
21 Fund the total accumulated deductions or Class A-5
22 accumulated deductions standing to such member's credit and
23 the actuarial reserve required on account of years of
24 credited service in the State system, final average salary
25 determined on the basis of his compensation in both systems
26 and the average noncovered salary to be charged to the State
27 accumulation account, the State Police benefit account or the
28 enforcement officers' benefit account, as each case may
29 require.

30 * * *

31 Section 326. Section 5905(b), (c.1), (f) and (g) of Title
32 71, amended December 28, 2015 (P.L.529, No.93), are amended and
33 the section is amended by adding subsections to read:

34 § 5905. Duties of the board regarding applications and
35 elections of members and participants.

36 * * *

37 (b) School employees electing multiple service status.--Upon
38 receipt of notification from the Public School Employees'
39 Retirement Board that a former State employee has become an
40 active member in the Public School Employees' Retirement System
41 and has elected to become a member with multiple service status
42 the board shall:

43 (1) in case of a member receiving an annuity from the
44 system:

45 (i) discontinue payments, transfer the present value
46 of the member's annuity at the time of entering school
47 service, plus the amount withdrawn in a lump sum payment,
48 on or after the date of entering school service, pursuant
49 to section 5705 (relating to member's options), with
50 statutory interest to date of transfer, minus the amount
51 to be returned to the board on account of return to

1 service, that the board has determined is to be credited
2 in the members' savings account, from the annuity reserve
3 account to the members' savings account and resume
4 crediting of statutory interest on the amount restored to
5 his credit;

6 (ii) transfer the balance of the present value of
7 the total annuity, minus the amount to be returned to the
8 board on account of return to service that the board has
9 determined is to be credited in the State accumulation
10 account, from the annuity reserve account to the State
11 accumulation account; and

12 (iii) certify to the member the amount of lump sum
13 and annuity payments with statutory interest the member
14 is to return to the board and, of those amounts, which
15 amount shall be credited to the members' savings account
16 and credited with statutory interest as such payments are
17 returned and which amount shall be credited to the State
18 accumulation account; or

19 (2) in case of a member who is not receiving an annuity
20 and has not withdrawn his total accumulated deductions or
21 Class A-5 accumulated deductions, continue or resume the
22 crediting of statutory interest on his total accumulated
23 deductions and Class A-5 accumulated deductions during the
24 period his total accumulated deductions and Class A-5
25 accumulated deductions remain in the fund; or

26 (3) in case of a former State employee who is not
27 receiving an annuity from the system and his total
28 accumulated deductions or Class A-5 accumulated deductions
29 were withdrawn, certify to the former State employee the
30 accumulated deductions as they would have been at the time of
31 his separation had he been a full coverage member together
32 with statutory interest for all periods of subsequent State
33 and school service to the date of repayment and the amount of
34 such total accumulated deductions or Class A-5 accumulated
35 deduction he is eligible to restore. Such amount shall be
36 restored by him and shall be credited with statutory interest
37 as such payments are restored.

38 * * *

39 (c.1) Termination of service by members.--In the case of any
40 member terminating State service who is entitled to an annuity
41 and who is not then a disability annuitant, the board shall
42 advise such member in writing of any benefits from the system to
43 which he may be entitled under the provisions of this part and
44 shall have the member prepare, on or before the date of
45 termination of State service, one or more of the following three
46 forms, a copy of which shall be given to the member and the
47 original of which shall be filed with the board:

48 (1) an application for the return of total accumulated
49 deductions and if eligible, for the return of Class A-5
50 accumulated deductions;

51 (2) if eligible, an election to vest his retirement

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

5 (3) if eligible, an application for an immediate annuity
6 and, if he desires:

7 (i) an election to convert his medical, major
8 medical and hospitalization insurance coverage to the
9 plan for State annuitants; and

10 (ii) if he is a joint coverage member, an election
11 to become a full coverage member and an agreement to pay
12 within 30 days of date of termination of service the lump
13 sum required.

14 (c.2) Termination of service by participants.--In the case
15 of a participant terminating State service, the board shall
16 advise the participant in writing of the vested accumulated
17 total defined contributions credited to the participant's
18 individual investment account as of the date stated in the
19 writing, any notices regarding rollover or other matters
20 required by IRC or other law, the obligation of the participant
21 to commence distributions from the plan by the participant's
22 required beginning date and the ability to receive all or part
23 of the vested balance in the participant's individual investment
24 account in a lump sum or in such other form as the board may
25 authorize or as required by law.

26 * * *

27 (e.2) Notification to inactive participants approaching
28 required beginning date.--The board shall notify in writing each
29 inactive participant who has terminated State service and has
30 not commenced distribution by 90 days before the participant's
31 required beginning date that the inactive participant has an
32 obligation to commence distributions by the required beginning
33 date in a form and manner required by IRC § 401(a)(9) and other
34 applicable provisions of the IRC.

35 (f) Initial annuity payment and certification.--The board
36 shall make the first monthly payment to a member who is eligible
37 for an annuity within 60 days of the filing of his application
38 for an annuity or, in the case of a vestee or special vestee who
39 has deferred the filing of his application to a date later than
40 90 days following attainment of superannuation age, within 60
41 days of the effective date of retirement, and receipt of the
42 required data from the head of the department and, if the member
43 has Class G, Class H, Class I, Class J, Class K, Class L, Class
44 M or Class N service, any data required from the county
45 retirement system or pension plan to which the member was a
46 contributor before being a State employee. Concurrently, the
47 board shall certify to such member:

48 (1) the total accumulated deductions and Class A-5
49 accumulated deductions standing to his credit showing
50 separately the amount contributed by the member, the pickup
51 contribution and the interest credited to the date of

1 termination of service;

2 (2) the number of years and fractional part of a year
3 credited in each class of service;

4 (3) the final average salary on which his annuity is
5 based as well as any applicable reduction factors due to age
6 and/or election of an option; and

7 (4) the total annuity payable under the option elected
8 and the amount and effective date of any future reduction
9 under section 5703 (relating to reduction of annuities on
10 account of social security old-age insurance benefits).

11 (f.1) Initial payment to participants.--The board shall make
12 the initial payment to a participant who has applied for a
13 distribution within 60 days of the filing of the application.

14 (g) Death benefits.--Upon receipt of notification from the
15 head of a department of the death of an active member, a member
16 performing USERRA leave [or], a member on leave without pay, an
17 active participant, an inactive participant on leave without pay
18 or a former participant performing USERRA leave, the board shall
19 advise the designated beneficiary of the benefits to which he is
20 entitled, and shall make the first payment to the beneficiary
21 within 60 days of receipt of certification of death and other
22 necessary data. If no beneficiary designation is in effect at
23 the date of the member's death or no notice has been filed with
24 the board to pay the amount of the benefits to the member's
25 estate, the board is authorized to pay the benefits to the
26 executor, administrator, surviving spouse or next of kin of the
27 deceased member, and payment pursuant [hereto] to this section
28 shall fully discharge the fund from any further liability to
29 make payment of such benefits to any other person. If no
30 beneficiary designation is in effect at the date of a
31 participant's death or no notice has been filed with the board
32 to pay the amount of the benefits to the participant's estate,
33 the board may pay the benefits to the surviving spouse,
34 executor, administrator or next of kin of the deceased
35 participant, and payment pursuant to this subsection shall fully
36 discharge the fund from any further liability to make payment of
37 such benefits to any other person.

38 * * *

39 Section 327. Section 5905.1(a), (b) and (d) of Title 71 are
40 amended to read:

41 § 5905.1. Installment payments of accumulated deductions.

42 (a) General rule.--Notwithstanding any other provision of
43 this part, whenever a member elects to withdraw his total
44 accumulated deductions or Class A-5 accumulated deductions
45 pursuant to section 5311(a) (relating to eligibility for
46 refunds) or 5701 (relating to return of [total] accumulated
47 deductions) or elects to receive a portion of his benefit
48 payable as a lump sum pursuant to section 5705(a)(4)(iii)
49 (relating to member's options), the member may elect to receive
50 the amount in not more than four installments.

51 (b) Payment of first installment.--The payment of the first

installment shall be made in the amount and within seven days of the date specified by the member, except as follows:

(1) Upon receipt of a member's application to withdraw his total accumulated deductions or Class A-5 accumulated deductions as provided in section 5311(a) or 5701 and upon receipt of all required data from the head of the department and, if the member has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, any data required from the county retirement system or pension plan to which the member was a contributor before being transferred to State employment, the board shall not be required to pay the first installment prior to 45 days after the filing of the application and the receipt of the data or the date of termination of service, whichever is later.

(2) In the case of an election as provided in section 5705(a)(4)(iii) by a member terminating service within 60 days prior to the end of a calendar year and upon receipt of all required data from the head of the department and, if the member has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, any data required from the county retirement system or pension plan to which the member was a contributor before being transferred to State employment, the board shall not be required to pay the first installment prior to 21 days after the later of the filing of the application and the receipt of the data or the date of termination of service, but, unless otherwise directed by the member, the payment shall be made no later than 45 days after the filing of the application and the receipt of the data or the date of termination of service, whichever is later.

(3) In the case of an election as provided in section 5705(a)(4)(iii) by a member who is not terminating service within 60 days prior to the end of a calendar year and upon receipt of all required data from the head of the department and, if the member has Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service, any data required from the county retirement system or pension plan to which the member was a contributor before being transferred to State employment, the board shall not be required to pay the first installment prior to 45 days after the filing of the application and the receipt of the data or the date of termination of service, whichever is later.

* * *

(d) Statutory interest.--Any lump sum, including a lump sum payable pursuant to section 5705.1 (relating to payment of accumulated deductions resulting from [Class A-3 and Class A-4] more than one class of service), or installment payable shall include statutory interest credited to the date of payment, except in the case of a member, other than a vestee or special vestee, who has not filed his application prior to 90 days following his termination of service.

Section 328. Section 5906(a), (b), (d), (e), (g), (h), (i),

(j) and (l) of Title 71 are amended and the section is amended by adding a subsection to read:

§ 5906. Duties of heads of departments.

(a) Status of members and participants.--The head of department shall, at the end of each pay period, notify the board in a manner prescribed by the board of salary changes effective during that period for any members and participants of the department, the date of all removals from the payroll, and the type of leave of any members and participants of the department who have been removed from the payroll for any time during that period, and:

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

(2) if the removal is due to a transfer to another department, he shall furnish such department and the board with a complete State service record, including past State service in other departments or agencies, or creditable nonstate service; or

(3) if the removal is due to termination of State service, he shall furnish the board with a complete State service record, including service in other departments or agencies, or creditable nonstate service and;

(i) in the case of death of the member or participant, the head of the department shall so notify the board;

(ii) in the case of a service connected disability of a member, the head of department shall, to the best of his ability, investigate the circumstances surrounding the disablement of the member and submit in writing to the board information which shall include but not necessarily be limited to the following: date, place and time of disablement to the extent ascertainable; nature of duties being performed at such time; and whether or not the duties being performed were authorized and included among the member's regular duties. In addition, the head of department shall furnish in writing to the board all such other information as may be related to the member's disablement;

(iii) in the case of a member terminating from The Pennsylvania State University who is a member of the system with five or more but less than ten eligibility points and who has terminated State service on June 30, 1997, because of the transfer of his job position or duties to a controlled organization of the Penn State Geisinger Health System or because of the elimination of his job position or duties due to the transfer of other job positions or duties to a controlled organization of the Penn State Geisinger Health System, the head of the department shall so certify to the board.

(b) Records and information.--At any time at the request of

1 the board and at termination of service of a member or a
2 participant, the head of department shall furnish service and
3 compensation records and such other information as the board may
4 require and shall maintain and preserve such records as the
5 board may direct for the expeditious discharge of its duties.

6 * * *

7 (c.1) Participant and employer defined contributions.--The
8 head of department shall:

9 (1) Cause the mandatory pickup participant contributions
10 on behalf of a participant to be made.

11 (2) Cause the employer defined contributions on behalf
12 of a participant to be made.

13 (3) Notify the board at times and in a manner prescribed
14 by the board of the compensation of any participant to whom
15 the limitation under IRC § 401(a)(17) either applies or is
16 expected to apply and cause the participant's contributions
17 to be deducted from payroll to cease at the limitation under
18 IRC § 401(a)(17) on the payroll date if and when such limit
19 shall be reached.

20 (4) Certify to the State Treasurer the amounts picked up
21 and deducted and the employer defined contributions being
22 made and send the total amount picked up, deducted and
23 contributed together with a duplicate of the voucher to the
24 secretary of the board every pay period or on such schedule
25 as established by the board.

26 (d) New employees subject to mandatory membership or
27 participation.--Upon the assumption of duties of each new State
28 employee whose membership in the system or plan is mandatory,
29 the head of department shall cause an application for membership
30 or participation and a nomination of beneficiary to be made by
31 such employee and filed with the board and shall make pickup
32 contributions or mandatory pickup participant contributions from
33 the effective date of State employment.

34 (e) New employees subject to optional membership or
35 participation.--The head of department shall, upon the
36 employment or entering into office of any State employee whose
37 membership in the system or participation in the plan is not
38 mandatory, inform such employee of his opportunity to become a
39 member of the system or participant in the plan. If such
40 employee so elects, the head of department shall cause an
41 application for membership or participation and a nomination of
42 beneficiary to be made by him and filed with the board and shall
43 cause proper contributions to be made from the effective date of
44 membership or participation.

45 * * *

46 (g) Former school employee contributors.--The head of
47 department shall, upon the employment of a former contributor to
48 the Public School Employees' Retirement System who is not an
49 annuitant of the Public School Employees' Retirement System,
50 advise such employee [of his] if he has a right to elect within
51 365 days of entry into the system or, for a member of Class A-5,

1 if he has a right to elect within 45 days of entry into the
2 system, to become a multiple service member, and in the case of
3 any such employee who so elects and has withdrawn his
4 accumulated deductions, require him to reinstate his credit in
5 the Public School Employees' Retirement System. The head of the
6 department shall advise the board of such election.

7 (h) Former school employee annuitants.--The head of
8 department shall, upon the employment of an annuitant of the
9 Public School Employees' Retirement System who applies for
10 membership in the system, advise such employee [that] if he may
11 elect multiple service membership within 365 days of entry into
12 the system or, for a member of Class A-5, if he has a right to
13 elect multiple service within 45 days of entry into the system,
14 and if he so elects his public school employee's annuity will be
15 discontinued effective upon the date of his return to State
16 service and, upon termination of State service and application
17 for an annuity, the annuity will be adjusted in accordance with
18 section 5706 (relating to termination of annuities). The head of
19 department shall advise the board of such election.

20 (i) Annual statement to members.--Annually, upon receipt
21 from the board, the head of department shall furnish to each
22 member the statement specified in section 5903(b) (relating to
23 duties of the board to advise and report to heads of departments
24 [and], members and participants).

25 (j) Termination of service.--The head of department shall,
26 in the case of any member terminating State service who is
27 ineligible for an annuity before attainment of superannuation
28 age, advise such member in writing of any benefits to which he
29 may be entitled under the provisions of this part and shall have
30 the member prepare, on or before the date of termination of
31 State service, an application for the return of total
32 accumulated deductions and Class A-5 accumulated deductions or,
33 on or before September 30, 1997, an application to be vested as
34 a special vestee, if eligible.

35 * * *

36 (l) State employees performing USERRA or military-related
37 leave of absence.--The head of department shall report to the
38 board any State employee who ceases to be an active member or
39 active participant to perform USERRA service, or who is granted
40 a leave of absence under 51 Pa.C.S. § 4102 (relating to leaves
41 of absence for certain government employees) or a military leave
42 of absence under 51 Pa.C.S. § 7302 (relating to granting
43 military leaves of absence), the date on which the USERRA
44 service, leave of absence or military leave of absence began,
45 the date on which the State employee is reemployed from USERRA
46 leave or returns after the leave of absence or military leave of
47 absence, if the event occurs, and any other information the
48 board may require or direct.

49 * * *

50 Section 328.1. Section 5907(a), (c), (d), (e) and (f) of
51 Title 71, amended December 28, 2015 (P.L.529, No.93), are

1 amended and the section is amended by adding subsections to
2 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 * * *

23 (b.1) Application for participation.--On or after January 1,
24 2018, in the case of an employee who is not currently a
25 participant in the plan and whose participation is mandatory, or
26 in the case of an employee whose participation is not mandatory
27 but is permitted and who desires to become a participant in the
28 plan, the new employee shall execute an application for
29 participation and a nomination of a beneficiary.

30 (c) Multiple service membership.--Any [active member] State
31 employee who is an active member in a class of service other
32 than Class A-5 who was formerly an active member in the Public
33 School Employees' Retirement System in a class of service other
34 than Class T-G may elect to become a multiple service member.
35 Such election shall occur no later than 365 days after becoming
36 an active member in a class of service other than Class A-5 in
37 this system. Any State employee who is an active member of Class
38 A-5 who was formerly an active member in Public School
39 Employees' Retirement System in Class T-G may elect to become a
40 multiple service member. Such election shall occur no later than
41 45 days after becoming an active member of Class A-5. A State
42 employee who is eligible to elect to become a multiple service
43 member who begins USERRA leave during the election period
44 without having elected multiple service membership may make the
45 election within 365 days, or 45 days if a member of Class A-5,
46 after being reemployed from USERRA leave.

47 (d) Credit for previous service or change in membership
48 status.--Any active member or eligible school employee who
49 desires to receive credit for the portion of his total previous
50 State service or creditable nonstate service to which he is
51 entitled, or a joint coverage member who desires to become a

1 full coverage member, shall so notify the board and upon written
2 agreement by the member and the board as to the manner of
3 payment of the amount due, the member shall receive credit for
4 such service as of the date of such agreement subject to the
5 provisions in this part relating to the limitations under IRC §
6 415.

7 * * *

8 (d.2) Contributions for USERRA leave.--Any active
9 participant or inactive participant on leave without pay or
10 former participant who was reemployed from USERRA leave who
11 desires to make mandatory pickup participant contributions for
12 his USERRA leave shall so notify the board within the time
13 period required under 38 U.S.C. Ch. 43 (relating to employment
14 and reemployment rights of members of the uniformed services)
15 and IRC § 414(u) of his desire to make such contributions. Upon
16 making the permitted mandatory pickup participant contributions
17 within the allowed time period, the head of department shall
18 make the corresponding employer defined contributions at the
19 same time.

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

27 (e) Beneficiary for death benefits from system.--Every
28 member shall nominate a beneficiary by written designation filed
29 with the board as provided in section 5906(d) or (e) (relating
30 to duties of heads of departments) to receive the death benefit
31 payable under section 5707 (relating to death benefits) or the
32 benefit payable under the provisions of Option 1 of section
33 5705(a)(1) (relating to member's options). Such nomination may
34 be changed at any time by the member by written designation
35 filed with the board. A member may also nominate a contingent
36 beneficiary or beneficiaries to receive the death benefit
37 provided under section 5707 or the benefit payable under the
38 provisions of Option 1 of section 5705(a)(1).

39 (e.1) Beneficiary for death benefits from the plan.--Every
40 participant shall nominate a beneficiary by written designation
41 filed with the board as provided in section 5906(d) or (e) to
42 receive the death benefit payable under section 5808 (relating
43 to death benefits). A participant may also nominate a contingent
44 beneficiary or beneficiaries to receive the death benefit
45 provided under section 5808. Such nomination may be changed at
46 any time by the participant by written designation filed with
47 the board.

48 (e.2) Beneficiaries for employees who are members and
49 participants.--A State employee who is both a member of the
50 system and a participant in the plan may designate or nominate
51 different persons to be beneficiaries, survivor annuitants and

1 successor payees for his benefits from the system and the plan.

2 (f) Termination of service by members.--Each member who
3 terminates State service and who is not then a disability
4 annuitant shall execute on or before the date of termination of
5 service one or more of the appropriate [application]
6 applications, duly attested by the member or his legally
7 constituted representative, electing to:

8 (1) withdraw his total accumulated deductions and if
9 eligible withdraw his Class A-5 accumulated deductions; or

10 (2) if eligible, vest his retirement rights; and if he
11 is a joint coverage member, and so desires, elect to become a
12 full coverage member and agree to pay within 30 days of the
13 date of termination of service the lump sum required; or

14 (3) if eligible, receive an immediate annuity and may,

15 (i) if eligible, elect to convert his medical, major
16 medical, and hospitalization coverage to the plan for
17 State annuitants; and

18 (ii) if he is a joint coverage member, elect to
19 become a full coverage member and agree to pay within 30
20 days of date of termination of service the lump sum
21 required.

22 * * *

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

30 * * *

31 Section 329. Sections 5931(b), 5932, 5933, 5934, 5935, 5936,
32 5937, 5938, 593 and 5951 of Title 71 are amended to read:

33 § 5931. Management of fund and accounts.

34 * * *

35 (b) Crediting of interest.--The board, annually, shall allow
36 the required interest on the mean amount for the preceding year
37 to the credit of each of the accounts other than the individual
38 investment accounts. The amount so allowed shall be credited
39 thereto by the board and transferred from the interest reserve
40 account.

41 * * *

42 § 5932. State Employees' Retirement Fund.

43 (a) General rule.--The fund shall consist of all balances in
44 the several separate accounts set apart to be used under the
45 direction of the board for the benefit of members of the system;
46 and the Treasury Department shall credit to the fund all moneys
47 received from the Department of Revenue arising from the
48 contributions relating to or on behalf of members of the system
49 required under the provisions of Chapter 55 (relating to
50 contributions), and any income earned by the investments or
51 moneys of said fund. There shall be established and maintained

1 by the board the several ledger accounts specified in sections
2 5933 (relating to members' savings account), 5934 (relating to
3 State accumulation account), 5935 (relating to annuity reserve
4 account), 5936 (relating to State Police benefit account), 5937
5 (relating to enforcement officers' benefit account), 5938
6 (relating to supplemental annuity account) and 5939 (relating to
7 interest reserve account).

8 (b) Individual investment accounts and trust.--The
9 individual investment accounts that are part of the trust shall
10 not be part of the fund. Mandatory pickup participant
11 contributions, voluntary contributions and employer defined
12 contributions made under this part and any income earned by the
13 investment of such contributions shall not be paid or credited
14 to the fund but shall be paid to the trust and credited to the
15 individual investment accounts.

16 § 5933. Members' savings account.

17 (a) Credits to account.--The members' savings account shall
18 be the ledger account to which shall be credited the amounts of
19 the pickup contributions made by the Commonwealth or other
20 employer and contributions or lump sum payments made by active
21 members in accordance with the provisions of sections 5501
22 (relating to regular member contributions for current service),
23 5501.1 (relating to shared-risk member contributions for Class
24 A-3 [and], Class A-4 and Class A-5 service), 5502 (relating to
25 social security integration member contributions), 5503
26 (relating to joint coverage member contributions), 5504
27 (relating to member contributions for the purchase of credit for
28 previous State service or to become a full coverage member),
29 5505.1 (relating to additional member contributions) and 5505
30 (relating to contributions for the purchase of credit for
31 creditable nonstate service) and transferred from the members'
32 savings account of the Public School Employees' Retirement
33 System in accordance with the provisions of section 5303.2
34 (relating to election to convert school service to State
35 service).

36 (b) Interest and transfers from account.--The members'
37 savings account in total and the individual member accounts
38 shall be credited with statutory interest. The total accumulated
39 deductions and Class A-5 accumulated deductions credited to a
40 member whose application for an annuity has been approved shall
41 be transferred from the members' savings account to the annuity
42 reserve account provided for in section 5935 (relating to
43 annuity reserve account), except in the case of a member who is
44 an officer of the Pennsylvania State Police or an enforcement
45 officer the total accumulated deductions and Class A-5
46 accumulated deductions to his credit shall be transferred from
47 the members' savings account to the State Police benefit account
48 provided for in section 5936 (relating to State Police benefit
49 account) or to the enforcement officers benefit account provided
50 for in section 5937 (relating to enforcement officers' benefit
51 account), as the case may be.

1 (c) Charges to account.--Upon the election of a member to
2 withdraw his total accumulated deductions or Class A-5
3 accumulated deductions or upon the transfer of accumulated
4 deductions pursuant to section 5701.1 (relating to transfer of
5 accumulated deductions), the payment of such amount shall be
6 charged to the members' savings account.
7 § 5934. State accumulation account.

8 The State accumulation account shall be the ledger account to
9 which shall be credited all contributions of the Commonwealth or
10 other employers whose employees are members of the system and
11 made in accordance with the provisions of section 5507(a) or (d)
12 (relating to contributions to the system by the Commonwealth and
13 other employers) except that the amounts received under the
14 provisions of the act of May 12, 1943 (P.L.259, No.120), and the
15 amounts received under the provisions of the Liquor Code, act of
16 April 12, 1951 (P.L.90, No.21), shall be credited to the State
17 Police benefit account or the enforcement officers' benefit
18 account as the case may be. All amounts transferred to the fund
19 by county retirement systems or pension plans in accordance with
20 the provisions of section 5507(c) also shall be credited to the
21 State accumulation account. All amounts transferred to the fund
22 by the Public School Employees' Retirement System in accordance
23 with section 5303.2(e) (relating to election to convert school
24 service to State service), except amounts credited to the
25 members' savings account, and all amounts paid by the Department
26 of Corrections in accordance with section 5303.2(f) also shall
27 be credited to the State accumulation account. The State
28 accumulation account shall be credited with valuation interest.
29 The reserves necessary for the payment of annuities and death
30 benefits resulting from membership in the system as approved by
31 the board and as provided in Chapter 57 (relating to benefits)
32 shall be transferred from the State accumulation account to the
33 annuity reserve account provided for in section 5935 (relating
34 to annuity reserve account), except that the reserves necessary
35 on account of a member who is an officer of the Pennsylvania
36 State Police or an enforcement officer shall be transferred from
37 the State accumulation account to the State Police benefit
38 account provided for in section 5936 (relating to State Police
39 benefit account) or to the enforcement officers' benefit account
40 as provided for in section 5937 (relating to enforcement
41 officers' benefit account) as the case may be. The reserves
42 necessary for the payment of supplemental annuities in excess of
43 those reserves credited to the supplemental annuity account on
44 June 30, 2010, shall be transferred from the State accumulation
45 account to the supplemental annuity account. In the event that
46 supplemental annuities are increased by legislation enacted
47 after December 31, 2009, the necessary reserves shall be
48 transferred from the State accumulation account to the
49 supplemental annuity account.

50 § 5935. Annuity reserve account.

51 (a) Credits and charges to account.--The annuity reserve

1 account shall be the ledger account to which shall be credited
2 the reserves held for payment of annuities and death benefits on
3 account of all annuitants except in the case of members who are
4 officers of the Pennsylvania State Police or enforcement
5 officers. The annuity reserve account shall be credited with
6 valuation interest. After the transfers provided in sections
7 5933 (relating to members' savings account), 5934 (relating to
8 State accumulation account) and 5938 (relating to supplemental
9 annuity account), all annuity and death benefit payments
10 resulting from membership in the system except those payable to
11 any member who retires as an officer of the Pennsylvania State
12 Police or an enforcement officer shall be charged to the annuity
13 reserve account and paid from the fund.

14 (b) Transfers from account.--Should an annuitant other than
15 a member who was retired as an officer of the Pennsylvania State
16 Police or an enforcement officer be subsequently restored to
17 active service as a member of the system or as a participant in
18 the plan, the present value of his member's annuity at the time
19 of reentry into State service shall be transferred from the
20 annuity reserve account and placed to his individual credit in
21 the members' savings account. In addition, the actuarial reserve
22 for his annuity less the amount transferred to the members'
23 savings account shall be transferred from the annuity reserve
24 account to the State accumulation account.

25 § 5936. State Police benefit account.

26 (a) Credits and charges to account.--The State Police
27 benefit account shall be the ledger account to which shall be
28 credited all contributions received under the provisions of the
29 act of May 12, 1943 (P.L.259, No.120), and any additional
30 Commonwealth or other employer contributions provided for in
31 section 5507 (relating to contributions to the system by the
32 Commonwealth and other employers) which are creditable to the
33 State Police benefit account. The State Police benefit account
34 shall be credited with the required interest. In addition, upon
35 the filing of an application for an annuity by a member who is
36 an officer of the Pennsylvania State Police, the total
37 accumulated deductions and Class A-5 accumulated deductions
38 standing to the credit of the member in the members' savings
39 account and the necessary reserves from the State accumulation
40 account shall be transferred to the State Police benefit
41 account. Thereafter, the total annuity of such annuitant shall
42 be charged to the State Police benefit account and paid from the
43 fund.

44 (b) Transfers from account.--Should the said annuitant be
45 subsequently restored to active service as a member of the
46 system or as a participant in the plan, the present value of the
47 member's annuity at the time of reentry into State service shall
48 be transferred from the State Police benefit account and placed
49 to his individual credit in the members' savings account. In
50 addition, the actuarial reserve for his annuity calculated as if
51 he had been a member of Class A if he has Class A or Class C

1 service credited; as if he had been a member of Class A-3 if the
2 annuitant has Class A-3 State service credited; or as if he had
3 been a member of Class A-4 if the annuitant has Class A-4
4 service credited, less the amount transferred to the members'
5 savings account shall be transferred from the State Police
6 benefit account to the State accumulation account. Upon
7 subsequent retirement other than as an officer of the
8 Pennsylvania State Police the actuarial reserve remaining in the
9 State Police benefit account shall be transferred to the
10 appropriate reserve account.

11 § 5937. Enforcement officers' benefit account.

12 (a) Credits and charges to account.--The enforcement
13 officers' benefit account shall be the ledger account to which
14 shall be credited moneys transferred from the enforcement
15 officers' retirement account in the State Stores Fund according
16 to the provisions of the act of April 12, 1951 (P.L.90, No.21),
17 known as the Liquor Code, and any additional Commonwealth or
18 other employer contributions provided for in section 5507
19 (relating to contributions to the system by the Commonwealth and
20 other employers) which are creditable to the enforcement
21 officers' benefit account. The enforcement officers' benefit
22 account shall be credited with the required interest. In
23 addition, upon the filing of an application for an annuity by a
24 member who is an enforcement officer of the Pennsylvania Liquor
25 Control Board, the total accumulated deductions and Class A-5
26 accumulated deductions standing to the credit of the member in
27 the members' savings account and the necessary reserves from the
28 State accumulation account shall be transferred to the
29 enforcement officers' benefit account. Thereafter, the total
30 annuity of such annuitant shall be charged to the enforcement
31 officers' benefit account and paid from the fund.

32 (b) Transfers from account.--Should the said annuitant be
33 subsequently restored to active service as a member of the
34 system or as a participant in the plan, the present value of the
35 member's annuity at the time of reentry into State service shall
36 be transferred from the enforcement officers' benefit account
37 and placed to his individual credit in the members' savings
38 account. In addition, the actuarial reserve for his annuity
39 calculated as if he had been a member of Class A if the
40 annuitant does not have any Class AA, Class A-3 or Class A-4
41 service credited; as if he had been a member of Class AA if the
42 annuitant does have Class AA service credited; as if he had been
43 a member of Class A-3 if the annuitant has Class A-3 State
44 service credited; or as if he had been a member of Class A-4 if
45 the annuitant has Class A-4 service credited, less the amount
46 transferred to the members' savings account shall be transferred
47 from the enforcement officers' benefit account to the State
48 accumulation account. Upon subsequent retirement other than as
49 an enforcement officer the actuarial reserve remaining in the
50 enforcement officers' benefit account shall be transferred to
51 the appropriate reserve account.

1 § 5938. Supplemental annuity account.

2 The supplemental annuity account shall be the ledger account
3 to which shall be credited all contributions from the
4 Commonwealth and other employers in accordance with section
5 5507(b) (relating to contributions to the system by the
6 Commonwealth and other employers) for the payment of the
7 supplemental annuities provided in sections 5708 (relating to
8 supplemental annuities), 5708.1 (relating to additional
9 supplemental annuities), 5708.2 (relating to further additional
10 supplemental annuities), 5708.3 (relating to supplemental
11 annuities commencing 1994), 5708.4 (relating to special
12 supplemental postretirement adjustment), 5708.5 (relating to
13 supplemental annuities commencing 1998), 5708.6 (relating to
14 supplemental annuities commencing 2002), 5708.7 (relating to
15 supplemental annuities commencing 2003) and 5708.8 (relating to
16 special supplemental postretirement adjustment of 2002) made
17 before July 1, 2010, the amount transferred from the State
18 accumulation account to provide all additional reserves
19 necessary as of June 30, 2010, to pay such supplemental
20 annuities and adjustments, and the amounts transferred from the
21 State accumulation account to provide all additional reserves
22 necessary as a result of supplemental annuities enacted after
23 December 31, 2009. The supplemental annuity account shall be
24 credited with valuation interest. The reserves necessary for the
25 payment of such supplemental annuities shall be transferred from
26 the supplemental annuity account to the annuity reserve account
27 as provided in section 5935 (relating to annuity reserve
28 account).

29 § 5939. Interest reserve account.

30 The interest reserve account shall be the ledger account to
31 which shall be credited all income earned by the fund and to
32 which shall be charged all administrative and investment
33 expenses incurred by the fund. At the end of each year the
34 required interest shall be transferred from the interest reserve
35 account to the credit of each of the accounts of the fund in
36 accordance with the provisions of this subchapter. In addition,
37 at the end of each accounting period, the interest reserve
38 account shall be credited or charged with all recognized changes
39 in the market valuation of the investments of the fund. The
40 administrative and investment expenses of the board relating to
41 the administration of the system and investments of the fund
42 shall be paid from the fund out of earnings. Any surplus or
43 deficit in the interest reserve account at the end of each year
44 shall be transferred to the State accumulation account.

45 § 5951. State guarantee regarding the system.

46 The required interest charges payable, the maintenance of
47 reserves in the fund, and the payment of all annuities and other
48 benefits granted by the board from the system under the
49 provisions of this part relating to the establishment and
50 administration of the system are hereby made obligations of the
51 Commonwealth. All income, interest, and dividends derived from

1 deposits and investments of the system authorized by this part
2 shall be used for the payment of the said obligations of the
3 Commonwealth and shall not be used for any obligations of the
4 plan or trust.

5 Section 329.1. Section 5953 of Title 71, amended December
6 29, 2015 (P.L.529, No.93), is amended to read:

7 § 5953. Taxation, attachment and assignment of funds.

8 (a) General rule.--

9 (1) Except as provided in paragraphs (2), (3) and (4),
10 the right of a person to any benefit or right accrued or
11 accruing under the provisions of this part and the moneys in
12 the fund and the trust are hereby exempt from any State or
13 municipal tax, levy and sale, garnishment, attachment,
14 spouse's election, the provisions of Article XIII.1 of the
15 act of April 9, 1929 (P.L.343, No.176), known as The Fiscal
16 Code, or any other process whatsoever and no participant or
17 beneficiary, successor payee, or alternate payee of a
18 participant shall have the ability to commute, sell, assign,
19 alienate, anticipate, mortgage, pledge, hypothecate,
20 commutate or otherwise transfer or convey any benefit or
21 interest in an individual investment account or rights to
22 receive or direct distributions under this part or under
23 agreements entered into under this part except as otherwise
24 provided in this part and in the case of either a member or a
25 participant except for a set-off by the Commonwealth in the
26 case provided in this paragraph, and shall be unassignable
27 except to the Commonwealth in the case of a member or
28 participant who is terminating State service and has been
29 determined to be obligated to the Commonwealth for the
30 repayment of money owed on account of his employment.

31 (2) (i) Rights under this part shall be subject to
32 forfeiture as provided by the act of July 8, 1978 (P.L.752,
33 No.140), known as the Public Employee Pension Forfeiture Act,
34 and by or pursuant to section 16(b) of Article V of the
35 Constitution of Pennsylvania. Forfeitures under this
36 subsection or under any other provision of law may not be
37 applied to increase the benefits that any member would
38 otherwise receive under this part.

39 (ii) Notwithstanding this paragraph and the
40 provisions of section 16(b) of Article V of the
41 Constitution of Pennsylvania, the act of July 8, 1978
42 (P.L.752, No.140), known as the Public Employee Pension
43 Forfeiture Act, or 42 Pa.C.S. § 3352 (relating to pension
44 rights), the accumulated mandatory participant
45 contributions and accumulated voluntary contributions
46 standing to the credit of a participant shall not be
47 forfeited but shall be available for payment of fines and
48 restitution as provided by law. Amounts in the trust that
49 have been ordered to be distributed to an alternate payee
50 as the result of an equitable distribution of marital
51 property as part of an approved domestic relations order

1 entered before the date of the order or action in a court
2 or other tribunal resulting in a forfeiture of a
3 participant's interest in the trust shall not be subject
4 to the provisions of section 16(b) of Article V of the
5 Constitution of Pennsylvania, the Public Employee Pension
6 Forfeiture Act, or 42 Pa.C.S. § 3352. Any accumulated
7 employer defined contributions forfeited as a result of
8 this paragraph or other law shall be retained by the
9 board and notwithstanding sections 5812(2) (relating to
10 powers and duties of board), 5815 (relating to expenses)
11 and 5902(c) (relating to administrative duties of the
12 board) used for the payment of expenses of the plan.

13 (3) Rights under this part shall be subject to
14 attachment in favor of an alternate payee as set forth in an
15 approved domestic relations order.

16 (4) Effective with distributions made on or after
17 January 1, 1993, and notwithstanding any other provision of
18 this part to the contrary, a distributee may elect, at the
19 time and in the manner prescribed by the board, to have any
20 portion of an eligible rollover distribution paid directly to
21 an eligible retirement plan by way of a direct rollover. For
22 purposes of this paragraph, a "distributee" includes a member
23 [and], a participant, a member's surviving spouse [and], a
24 participant's surviving spouse, a member's former spouse who
25 is an alternate payee under an approved domestic relations
26 order[.], a participant's former spouse who is an alternate
27 payee under an approved domestic relations order and anyone
28 else authorized under the IRC and the plan terms approved by
29 the board to have an eligible rollover distribution paid
30 directly to an eligible retirement plan by way of a direct
31 rollover. For purposes of this paragraph, the term "eligible
32 rollover distribution" has the meaning given such term by IRC
33 § 402(f)(2)(A), and "eligible retirement plan" has the
34 meaning given such term by IRC § 402(c)(8)(B), except that a
35 qualified trust shall be considered an eligible retirement
36 plan only if it accepts the distributee's eligible rollover
37 distribution; however, in the case of an eligible rollover
38 distribution to a surviving spouse, an eligible retirement
39 plan is an "individual retirement account" or an "individual
40 retirement annuity" as those terms are defined in IRC §
41 408(a) and (b).

42 (b) Authorized payments from fund.--The board shall be
43 authorized to pay from the fund [in]:

44 (1) In the case of a member or participant who is
45 terminating service, the amount determined after
46 certification by the head of the department that the member
47 or participant is so obligated, and after review and approval
48 by the department or agency's legal representative or upon
49 receipt of an assignment from the member or participant in
50 the amount so certified[.], except that no payment shall be
51 made from the individual investment account of a participant

1 until the participant otherwise applies for and receives a
2 distribution and shall not exceed the amount of the
3 distribution.

4 (2) In the case of a participant whose former spouse is
5 an alternate payee of an equitable distribution of marital
6 assets under an approved domestic relations order, a lump sum
7 of the alternate payee's interest in the participant's
8 accumulated total defined contributions. This paragraph shall
9 apply without regard to whether the participant has not
10 terminated, is terminating or has terminated State service.

11 Section 329.2. Sections 5953.1, 5953.2, 5953.3 and 5953.4(a)
12 of Title 71 are amended to read:

13 § 5953.1. Approval of domestic relations orders.

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

19 (1) Requires the system to provide any type or form of
20 benefit or any option applicable to members already provided
21 under this part.

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

28 (3) Specifies the amount or percentage of the member's
29 benefits to be paid by the system to each such alternate
30 payee or the manner in which such amount or percentage is to
31 be determined.

32 (4) Specifies the retirement option to be selected by
33 the member upon retirement or states that the member may
34 select any retirement option offered by this part upon
35 retirement.

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

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

43 (7) Requires the member to execute an authorization
44 allowing each alternate payee to monitor the member's
45 compliance with the terms of the domestic relations order
46 through access to information concerning the member
47 maintained by the system.

48 (a.1) Certification regarding participants.--A domestic
49 relations order pertaining to a participant shall be certified
50 as an approved domestic relations order by the secretary of the
51 board, or his designated representative, only if the order meets

1 all of the following:

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

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

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

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

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

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

33 (7) Does not grant an alternate payee the rights,
34 privileges or options available to a participant.

35 (8) Includes provisions for the deferred distribution of
36 the equitable distribution share of benefits payable from any
37 defined benefit pension program administered by the system in
38 which the participant may have an interest as a member of the
39 system or states that the alternate payee may not receive any
40 portion or any benefits payable to the participant as a
41 result of his membership in the system.

42 (9) Requires the immediate distribution of the alternate
43 payee's share of the participant's individual investment
44 account, which may be made by direct payment, eligible
45 rollover or trustee-to-trustee transfer to another eligible
46 plan or qualified account owned by the alternate payee.

47 (10) In the case of a participant who is currently
48 receiving distributions from the plan as of the date the
49 domestic relations order is approved by the secretary of the
50 board or his designated representative, may not order the
51 board to pay the alternate payee more than the balance

1 available in the participant's individual investment account
2 as of the date the order is approved.

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

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

35 (d) Obligation discharged.--Only the requirements of this
36 part and any regulations promulgated hereunder shall be used to
37 govern the approval or disapproval of a domestic relations
38 order. Therefore, if the secretary of the board, or his
39 designated representative, acts in accordance with the
40 provisions of this part and any promulgated regulations in
41 approving or disapproving a domestic relations order, then the
42 obligations of the system or the plan with respect to such
43 approval or disapproval shall be discharged.

44 § 5953.2. Irrevocable beneficiary.

45 Notwithstanding any other provision of this part, a domestic
46 relations order may provide for an irrevocable beneficiary. A
47 domestic relations order requiring the nomination of an
48 irrevocable beneficiary shall be deemed to be one that requires
49 a member or participant to nominate an alternate payee as a
50 beneficiary and that prohibits the removal or change of that
51 beneficiary without approval of a court of competent

jurisdiction, except by operation of law. Such a domestic relations order may be certified as an approved domestic relations order by the secretary of the board, or his designated representative, after the member or participant makes such nomination, in which case the irrevocable beneficiary so ordered by the court cannot be changed by the member or participant without approval by the court.

§ 5953.3. Irrevocable survivor annuitant.

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

§ 5953.4. Amendment of approved domestic relations orders.

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

* * *

Section 330. Title 71 is amended by adding a section to read:

§ 5953.6. Irrevocable successor payee.

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

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

(c) Certification.--A domestic relations order under subsection (b) may be certified as an approved domestic relations order by the secretary of the board or his designated representative. If a domestic relations order is certified under this subsection, the irrevocable successor payee ordered by the

1 court shall not be changed by the participant without approval
2 by the court.

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

9 Section 331. Sections 5954, 5955 and 5957 of Title 71 are
10 amended to read:

11 § 5954. Fraud and adjustment of errors.

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

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

31 § 5955. Construction of part.

32 (a) Exclusive source of rights and benefits.--Regardless of
33 any other provision of law, pension and benefit rights of State
34 employees shall be determined solely by this part or any
35 amendment thereto or the plan document established by the board,
36 and no collective bargaining agreement nor any arbitration award
37 between the Commonwealth and [its] other employers and the
38 Commonwealth's and other employers' employees or their
39 collective bargaining representatives shall be construed to
40 change any of the provisions herein, to require the board to
41 administer pension or retirement benefits not set forth in this
42 part or not established by the board in the plan document, to
43 require the board to modify, amend or change any of the terms
44 and provisions of the plan document, or otherwise require action
45 by any other government body pertaining to pension or retirement
46 benefits or rights of State employees. Notwithstanding the
47 foregoing, any pension or retirement benefits or rights
48 previously so established by or as a result of an arbitration
49 award shall remain in effect after the expiration of the current
50 collective bargaining agreement between the State employees so
51 affected and the Commonwealth until the expiration of each of

1 the collective bargaining agreements in effect on January 1,
2 2011, at which time the classes of membership and resulting
3 member contribution rates and contributions for creditable
4 nonstate service, eligibility for vesting, withdrawal and
5 superannuation annuities, optional modification of annuities and
6 other terms and conditions related to class of membership shall
7 be as determined by this part for employees covered by those and
8 successor collective bargaining agreements. For purposes of
9 administering this part, for those State employees who are
10 members of each such collective bargaining unit, the date
11 January 1, 2011, contained in this part, except in this section,
12 shall be replaced with the date of the day immediately following
13 the expiration of each such collective bargaining agreement. The
14 provisions of this part insofar as they are the same as those of
15 existing law are intended as a continuation of such laws and not
16 as new enactments. The provisions of this part shall not affect
17 any act done, liability incurred, right accrued or vested, or
18 any suit or prosecution pending or to be instituted to enforce
19 any right or penalty or to punish any offense under the
20 authority of any repealed laws.

21 (b) (Reserved).

22 (c) (Reserved).

23 (d) (Reserved).

24 (e) Adverse inference.--Nothing in this part shall be
25 construed to mean that the limitations on benefits or other
26 requirements under IRC § 401(a) or other applicable provisions
27 of the IRC which are applicable to participants in the plan do
28 not apply to the participants or to members of the system and
29 the benefits payable under this part.

30 (f) Applicability.--A terminated State employee who has
31 Class A-5 service credit and who returns to State service on or
32 after January 1, 2018, shall be subject to the provisions of
33 this part regarding participation in the plan or membership in
34 the system that are in effect on the effective date of
35 reemployment, including, but not limited to, benefit formulas
36 and accrual rates, eligibility for annuities and distributions,
37 contribution rates, definitions, purchase of creditable school,
38 nonschool, State and nonstate service provisions and actuarial
39 and funding assumptions.

40 (g) Furloughs.--For purposes of sections 5302 (relating to
41 credited State service), 5306 (relating to classes of service)
42 and this section, a State employee who is furloughed under
43 section 802 of the act of August 5, 1941 (P.L. 752, No. 286),
44 known as the Civil Service Act, and reemployed pursuant to the
45 Civil Service Act in any class of service or civil service
46 status which was previously held, shall not be treated as having
47 been terminated from State service and beginning a new period of
48 State service.

49 § 5957. Independent Fiscal Office study.

50 The Independent Fiscal Office shall study and analyze the
51 implementation of shared-risk contributions under section 5501.1

1 (relating to shared-risk member contributions for Class A-3
2 [and], Class A-4 and Class A-5 service) and its impact on the
3 system. The study shall be completed by December 31, 2015, and
4 shall be transmitted to the Appropriations Committee and the
5 Finance Committee of the Senate, the Appropriations Committee
6 and the Finance Committee of the House of Representatives and to
7 the Governor.

8 ARTICLE IV

9 Section 401. The following words and phrases when used in
10 this article shall have the meanings given to them in this
11 section unless the context clearly indicates otherwise:

12 "School Retirement Board." The Public School Employees'
13 Retirement Board.

14 "School System." The Public School Employees' Retirement
15 System.

16 "State Retirement Board." The State Employees' Retirement
17 Board.

18 "State System." The State Employees' Retirement System.

19 Section 402. The following apply to reservation of
20 legislative authority:

21 (1) In regard to the School System:

22 (i) The following provisions shall not create an
23 express or implied contractual right in a member of the
24 School System, a participant in the School Employees'
25 Defined Contribution Plan or another person claiming an
26 interest in the account of a member or participant:

27 (A) A provision of this act which amends 24
28 Pa.C.S. Pt. IV or 51 Pa.C.S. Ch. 77, in relation to
29 requirements for any of the following:

30 (I) Qualification of the School Employees'
31 Defined Contribution Plan as a qualified pension
32 plan under sections 401(a) and 415(b) of the
33 Internal Revenue Code of 1986 (Public Law 99-514,
34 26 U.S.C. §§ 401(a) and 415(b)).

35 (II) Compliance with the Uniformed Services
36 Employment and Reemployment Rights Act of 1994
37 (Public Law 103-353, 108 Stat. 3149).

38 (III) A domestic relations order regarding
39 an alternate payee of a participant in the School
40 Employees' Defined Contribution Plan.

41 (B) (Reserved).

42 (ii) The provisions of 24 Pa.C.S. Pt. IV shall
43 remain subject to the Internal Revenue Code of 1986 and
44 the Uniformed Services Employment and Reemployment Rights
45 Act of 1994 and regulations promulgated under those
46 statutes.

47 (iii) The General Assembly reserves to itself the
48 further exercise of its legislative power to amend or
49 supplement the provisions of 24 Pa.C.S. Pt. IV solely in
50 order to maintain the qualification of the system as a
51 qualified pension plan under section 401(a) of the

Internal Revenue Code of 1986 (26 U.S.C. § 401(a)) and other applicable provisions of the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994.

(2) In regard to the State System:

(i) The following provisions shall not create an express or implied contractual right in a member of the State System, a participant in the State Employees' Defined Contribution Plan or another person claiming an interest in the account of a member or participant:

(A) A provision of this act which amends 51 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to requirements for any of the following:

(I) Qualification of the State Employees' Defined Contribution Plan as a qualified pension plan under sections 401(a) and 415(b) of the Internal Revenue Code of 1986 (26 U.S.C. §§ 401(a) and 415(b)).

(II) Compliance with the Uniformed Services Employment and Reemployment Rights Act of 1994.

(III) A domestic relations order regarding an alternate payee of a participant in the State Employees' Defined Contribution Plan.

(B) (Reserved).

(ii) The provisions of 71 Pa.C.S. Pt. XXV shall remain subject to the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994 and regulations promulgated under those statutes.

(iii) The General Assembly reserves to itself the further exercise of its legislative power to amend or supplement the provisions of 71 Pa.C.S. Pt. XXV solely in order to maintain the qualification of the State System as a qualified pension plan under section 401(a) of the Internal Revenue Code of 1986 (26 U.S.C. § 401) and other applicable provisions of the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994.

Section 403. Nothing in this act shall be construed to mean that:

(1) a calculation or actuarial method used by the School Retirement Board, its actuaries or the School System was not in accordance with the provisions of 24 Pa.C.S. Pt. IV or other applicable law prior to the effective date of this paragraph; or

(2) a calculation or actuarial method used by the State Retirement Board, its actuaries or the State System was not in accordance with the provisions of 71 Pa.C.S. Pt. XXV or other applicable law prior to the effective date of this paragraph.

Section 404. The following apply to accrued liability:

1 (1) In regard to the School System:

2 (i) (Reserved).

3 (ii) Payments required to fund a change in accrued
4 liability resulting from this act shall be subject to
5 limits imposed under this act on employer contributions
6 to the School System.

7 (iii) For purposes of 24 Pa.C.S. §§ 8326, 8327 and
8 8328, changes under this paragraph shall not be
9 considered to be costs added by legislation.

10 (2) In regard to the State System:

11 (i) Notwithstanding any other provision of law, a
12 change in accrued liability of the State System created
13 under this act as a result of changes in benefits shall
14 be funded in equal dollar installments over a period of
15 20 years beginning July 1, 2018.

16 (ii) (Reserved).

17 (iii) Payments required to fund a change in accrued
18 liability resulting from this act shall be subject to
19 limits imposed under this act on employer contributions
20 to the State System.

21 (iv) For purposes of 71 Pa.C.S. §§ 5501.2, 5507 and
22 5508, changes under this paragraph shall not be
23 considered to be costs added by legislation.

24 Section 405. The following shall apply to construction
25 related to Federal law:

26 (1) In regard to the School System:

27 (i) This act shall be construed and administered in
28 such a manner that the School System and the School
29 Employees' Defined Contribution Plan satisfy the
30 requirements necessary to qualify as a qualified pension
31 plan under section 401(a) of the Internal Revenue Code of
32 1986 (Public Law 99-514, 26 U.S.C. § 401(a)), other
33 applicable provisions of the Internal Revenue Code of
34 1986 and the Uniformed Services Employment and
35 Reemployment Rights Act of 1994 (Public Law 103-353, 108
36 Stat. 3149). Regulations promulgated by the School
37 Retirement Board and terms and conditions of the plan
38 document and trust declaration adopted by the School
39 Retirement Board may include provisions necessary to
40 accomplish the purpose of this subparagraph.

41 (ii) Nothing in this act shall be construed to
42 require a member of Class T-G to make contributions to
43 the School System in excess of the limits established by
44 section 415(n)(3)(A)(iii) of the Internal Revenue Code of
45 1986 (26 U.S.C. § 415(n)(3)(A)(iii)). A contribution made
46 by a member of Class T-G which is determined to be in
47 excess of the limits shall be refunded to the member in a
48 lump sum subject to withholding for all applicable taxes
49 and penalties as soon as administratively possible after
50 the determination is made. A refund under this
51 subparagraph shall not affect the benefit payable to the

member and shall not be treated as or deemed to be a withdrawal of the member's accumulated deductions.

(2) As to the State System:

(i) This act shall be construed and administered in a manner that the State System and the State Employees' Defined Contribution Plan shall satisfy the requirements necessary to qualify as a qualified pension plan under section 401(a) of the Internal Revenue Code of 1986 (26 U.S.C. § 401(a)), other applicable provisions of the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994. The regulations promulgated by the State Retirement Board and the terms and conditions of the plan document and trust declaration adopted by the State Retirement Board may include provisions necessary to accomplish the purpose of this subparagraph.

(ii) Nothing in this act shall be construed or deemed to imply that any member of Class A-5 shall be required to make contributions to the State System in excess of the limits established by section 415(n) (3) (A)

(iii) of the Internal Revenue Code of 1986 (26 U.S.C. § 415(n) (3) (A) (iii)). A contribution made by a member of Class A-5 which is determined to be in excess of the limits shall be refunded to the member in a lump sum subject to withholding for all applicable taxes and penalties as soon as administratively possible after the determination is made. A refund under this subparagraph shall not affect the benefit payable to the member and shall not be treated as or deemed to be a withdrawal of the member's accumulated deductions.

(iii) Nothing in this act shall be construed to mean that an interpretation or application of 71 Pa.C.S. Pt. XXV or benefits available to members of the State System was not in accordance with 71 Pa.C.S. Pt. XXV or other applicable law, including the Internal Revenue Code of 1986 and the Uniformed Services Employment and Reemployment Rights Act of 1994, before the effective date of this subparagraph.

Section 406. The following shall apply to immunity from personal liability:

(1) Notwithstanding any other provision of law, fiduciary requirement, actuarial standard of practice or other requirement, no member of the School Retirement Board nor an actuary, employee or official of the School System shall be held liable or in breach or violation of a law or standard, as an individual, in an official capacity or as a governmental or corporate entity, for an action or calculation related to calculating and certifying a final contribution rate as provided under this act that is different from the actuarially required contribution rate as appropriately calculated under 24 Pa.C.S. Pt. IV.

1 (2) Notwithstanding any other provision of law,
2 fiduciary requirement, actuarial standard of practice or
3 other requirement, no member of the State Retirement Board
4 nor an actuary employee or official of the State System shall
5 be held liable or in breach or violation of a law or
6 standard, as an individual, in an official capacity or as a
7 governmental or corporate entity, for an action or
8 calculation related to calculating and certifying a final
9 contribution rate as provided under this act that is
10 different from the actuarially required contribution rate as
11 appropriately calculated under 71 Pa.C.S. Pt. XXV.

12 Section 407. Notwithstanding the amendment of 71 Pa.C.S. §
13 5901(e), the Governor's Office of General Counsel shall continue
14 to provide legal counsel and legal services to the board until
15 such time as the board appoints a chief counsel and such other
16 counsel as it deems necessary to provide it with legal services.

17 Section 408. Notwithstanding the amendment of 24 Pa.C.S. §
18 8501(e), the Governor's Office of General Counsel shall continue
19 to provide legal counsel and legal services to the board until
20 such time as the board appoints a chief counsel and such other
21 counsel as it deems necessary to provide it with legal services.

22 Section 409. Nothing in this act shall be deemed to permit
23 the restoration of service credit or a retirement benefit which:

24 (1) was or is subject to section 16 of Article V of the
25 Constitution of Pennsylvania or 42 Pa.C.S. § 3352; or

26 (2) the subject of an order of forfeiture under the act
27 of July 8, 1978 (P.L.752, No.140), known as the Public
28 Employee Pension Forfeiture Act.

29 Section 410. If a provision of this act or its application
30 to any person or circumstance is held invalid, the invalidity
31 shall not affect other provisions or applications of this act
32 that can be given effect without the invalid provision or
33 application.

34 Section 411. This act shall take effect immediately.