

## AMENDMENTS TO SENATE BILL NO. 1071

Sponsor: REPRESENTATIVE TOBASH

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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 arrears).

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 Employe 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 21 35 eligibility points
22 T-B	62
23 T-C and T-D	62 or age 60 provided the 24 member has at least 30 25 eligibility points or any 26 age upon accrual of 35 27 eligibility points, 28 <u>excluding any eligibility</u> 29 <u>points accrued as a</u> 30 <u>member of Class T-G, and</u> 31 <u>if a multiple service</u> 32 <u>member, Class A-5</u>
33 T-E [and], T-F <u>and T-G</u>	65 with accrual of at least 34 three eligibility points 35 or a combination of age 36 and eligibility points 37 totaling 92, provided the 38 member has accrued at 39 least 35 eligibility 40 points, <u>excluding any</u> 41 <u>eligibility points</u> 42 <u>accrued as a member of</u> 43 <u>Class T-G, and if a</u> 44 <u>multiple service member,</u> 45 <u>Class</u>

46 \* \* \*

47 "Trust." The School Employees' Defined Contribution Trust  
48 established under Chapter 84 (relating to School Employees'  
49 Defined Contribution Plan).

50 \* \* \*

51 "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

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

6 \* \* \*

7 § 8305.2. Election to become a Class T-F member.

8 \* \* \*

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

17 \* \* \*

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

20 § 8305.3. Election to become a Class T-G member.

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

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

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

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

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

44 § 8306. Eligibility points.

45 (a) General rule.--An active member of the system shall  
46 accrue one eligibility point for each year of credited service  
47 as a member of the [school or State retirement] system or if a  
48 multiple service member, as a member of the State Employees'  
49 Retirement system. A member shall accrue an additional two-  
50 thirds of an eligibility point for each year of Class D-3  
51 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

1 24 are amended to read:

2 § 8323. Member contributions for creditable school service.

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

23 \* \* \*

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

46 \* \* \*

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

48 (1) In all cases other than for the purchase of credit  
49 for sabbatical leave and activated military service leave  
50 beginning before the effective date of paragraph (2), the  
51 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.

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

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

45 \* \* \*

46 § 8325.1. Annual compensation limit under IRC § 401(a)(17).

47 (a) General rule.--In addition to other applicable  
48 limitations set forth in this part, and notwithstanding any  
49 provision of this part to the contrary, the annual compensation  
50 of each noneligible member and each participant taken into  
51 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

1 annuitant who:

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

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

10 \* \* \*

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

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

18 § 8345. Member's options.

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

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

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

1 beneficiary[.]; and

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

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

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

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

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

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

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

38 \* \* \*

39 § 8346. Termination of annuities.

40 (a) General rule.--If an annuitant returns to school service  
41 or enters or has entered State service and elects multiple  
42 service membership, any annuity payable to him under this part  
43 shall cease effective upon the date of his return to school  
44 service or entering State service without regard to whether he  
45 is a mandatory, optional or prohibited member of the system or  
46 participant in the plan or, if a multiple service member,  
47 whether he is a mandatory, optional or prohibited member or  
48 participant of the State Employees' Retirement System or State  
49 Employees' Defined Contribution Plan and in the case of an  
50 annuity other than a disability annuity the present value of  
51 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

1 Option 1 of section 8345(a)(1) (relating to member's options) is  
2 \$10,000 or more, such beneficiary may elect to receive payment  
3 according to one of the following options:

4 (1) A lump sum payment.

5 (2) An annuity actuarially equivalent to the amount  
6 payable.

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

10 \* \* \*

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

13 CHAPTER 84

14 SCHOOL EMPLOYEES' DEFINED CONTRIBUTION PLAN

15 Sec.

16 8401. Establishment.

17 8402. Plan document.

18 8403. Individual investment accounts.

19 8404. Participant contributions.

20 8405. Mandatory pickup participant contributions.

21 8406. Employer defined contributions.

22 8406.1. Use of plan savings.

23 8407. Eligibility for benefits.

24 8408. Death benefits.

25 8409. Vesting.

26 8410. Termination of distributions.

27 8411. Agreements with financial institutions and other  
28 organizations.

29 8412. Powers and duties of board.

30 8413. Responsibility for investment loss.

31 8414. Investments based on participants' investment allocation  
32 choices.

33 8415. Expenses.

34 8416. Tax qualification.

35 8417. Establishment of School Employees' Defined Contribution  
36 Holding Vehicle Trust.

37 § 8401. Establishment.

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

47 (b) School Employees' Defined Contribution Trust.--The  
48 School Employees' Defined Contribution Trust is established as  
49 part of the plan in accordance with this part. The trust shall  
50 be comprised of the individual investment accounts and all  
51 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 "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.

1 \* \* \*

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

10 \* \* \*

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

21 "Class A-5 annual compensation limit." For calendar year  
22 2018, the amount of \$50,000. For each subsequent calendar year,  
23 the limit shall be 3% greater than the previous year's amount,  
24 rounded to the nearest hundred dollars.

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

26 "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>	0	
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.

1 (b) Social security integration accumulated deductions.--Any  
2 active member at any time after the attainment of normal  
3 retirement age may elect to receive his social security  
4 integration accumulated deductions and thereby to have all his  
5 social security integration credits and benefits therefor  
6 cancelled, and shall not be entitled to accrue any further  
7 social security integration credits or benefits; except that a  
8 disability annuitant who returns to State service in a class of  
9 service other than Class A-5 shall have the right to reinstate  
10 his social security integration accumulated deductions and  
11 credits therefor.

12 § 5501. Regular member contributions for current service.

13 Regular member contributions shall be made to the fund on  
14 behalf of each active member for current service except for any  
15 period of current service in which the making of such  
16 contributions has ceased solely by reason of section 5502.1  
17 (relating to waiver of regular member contributions and Social  
18 Security integration member contributions) or any provision of  
19 this part relating to the limitations under IRC § 401(a)(17) or  
20 415 or limitations on contributions to the system applicable to  
21 a Class A-5 member who is making mandatory pickup participant  
22 contributions to the trust.

23 Section 313. Section 5501.1(a) and (b)(1) and (7) of Title  
24 71 are amended and the section is amended by adding a subsection  
25 to read:

26 § 5501.1. Shared-risk member contributions for Class A-3 [and],  
27 Class A-4 and Class A-5 service.

28 (a) General.--Shared-risk member contributions shall be made  
29 to the fund on behalf of each member of Class A-3 [or],  
30 Class A-4 or Class A-5 for current service credited as Class A-3 [or],  
31 Class A-4 or Class A-5 as provided under this section, except  
32 for any period of current service in which the making of the  
33 contributions has ceased solely by reason of any provision of  
34 this part relating to the limitations under IRC § 401(a)(17) or  
35 415 or any provision of this part limiting contributions  
36 applicable to a Class A-5 member. Shared-risk member  
37 contributions shall be credited to the members' savings account.

38 (b) Determination of shared-risk contribution rate[.--] for  
39 Class A-3 and Class A-4 service.--The shared-risk contribution  
40 for Class A-3 and Class A-4 service shall be determined as  
41 follows:

42 (1) For the period from the effective date of this  
43 section until June 30, 2014, the shared-risk contribution  
44 rate for Class A-3 and Class A-4 service shall be zero.

45 \* \* \*

46 (7) For any fiscal year in which the actual  
47 contributions by the Commonwealth or an employer are lower  
48 than those required to be made under section 5507(d)  
49 (relating to contributions to the system by the Commonwealth  
50 and other employers), the prospective shared-risk  
51 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

1 determined by applying the member's basic contribution rate, the  
2 additional contribution rate plus the Commonwealth normal  
3 contribution rate for active members at the time of entry  
4 subsequent to such creditable nonstate service of the member  
5 into State service to his compensation at the time of entry into  
6 State service as a member of the system and multiplying the  
7 result by the number of years and fractional part of a year of  
8 creditable nonstate service being purchased together with  
9 statutory interest during all periods of subsequent State  
10 service as an active member or inactive member on leave without  
11 pay and school service as an active member or inactive member of  
12 the Public School Employees' Retirement System to the date of  
13 purchase. Upon application for credit for such service payment  
14 shall be made in a lump sum within 30 days or in the case of an  
15 active member or eligible school employee who is an active  
16 member of the Public School Employees' Retirement System it may  
17 be amortized with statutory interest through salary deductions  
18 to the system in amounts agreed upon by the member and the  
19 board. The salary deduction amortization plans agreed to by  
20 members and the board may include a deferral of payment amounts  
21 and statutory interest until the termination of school service  
22 or State service as the board in its sole discretion decides to  
23 allow. The board may limit salary deduction amortization plans  
24 to such terms as the board in its sole discretion determines. In  
25 the case of an eligible school employee who is an active member  
26 of the Public School Employees' Retirement System, the agreed  
27 upon salary deduction shall be remitted to the Public School  
28 Employees' Retirement Board, which shall certify and transfer to  
29 the board the amounts paid.

30 \* \* \*

31 (i) Purchases of nonstate service credit by State employees  
32 who first became members of the system on or after December 1,  
33 2010.--

34 \* \* \*

35 (4) The payment for credit purchased under this  
36 subsection shall be certified in each case by the board in  
37 accordance with methods approved by the actuary and shall be  
38 paid in a lump sum within 30 days or in the case of an active  
39 member or eligible school employee who is an active member of  
40 the Public School Employees' Retirement System may be  
41 amortized with statutory interest through salary deductions  
42 to the system in amounts agreed upon by the member and the  
43 board. The salary deduction amortization plans agreed to by  
44 members and the board may include a deferral of payment  
45 amounts and interest until the termination of school service  
46 or State service as the board in its sole discretion decides  
47 to allow. The board may limit the salary deduction  
48 amortization plans to such terms as the board in its sole  
49 discretion determines. In the case of an eligible school  
50 employee who is an active member of the Public School  
51 Employees' Retirement System, the agreed upon salary

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

4 \* \* \*

5 § 5506.1. Annual compensation limit under IRC § 401(a)(17).

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

26 \* \* \*

27 Section 315. Title 71 is amended by adding a section to  
28 read:

29 § 5506.2. Application of Class A-5 annual compensation limit.

30 (a) General rule.--The Class A-5 annual compensation limit  
31 shall be applied to the total compensation received each  
32 calendar year for service as a member of Class A-5 and, if a  
33 multiple service member, for service in Class T-G in the Public  
34 School Employees' Retirement System.

35 (b) Adjustment required.--For purposes of calculating final  
36 average salary for the determination of standard single life  
37 annuities and other benefits resulting from Class A-5 service,  
38 compensation received each calendar year for Class A-5 service  
39 and, if a multiple service member, as a school employee for  
40 service as a Class T-G member of the Public School Employees'  
41 Retirement System shall be adjusted by first limiting the  
42 compensation to the Class A-5 annual compensation limit for that  
43 year. The limited Class A-5 service compensation shall then be  
44 annualized for any part-time service on the basis of the  
45 fractional portion of the year for which credit is received.

46 Section 316. Section 5507(a), (b), (d) and (e) of Title 71  
47 are amended and the section is amended by adding a subsection to  
48 read:

49 § 5507. Contributions to the system by the Commonwealth and  
50 other employers.

51 (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 6 7 8 9 10 11	Total Years of Credited Service as a Member of Class A, Class AA, Class A-3 and Class A-4	Percentage of <u>Sums of</u> Standard Single Life [Annuity] <u>Annuities</u> Adjusted for Class A, Class AA, Class A-3 and Class A-4 Class of Service Multipliers
-----------------------------------	--	--

12	35-40	100%
13	41	102%
14	42	104%
15		
16	43	106%
17		
18	44	108%
19	45 or more	110%
20		

21 (a.1) Rule for terminations after attaining age 70.--

22 (1) Any full coverage member who is eligible to receive  
 23 an annuity pursuant to the provisions of section 5308(a) who  
 24 terminates State service, or if a multiple service member who  
 25 is a school employee and an active member of the Public  
 26 School Employees' Retirement System who terminates school  
 27 service, on or after attaining age 70 and who applies for a  
 28 superannuation annuity to be effective the day after the  
 29 termination of State service or school service, as the case  
 30 may be, shall be entitled to receive a maximum single life  
 31 annuity as of a determination date that is equal to the  
 32 greater of subparagraph (i) or (ii), plus any annuity he may  
 33 be eligible to receive attributable to Class A-5 service  
 34 credit:

35 (i) the sum of the annuities provided in subsection  
 36 (a)(1) through (6) calculated without including any  
 37 annuity attributable to Class A-5 service credit as of  
 38 the determination date; and

39 (ii) the greater of clause (A) or (B):

40 (A) the sum of the annuities provided in  
 41 subsection (a)(1), (3), (4) and (6) as of the  
 42 preceding determination date without including any  
 43 annuity attributable to Class A-5 service credit  
 44 adjusted by the actuarial increase factor, plus the  
 45 annuities provided in subsection (a)(2) and (5) as of  
 46 the determination date; and

47 (B) the maximum single life annuity calculated  
 48 without including any annuity attributable to Class  
 49 A-5 service credit as of the preceding determination  
 50 date adjusted by the actuarial increase factor.

51 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:

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

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

1 determine eligibility for the supplement under paragraph (1)  
2 shall be 70% of his final average salary. For a member who  
3 has Class A-5 service and other classes of service, the  
4 amount to be used to determine eligibility for the supplement  
5 under paragraph (1) shall be determined using the following  
6 formula:

$$A = 0.7 [(FAS^{A-5} \text{ multiplied by } Y^{A-5}/Y^T) + (FAS^W \text{ multiplied by } Y^W/Y^T)].$$

9 (3) The following apply to the formula in paragraph (2):

10 (i) A equals the amount used to determine the  
11 supplement;

12 (ii) Y<sup>T</sup> equals total years of credited service;

13 (iii) Y<sup>W</sup> equals years of service credited in classes  
14 of service other than Class A-5;

15 (iv) FAS<sup>W</sup> equals final average salary calculated for  
16 classes of service other than Class A-5;

17 (v) Y<sup>A-5</sup> equals years of service credited in Class A-  
18 5; and

19 (vi) FAS<sup>A-5</sup> equals final average salary calculated  
20 for service credited in Class A-5.

21 \* \* \*

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

26 Section 320. Section 5705(a) of Title 71, amended December  
27 28, 2015 (P.L.529, No.93), is amended to read:  
28 § 5705. Member's options.

29 (a) General rule.--Any special vestee [who has attained  
30 superannuation age, any vestee who does not have Class A-3 or  
31 Class A-4 service credit having five or more eligibility points  
32 for service other than Class T-E or Class T-F service in the  
33 Public School Employees' Retirement System, or vestee who has  
34 Class A-3 or Class A-4 service credit having ten or more  
35 eligibility points, any member with Class G, Class H, Class I,  
36 Class J, Class K, Class L, Class M or Class N service having  
37 five or more eligibility points or any other eligible member  
38 upon termination of State service who has not withdrawn his  
39 total accumulated deductions as provided in section 5701  
40 (relating to return of total accumulated deductions)] , vestee  
41 or any other member upon termination of State service who is  
42 eligible to receive an annuity as provided in section 5308(a) or

43 (b) (relating to eligibility for annuities) may apply for and  
44 elect to receive either a maximum single life annuity, as  
45 calculated in accordance with the provisions of section 5702  
46 (relating to maximum single life annuity), or a reduced annuity  
47 certified by the actuary to be actuarially equivalent to the  
48 maximum single life annuity and in accordance with one of the  
49 following options; except that no member shall elect an annuity  
50 payable to one or more survivor annuitants other than his spouse  
51 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

1 installment shall be made in the amount and within seven days of  
2 the date specified by the member, except as follows:

3 (1) Upon receipt of a member's application to withdraw  
4 his total accumulated deductions or Class A-5 accumulated  
5 deductions as provided in section 5311(a) or 5701 and upon  
6 receipt of all required data from the head of the department  
7 and, if the member has Class G, Class H, Class I, Class J,  
8 Class K, Class L, Class M or Class N service, any data  
9 required from the county retirement system or pension plan to  
10 which the member was a contributor before being transferred  
11 to State employment, the board shall not be required to pay  
12 the first installment prior to 45 days after the filing of  
13 the application and the receipt of the data or the date of  
14 termination of service, whichever is later.

15 (2) In the case of an election as provided in section  
16 5705(a)(4)(iii) by a member terminating service within 60  
17 days prior to the end of a calendar year and upon receipt of  
18 all required data from the head of the department and, if the  
19 member has Class G, Class H, Class I, Class J, Class K, Class  
20 L, Class M or Class N service, any data required from the  
21 county retirement system or pension plan to which the member  
22 was a contributor before being transferred to State  
23 employment, the board shall not be required to pay the first  
24 installment prior to 21 days after the later of the filing of  
25 the application and the receipt of the data or the date of  
26 termination of service, but, unless otherwise directed by the  
27 member, the payment shall be made no later than 45 days after  
28 the filing of the application and the receipt of the data or  
29 the date of termination of service, whichever is later.

30 (3) In the case of an election as provided in section  
31 5705(a)(4)(iii) by a member who is not terminating service  
32 within 60 days prior to the end of a calendar year and upon  
33 receipt of all required data from the head of the department  
34 and, if the member has Class G, Class H, Class I, Class J,  
35 Class K, Class L, Class M or Class N service, any data  
36 required from the county retirement system or pension plan to  
37 which the member was a contributor before being transferred  
38 to State employment, the board shall not be required to pay  
39 the first installment prior to 45 days after the filing of  
40 the application and the receipt of the data or the date of  
41 termination of service, whichever is later.

42 \* \* \*

43 (d) Statutory interest.--Any lump sum, including a lump sum  
44 payable pursuant to section 5705.1 (relating to payment of  
45 accumulated deductions resulting from [Class A-3 and Class A-4]  
46 more than one class of service), or installment payable shall  
47 include statutory interest credited to the date of payment,  
48 except in the case of a member, other than a vestee or special  
49 vestee, who has not filed his application prior to 90 days  
50 following his termination of service.

51 Section 328. Section 5906(a), (b), (d), (e), (g), (h), (i),

1 (j) and (l) of Title 71 are amended and the section is amended  
2 by adding a subsection to read:

3 § 5906. Duties of heads of departments.

4 (a) Status of members and participants.--The head of  
5 department shall, at the end of each pay period, notify the  
6 board in a manner prescribed by the board of salary changes  
7 effective during that period for any members and participants of  
8 the department, the date of all removals from the payroll, and  
9 the type of leave of any members and participants of the  
10 department who have been removed from the payroll for any time  
11 during that period, and:

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

15 (2) if the removal is due to a transfer to another  
16 department, he shall furnish such department and the board  
17 with a complete State service record, including past State  
18 service in other departments or agencies, or creditable  
19 nonstate service; or

20 (3) if the removal is due to termination of State  
21 service, he shall furnish the board with a complete State  
22 service record, including service in other departments or  
23 agencies, or creditable nonstate service and;

24 (i) in the case of death of the member or  
25 participant, the head of the department shall so notify  
26 the board;

27 (ii) in the case of a service connected disability  
28 of a member, the head of department shall, to the best of  
29 his ability, investigate the circumstances surrounding  
30 the disablement of the member and submit in writing to  
31 the board information which shall include but not  
32 necessarily be limited to the following: date, place and  
33 time of disablement to the extent ascertainable; nature  
34 of duties being performed at such time; and whether or  
35 not the duties being performed were authorized and  
36 included among the member's regular duties. In addition,  
37 the head of department shall furnish in writing to the  
38 board all such other information as may be related to the  
39 member's disablement;

40 (iii) in the case of a member terminating from The  
41 Pennsylvania State University who is a member of the  
42 system with five or more but less than ten eligibility  
43 points and who has terminated State service on June 30,  
44 1997, because of the transfer of his job position or  
45 duties to a controlled organization of the Penn State  
46 Geisinger Health System or because of the elimination of  
47 his job position or duties due to the transfer of other  
48 job positions or duties to a controlled organization of  
49 the Penn State Geisinger Health System, the head of the  
50 department shall so certify to the board.

51 (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

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

8 § 5953.3. Irrevocable survivor annuitant.

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

24 § 5953.4. Amendment of approved domestic relations orders.

25 (a) Deceased alternate payee.--In the event that the  
26 alternate payee predeceases the member or the participant and  
27 there are benefits payable to the alternate payee, the divorce  
28 court may amend the approved domestic relations order to  
29 substitute a person for the deceased alternate payee to receive  
30 any benefits payable to the deceased alternate payee.

31 \* \* \*

32 Section 330. Title 71 is amended by adding a section to  
33 read:

34 § 5953.6. Irrevocable successor payee.

35 (a) Condition.--Notwithstanding any other provision of this  
36 part, a domestic relations order pertaining to a participant may  
37 provide for an irrevocable successor payee if the participant is  
38 receiving a payment pursuant to a payment option provided by the  
39 board that allows for a successor payee.

40 (b) Determination.--A domestic relations order requiring the  
41 designation of an irrevocable successor payee shall be deemed to  
42 be one that requires a participant who is receiving payments  
43 from an annuity or other distribution option to designate an  
44 alternate payee as a successor payee and that prohibits the  
45 removal or change of the successor payee without approval of a  
46 court of competent jurisdiction, except by operation of law.

47 (c) Certification.--A domestic relations order under  
48 subsection (b) may be certified as an approved domestic  
49 relations order by the secretary of the board or his designated  
50 representative. If a domestic relations order is certified under  
51 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

1 Internal Revenue Code of 1986 (26 U.S.C. § 401(a)) and  
2 other applicable provisions of the Internal Revenue Code  
3 of 1986 and the Uniformed Services Employment and  
4 Reemployment Rights Act of 1994.

5 (2) In regard to the State System:

6 (i) The following provisions shall not create an  
7 express or implied contractual right in a member of the  
8 State System, a participant in the State Employees'  
9 Defined Contribution Plan or another person claiming an  
10 interest in the account of a member or participant:

11 (A) A provision of this act which amends 51  
12 Pa.C.S. § 7306 or 71 Pa.C.S. Pt. XXV, in relation to  
13 requirements for any of the following:

14 (I) Qualification of the State Employees'  
15 Defined Contribution Plan as a qualified pension  
16 plan under sections 401(a) and 415(b) of the  
17 Internal Revenue Code of 1986 (26 U.S.C. §§  
18 401(a) and 415(b)).

19 (II) Compliance with the Uniformed Services  
20 Employment and Reemployment Rights Act of 1994.

21 (III) A domestic relations order regarding  
22 an alternate payee of a participant in the State  
23 Employees' Defined Contribution Plan.

24 (B) (Reserved).

25 (ii) The provisions of 71 Pa.C.S. Pt. XXV shall  
26 remain subject to the Internal Revenue Code of 1986 and  
27 the Uniformed Services Employment and Reemployment Rights  
28 Act of 1994 and regulations promulgated under those  
29 statutes.

30 (iii) The General Assembly reserves to itself the  
31 further exercise of its legislative power to amend or  
32 supplement the provisions of 71 Pa.C.S. Pt. XXV solely  
33 in order to maintain the qualification of the State  
34 System as a qualified pension plan under section 401(a)  
35 of the Internal Revenue Code of 1986 (26 U.S.C. § 401)  
36 and other applicable provisions of the Internal Revenue  
37 Code of 1986 and the Uniformed Services Employment and  
38 Reemployment Rights Act of 1994.

39 Section 403. Nothing in this act shall be construed to mean  
40 that:

41 (1) a calculation or actuarial method used by the School  
42 Retirement Board, its actuaries or the School System was not  
43 in accordance with the provisions of 24 Pa.C.S. Pt. IV or  
44 other applicable law prior to the effective date of this  
45 paragraph; or

46 (2) a calculation or actuarial method used by the State  
47 Retirement Board, its actuaries or the State System was not  
48 in accordance with the provisions of 71 Pa.C.S. Pt. XXV or  
49 other applicable law prior to the effective date of this  
50 paragraph.

51 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



1 member and shall not be treated as or deemed to be a  
2 withdrawal of the member's accumulated deductions.

3 (2) As to the State System:

4 (i) This act shall be construed and administered in  
5 a manner that the State System and the State Employees'  
6 Defined Contribution Plan shall satisfy the requirements  
7 necessary to qualify as a qualified pension plan under  
8 section 401(a) of the Internal Revenue Code of 1986 (26  
9 U.S.C. § 401(a)), other applicable provisions of the  
10 Internal Revenue Code of 1986 and the Uniformed Services  
11 Employment and Reemployment Rights Act of 1994. The  
12 regulations promulgated by the State Retirement Board and  
13 the terms and conditions of the plan document and trust  
14 declaration adopted by the State Retirement Board may  
15 include provisions necessary to accomplish the purpose of  
16 this subparagraph.

17 (ii) Nothing in this act shall be construed or  
18 deemed to imply that any member of Class A-5 shall be  
19 required to make contributions to the State System in  
20 excess of the limits established by section 415(n) (3) (A)

21 (iii) of the Internal Revenue Code of 1986 (26 U.S.C. §  
22 415(n) (3) (A) (iii)). A contribution made by a member of  
23 Class A-5 which is determined to be in excess of the  
24 limits shall be refunded to the member in a lump sum  
25 subject to withholding for all applicable taxes and  
26 penalties as soon as administratively possible after the  
27 determination is made. A refund under this subparagraph  
28 shall not affect the benefit payable to the member and  
29 shall not be treated as or deemed to be a withdrawal of  
30 the member's accumulated deductions.

31 (iii) Nothing in this act shall be construed to mean  
32 that an interpretation or application of 71 Pa.C.S. Pt.  
33 XXV or benefits available to members of the State System  
34 was not in accordance with 71 Pa.C.S. Pt. XXV or other  
35 applicable law, including the Internal Revenue Code of  
36 1986 and the Uniformed Services Employment and  
37 Reemployment Rights Act of 1994, before the effective  
38 date of this subparagraph.

39 Section 406. The following shall apply to immunity from  
40 personal liability:

41 (1) Notwithstanding any other provision of law,  
42 fiduciary requirement, actuarial standard of practice or  
43 other requirement, no member of the School Retirement Board  
44 nor an actuary, employee or official of the School System  
45 shall be held liable or in breach or violation of a law or  
46 standard, as an individual, in an official capacity or as a  
47 governmental or corporate entity, for an action or  
48 calculation related to calculating and certifying a final  
49 contribution rate as provided under this act that is  
50 different from the actuarially required contribution rate as  
51 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.